

Personality, Leadership, and Organizational Effectiveness

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THE SCIENCE OF PERSONALITY®



Two Views of Leadership

Two views dominate the study 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 - Universal Themes

- 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 – Individual Themes

*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
- The consensus of outside observers is, the leadership literature is confusing and contradictory.



How to Define and Evaluate Leadership

- Leadership is typically defined in terms of the persons in charge. This is a mistake. Why?
- 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?

- Competency Models
- Implicit Leadership Themes
- Good to Great Themes
- Personality predicts leadership
- Leadership and business unit performance
- The corporate elite is no race of heroes



Competency Models: I

Every well-run organization has a competency model. Every competency model contains the same four themes:

- **Intrapersonal skills:** Integrity, emotional stability, self-control
- **Interpersonal skills:** Able to build and maintain relationships, compassion, empathy, humility
- **Business skills:** Analyzing data, allocating resources, forecasting budgets
- **Leadership skills:** Vision, empowering staff, being a good role model



Competency Models: II

Any competency model can be easily translated into an assessment model:

Competency Theme

- Intrapersonal skills
- Interpersonal skills
- Business skills
- Leadership skills

Assessment Dimension

- Adjustment, Prudence
- Interpersonal sensitivity
- Cognitive Ability
- Ambition, Inquisitive



Implicit Leadership Themes

People want to see four things in their leaders:

- **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

Characteristics of CEOs of Fortune 1000 companies with 15 years sustained performance:

- Amazingly persistent
- Humble



Personality and Leadership (I)

Research shows that personality (reputation) can be defined in terms of five broad dimensions:

1. Adjustment – Poise and self-confidence
2. Ambition – Leaderlike and decisive
3. Agreeableness – Charming and likeable
4. Prudence – Citizenship and rule-following
5. 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, with a multiple R of .55

The best predictor is Adjustment.

The weakest is Likeability.

Personality predicts leadership performance better than IQ



Leadership and Business Unit Performance

An important 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

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.
- Bad managers alienate employees and create negative business outcomes

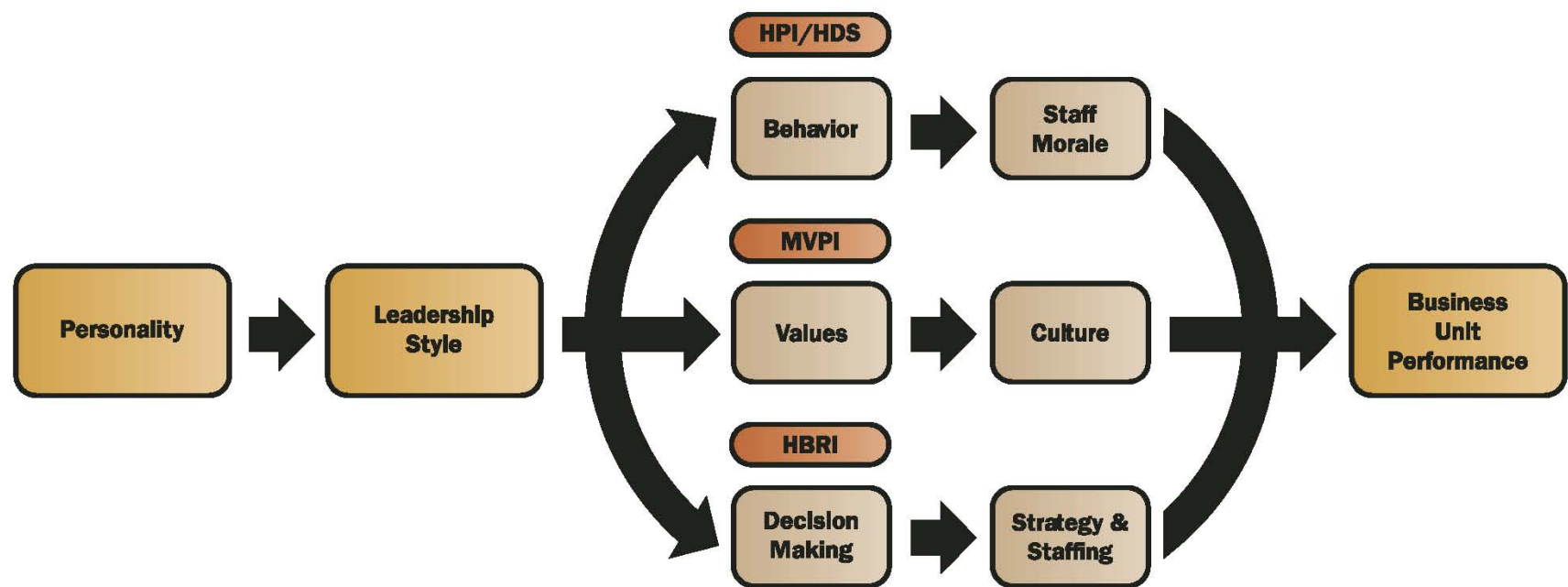


Leadership Matters

- Personality predicts leadership, good or bad.
- Leadership predicts team or firm performance, good or bad.
- What are the mechanisms involved?

The next slide presents our model.

HOGAN LEADERSHIP VALUE CHAIN





Linking Personality and Organizational Performance

- Psychologists focus on leader behavior—the upper path.
- Business schools focus on decision making about strategy, staffing, and structure—the lower path.
- Few people pay attention to values—the middle path. But values drive culture, and some cultures are more productive than others.
- All three paths are a function of personality



What is Personality? Part 3

Operational Themes

At the operational level, we think about personality in terms of the “bright side”, the “dark side” and the “inside”.

- The bright side describes people when they are at their best.
- The dark side describes people when they are being themselves.
- The inside concerns core values



Dimensions of Managerial Competence: The Bright Side of Personality

Hogan Personality Inventory

- **Adjustment:** Calm, stable moods, steady under pressure
- **Ambition:** Competitive, status seeking, initiative taking
- **Sociability:** Talkative, outgoing, approachable (average scores)
- **Interpersonal Sensitivity:** Charming, responsive, warm, and engaging (scores depend)
- **Prudence:** Formal, diligent, conscientious, honest
- **Inquisitive:** Curious, original, unconventional, creative
- **Learning Style:** Up to date, well read, coachable



Dimensions of Managerial Incompetence: The Dark Side

Hogan Development Survey

- **Excitable:** Erratic emotional outbursts (Stephen Jobs, Apple)
- **Cautious:** Risk averse, won't make decisions (CIA & United Nations)
- **Skeptical:** Mistrustful and vindictive (Vladimir Putin)
- **Reserved:** Poor communicator, insensitive to morale issues (Philip Purcell, Morgan Stanley; Stanley O'Neal, Merrill Lynch)
- **Leisurely:** Passive-Aggressive meanness (Information technologists)
- **Arrogant:** Narcissistic feelings of entitlement (Bill Clinton)
- **Mischievous:** Careless about commitments, constant lying (Bernard Madow)
- **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