



# **Personality, Leadership, and Organizational Effectiveness**

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# Two Views of Leadership

- Leadership is either a function of circumstances (Enron)
- Or leadership is a function of personality (GE)
- We believe leadership is related to personality

# What is Personality? Part I

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

# What is Personality? Part II

- Personality must be defined from two perspectives: The actors and the observers
- The actor's view concerns a person's hopes, dreams, and values (Identity)
- The observer's view concerns how others see that person (Reputation)
- Leaders have distinctive identities and reputations.

# Personality and Leadership

- The leadership literature is overwhelming. It can be separated into two traditions:
  - The Troubadour Tradition: Opinions of self-appointed gurus and former CEOs
  - The Academic Tradition: Empirical research from Academia

# Evaluating the Two Traditions

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

# How to Define and Evaluate Leadership

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

# What Do We Actually Know About Leadership?

- Implicit leadership themes
- Good to great themes
- Personality predicts leadership
- Leadership and business unit performance
- The corporate elite is no race of heroes



# Implicit Leadership Themes

- **Integrity:** keep your word, don't play favorites
- **Decisiveness:** make good decisions quickly
- **Competence:** be good at the business
- **Vision:** explain why it matters

# Good to Great Themes

- CEOs of Fortune 1000 companies with 15 years sustained performance:
  - Amazingly persistent
  - Humble

# Personality and Leadership (I)

- Research shows overwhelmingly that personality (reputation) can be defined in terms of five broad dimensions:
  1. Adjustment – core self-esteem
  2. Ascendance – social potency
  3. Agreeableness – social charm
  4. Prudence – conscientiousness and rule-following
  5. Intellect/Openness – curiosity and vision

# Personality and Leadership (II)

- A recent and definitive meta-analysis (Judge, Bono, Ilies, & Gerhardt, 2002) shows that 4 of the 5 dimensions of the Five-Factor Model predict ratings of leadership independent of the organization or occupational specialty. The best predictor is Adjustment, the weakest is Likeability.

# Leadership and Business Unit Performance

- A recent and definitive meta-analysis (Harter, Schmidt, & Hayes, 2002) shows five important things:
  1. The personalities of managers directly influence employee satisfaction.
  2. When employee satisfaction is high, positive business outcomes result.
  3. When employee satisfaction is low, negative business outcomes result.
  4. The link between leadership and unit performance is mediated by staff morale.
  5. People don't quit organizations, they quit their boss.

# The Corporate Elite is No Race of Heroes

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

# Dimensions of Managerial Incompetence

- **Excitable:** Erratic emotional outbursts (Stephen Jobs, Apple)
- **Cautious:** Risk averse, won't make decisions (CIA & United Nations)
- **Skeptical:** Mistrustful and vindictive (Saddam Hussein)
- **Reserved:** Poor communicator, insensitive to morale issues (Philip Purcell, Morgan Stanley)
- **Leisurely:** Passive-Aggressive meanness (Information technologists)
- **Arrogant:** Narcissistic feelings of entitlement (Bill Clinton)
- **Mischievous:** Careless about commitments, constant lying (Ebberts, MCI)
- **Colorful:** Manages by crisis to be center of attention (Ellison, Oracle)
- **Imaginative:** Bad ideas and decisions (Gerald Levin, Time-Warner)
- **Diligent:** Over-controlling micro-manager (Michael Eisner, Disney)
- **Dutiful:** Too concerned about pleasing superiors (George Tenet, CIA)

# Components of Organizational Effectiveness

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



# Last Thoughts

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