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ORGANISATIONAL
LEADERSHIP AND
PERFORMANCE

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Introduction

Leadership, Organizations and Performance – these are diverse concepts but are strongly influenced by an across-the-board phenomenon i.e. *Globalization*. The constantly accelerating pace of globalization, alongside presenting tremendous opportunities, has also augmented to the challenges for the organizations worldwide. It has revolutionized the leadership tasks for the organizations i.e. now they need to cope with roust change, manage diverse workforce and improve overall organizational performance in the globally competitive world (Schein, 2010). Dynamism now constitutes the basic structure of contemporary organizational culture making it mandatory for the leaders to guide the whole team through developing themselves in first place and then cascading that development to the team members through effective communication (Hansma & Elving, 2008).

This paper aims at tapping the most highlighted issues of contemporary leadership within the context of globalization, organizational change, cultural change and ultimately the organizational performance. These aspects have been closely examined idealizing the leadership icon, **Warren Buffett**, who is the CEO of Berkshire Hathaway and is closely followed by millions of business people. The charismatic personality of Mr. Buffett has been closely examined in accordance with the literature on leadership traits, leadership styles, and impact of globalization on leadership and organizational culture; then finally illustrating the pivotal role played by a leader's communication in leading a dynamic organization.

Leadership and Leadership Traits

Leader is simply a person who can manage to influence a group of people towards achieving a certain goal. Rabey (2010) regards leadership as the measure of the success of *the led*. This implies that a leader is someone whose success lies in the development of his followers and all his efforts are significantly driven by the welfare of his people. The universally accepted qualities of a leader include being visionary, influential enough to gather a following, an effective communicator, result-oriented and able to handle change (Wright, 2009). These traits equally apply to organizational as well as national leaders.

Further, Mark Hurd – the President at Oracle – gives another set of traits specific to the context of an organization. He states that the real challenge to an organizational leader is to put aside everything that does not relate to developing a great strategy, executing it with full force, putting

right people at right places and empowering them to lead in their capacity (Hurd, 2014). Dalglish & Miller (2010) in their book also outline the most important traits that are as important to a leader's personality as is salt to food. They emphasize that an organizational leader needs to possess the drive, a desire to lead, honesty, integrity, self confidence, cognitive ability and knowledge of the business. These traits are mandatory for an organizational leader in order to mentor his workers through thick and thin of a globally competitive business environment. Such skills are not necessarily in-born; learning them is difficult but one can master them through different leadership programs.

Warren Buffett as a Leader

Mr. Buffett perfectly fulfils the conditions of being an organizational leader. He is famously known as *Oracle of Omaha* for his investment picks are closely followed by the investors' community and he dwells in Omaha, USA (O'Loughlin, 2003). He possesses an immutable human nature as a leader as he passionately follows the targets he sets for Berkshire Hathaway. It has been exclaimed as early as in 1997 that Mr. Buffett's investors are more knowledgeable, more committed and richer than other investors (Corrigan, 1997). This shows the success of *the led* that follow him (referring back to Rabey, 2010).

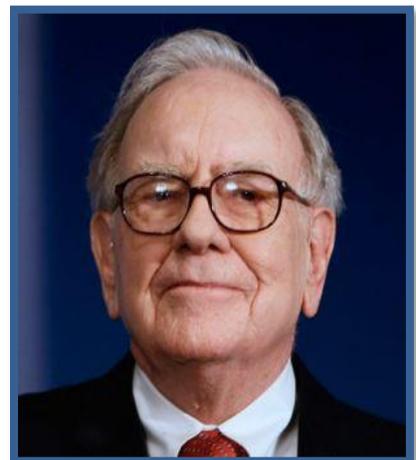


Figure 1: Warren Buffett

Source: Bibliography.com

Further, Buffett is also approved to be an impressive organizational leader according to the checklist provided by Dalglish & Miller (2010). He is very handy at making money and that is all about his business. He took the stewardship of an ailing textile business in 1965 and now the company is an eighty-business conglomerate that earned \$19.5 billion in profits at year end 2013. He has turned to be world's most successful investor. O'Loughlin (2003) states that Buffett's honesty and integrity towards his shareholders make him an exceptional leader. Buffet himself asserts the importance of honesty and integrity by stating that:

‘The CEO who misleads others in public may eventually mislead himself in private.’ Further, his cognitive ability is such that even the CEO’s of highly successful companies like General Electric and JPMorgan Chase ‘make pilgrimages at Omaha’ to seek his guidance (Hill, 2011).

Different Leadership Styles

Different theories and assumptions in the area of leadership have led to a wide range of studies that categorize leadership styles. Iqbal and his fellows (2012) studied different dimensions and approaches to leadership styles and concluded that the most studied and appraised ones include transformational and transactional leadership styles; followed by laissez-faire leadership, charismatic leadership, contingent reward leadership, task-oriented leadership and autocratic leadership styles. The first three leadership styles are considered to be the most important from the research perspective and the contemporary leadership studies find them to be most categorical ones. This paper, therefore, only emphasizes upon the three most famous leadership styles that are largely studied under the contemporary research i.e. transformational, transactional and laissez-faire leadership.

Transformational leadership is the one in which the leader turns himself into a role model in order to gain the trust and confidence of his followers. He is by large future-oriented and innovate even if the organization is doing well with the existing status quo. He believes in empowering and letting his people to develop to their full potential for their maximum contribution to the organizational goals (Emery & Barker, 2007). They are ever-ready to eliminate ineffective processes and systems to facilitate change (Lowder, 2009). Strong idealization, future-orientation and empowering aspects of transformational style closely resemble to the charismatic leadership.

Transactional leadership style, on the other hand, taps the self-interest of the followers where an exchange relationship is built between the leader and the followers. It is more like management where the members are given clearly defined objectives by the leader; they get reward for achievements and are corrected in case of any deviation (Eagly, Johannesen & Engen, 2003). It involves both active and passive management styles.

However, the *Laissez-faire* leadership is totally characterized by passive management where the leader remains absent and show little involvement during critical moments (Eagly, Johannesen &

Engen, 2003). It is often known as management by exception where the leader rarely jumps into the problem until it is really worth it.

These three leadership styles are found to be the most successful ones where the leader believes in the potential and capabilities of the followers. He believes that all men want to work. He only motivates them, promotes democracy, and fosters autonomy. These traits are found in all three; therefore they are consistent with the Y theory of McGregor (Iqbal et al., 2012). Further, the new outlook deeply woven therein is that in contemporary organizations the leadership inspires the followers and cherish them to contribute to the success of the organization (Eagly, Johannesen & Engen, 2003). Therefore, during the interviews conducted by Emery & Barker (2007) most of the workers surveyed in contemporary organizations were found to be more satisfied with these types of leadership.

Where does Warren Buffett Stand?

Warren Buffet is the charismatic leader who has inspired the lives of millions of people in the business world and is working as the CEO of Berkshire Hathaway. Studying the available literature and applying it to Mr Buffet, we find that he is ‘Y – personality’. This is because he exercises the finest combination of transformational and Laissez-faire leadership; and as per Iqbal et al. (2012) both of them are consistent with the Y theory of McGregor. He firmly believes in motivating his people rather than controlling them; in fact motivation is his first priority followed by providing full autonomy to the managers at Berkshire. O’Loughlin (2003) quotes a statement by Bill Child which reveals the secret of Warren Buffett’s magic wand of leadership. He states:

“He (Buffett) has a way of motivating you. He trusts you so much that you just want to perform.”

This shows that he does not really leads from the front; rather he is beyond proactive and democratic leader, who believes in your potential, only makes sure that you are thoroughly motivated and leaves rest on you. Further, the Laissez-faire aspect of his leadership is that he has created an *off-hands culture* (Sorkin, 2011). He delegates. He is more a passive investor rather than an activist. He proclaimed in Berkshire’s annual report for the year 2010 that he lets his subsidiaries to operate on their own without even monitoring or supervising them to any extent.

The managers are allowed to use their independence in a magnificent manner and definitely they show their potential by outperforming (Stern, 2010).

Globalization and Organizational Culture

Globalization has become a major concern for studies and research. It has embraced all the aspects of life and changed the ways of behaving, communicating, transacting, operating and even eating. A very simple view of globalization has been presented by Thomas Larsson, in his book 'The Race to the Top: The Real Story of Globalization' (cited in Al-Rodhan & Stoudmann, 2006). He writes:

'Globalisation is the process of world shrinkage, of distances getting shorter, things moving closer. It pertains to the increasing ease with which somebody on one side of the world can interact, to mutual benefit, with somebody on the other side of the world.'

This definition depicts the simplest form of globalization where it brings people closer the people from different parts of the world in order to ease acquisition of mutual benefits. Another definition proposed by Al-Rodhan & Stoudmann (2006) presents globalization as

'A process that encompasses the cause, course and consequences of transnational and transcultural integration of human and non-human activities.'

This proposed definition is way too broad and entirely covers the multi-facet phenomenon of globalization. The stronger the integration, the deeper is the impact of globalization. The basic assumptions of the Globalization theory indicate that we no longer live in a world divided by borders; and information, people, cultures and products are freely traded across the countries (Rosenberg, 2005). Further, the four major driving forces of globalization process are market forces, technological forces, political or macroeconomic forces and cost forces (Kayode, 2012).

From organizational perspective, globalization has opened new horizons of opportunities alongside challenging circumstances that are difficult to manage. Companies need to cope with roust change, manage diverse workforce and improve overall organizational performance in the globally competitive world (Schein, 2010). This impels the organizations for continuous improvement, continuous innovation and continuous development to compete globally. The organizational culture has also been greatly affected by globalization. The culture of an organization helps in defining the ways in which people see, act and respond to the situations

that repeatedly occur in business activities (Florentina & Raluca, 2012). The top management essentially makes sure by the higher authorities that the values and the main foundations of the cultures are properly learned by the new people. Further, the existing employees are also motivated to develop and transform in accordance with the changing environment. Summing it up it can be concluded that globalization has given birth to *learning organizations*. Learning organizations are those where employees are continuously motivated to learn new things and adopt them for improved performance (Schein, 2010). This culture is known as learning culture and the leaders who promote such culture are recognized as learning leaders.

The traits of learning organizations are widely being studied by business researchers. A list of such traits has been provided by Mehrabi et al. (2013). Learning organizations are substantially characterized by continuous training and development, innovation, risk-taking, high coordination among all workers, team building, excellent flow of communication at all levels, decentralized decision-making and transformational leadership.

Berkshire Hathaway and Warren Buffet – Learning Organization and Learning Leader

Berkshire Hathaway can be doubtlessly regarded as a learning organization led by a learning leader. Prior Berkshire, Buffet was headed as the CEO of Salomon Brothers. The man gave a total turnaround to the organization by rebuilding the ethical culture and acquiring back the firm's reputation lost by a serious scandal. Buffet made significant changes in the organizations' culture based upon strict ethical boundaries, reward allocation on performance derived by ethical commitment (Sims, 2000). He helmed the ailing organization for a short period of time and repainted the picture with his principals of ethics.

Next, he joined Berkshire Hathaway in 1965 and now the company is an eighty-business conglomerate that earned \$19.5 billion in profits at year end 2013. He proved to be an '*Ambassador of Change*' for Berkshire. He turned around everything at the company, ranging from its core business to the organizational culture. The foundation of the corporate culture of the company is that norms and behaviours are more valued than rulebooks (Cunningham, 2014). More than 22,000 employees of the company are headed by only eleven people at the headquarters. This presents the high level of autonomy that prevails therein (Sims, 2000). The employees are entrusted investing in them a great sense of responsibility. All the workers are expected to consider the company assets as if they were their own. With such emotion of

ownership they are left free to learn, innovate, create and perform (O'Loughlin, 2003); like children are let free in a playground to learn. At Berkshire Hathaway's Annual Shareholders Meeting, held on May 3, 2008 in Omaha; Mr. Buffet himself regards the company's corporate culture as *'the best one and a hope for the company's sustainable performance'*. Moreover, such a big company is being driven successfully, all because of its values, norms and the organizational culture.

Communication – The Most Significant Tool for Leadership

Great leaders have the power to envision. They foresee what is in the best interest of the people and lead them to those milestones. This implies that their vision be explicitly communicated to the people as no one would ever follow a leader with an ambiguous idea. Communication is regarded as the lifeblood of an organization and for leading organizations, straight forward and clear communication plays a significant role in achieving positive learning and innovative climate (Tafvelin, 2013). Wise say that:

'Leadership is primarily trust and communication. When you communicate well with people and treat them with respect, they will go through brick walls for you!'

Communication effectiveness and leadership performance are positively correlated. A good communicator is essentially a good leader. In every phase of an organization's journey, communication is an imperative tool for the managers. Especially, during a change management process, communication and high inclusion of the employees directly affected by the change is very critical. This is where organizational leaders play their part; they need to present and deal with effective communication to bring about the success of that change process (Grieve, 2005); i.e. a two-way communication process is very important. Communication also helps a leader in building trust, motivation employees and reminding them the mission and vision of the company. Distortion in upward communication can lead to disasters in organizations (Schein, 2010). Therefore clear, simple and motivating communication is the strongest tool of organizational leadership.

Warren Buffett as a Communicator

Warren Buffett is said to have a unique style of communication. Thousands of people gather at the annual meetings of the company just to listen to the words from his mouth. Zandan & Goldberger (2014) write that even when he delivers a speech on stage behind a podium, he is

having a conversation with the audience. He not only delivers a speech; rather he builds a two way relationship with the audience. According to their analysis, Mr. Buffett's communication style has three most essential factors including authenticity, clarity and storytelling.

Despite being a financial player, he delivers everything to his shareholders using clear and simple language. He uses metaphors and analogies to describe things; his communication is full of facts to put thing on the reality tract and above all he is always honest and transparent to this people (Barren & Knight, 2010). The letter he wrote to his shareholders is a master piece of effective communication where he has embraced the mental and intellectual level of the receivers to fully convey the message.

Conclusion

This paper has provided a comprehensive and detailed outlook of leadership traits and leadership styles; and impact of globalization on leadership and organizational culture; then finally illustrating the pivotal role played by a leader's communication in leading a dynamic organization. Warren Buffet and his company, Berkshire Hathaway have been thoroughly scrutinized using the literature available on the above topics.

It has been established that leaders are people who are self-aware, self-controlled, influential and envisioned. Warren Buffett has been acclaimed as one of the most influential personalities of the world. Transformational leadership, transformational leadership and laissez-faire leadership were found to be the most studied ones; whereas Warren Buffet exercised transformational and transactional leadership.

Further, globalization has been attributed to bring drastic changes to the whole world including business. It impels the organizations for continuous improvement, continuous innovation and continuous development to compete globally; giving birth to the concept of learning organizations and learning culture. Under the stewardship of Buffett, Berkshire Hathaway has undergone extreme changes in culture and norms. After entrusting and motivating them, employees are left free to learn, innovate, create and perform.

Lastly, realizing the importance of communication as the eternal tool to leadership, it has been established that straight forward and clear communication plays a significant role in achieving positive learning and innovative climate. Warren Buffett's communication style has three most

essential factors including authenticity, clarity and storytelling which make him a very good communicator.

If you're in the luckiest 1 percent of humanity, you owe it to the rest of humanity to think about the other 99 percent.

~ Warren Buffet

The words quoted above have flowed out of the mind of one of the world's most influential personalities who understands the responsibility of being among that special 1percent people. Buffet Warren donated around \$30 billion in donations last year which makes the largest ever donation in USA. This shows that he is a leader beyond an organization and this makes me admire him to the limits.

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