

# A Stakeholder Model of Organizational Leadership

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## Abstract

Organizations are evolving from the bureaucratic form based upon hierarchy to the new-form or radix organization that has the value chain as its relatively fluid foundation. This article explores the relationship between the radix organization and leadership, viewed through an organization-environment co-evolution framework. It explicates the changes in the leader's role-sets and relationships brought about with the evolution from bureaucracy to the radix organization, developing a model of leadership that is referred to as the stakeholder model of organizational leadership. Stakeholder theory provides the appropriate theoretical basis for this model, as it offers the flexibility to accommodate various leader relationships. The stakeholder model of organizational leadership helps to predict leader effectiveness in organizations characterized by fuzzy organizational boundaries, flattened hierarchies, and work relationships sometimes brought about through contracts instead of employment.

*(Leadership; Stakeholder Theory; New Business Practices; Complexity; Effectiveness)*

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Organizations are experiencing an unprecedented rate of environmental change due to such forces as globalization, rapid transformation and dissemination of technologies, and movement toward market-based socioeconomic systems. According to early organization-environment theories based on the principle of requisite variety (Ashby 1952), an organization's survival depends on its adaptation to environmental changes. More recent theorizing transcends this view, highlighting that organizations also effect environmental change (Lewin et al. 1999, Pfeffer and Salancick 1978). Specifically, through their exploration activities (March 1991) individual firms develop new practices that may influence various levels of their environments (Dijksterhuis et al. 1999).

One of the manifestations of organizational change is movement from bureaucracy toward a new organizational form, referred to here as *the radix organization* or *the*

*radix*. This term, which means root or foundation in Latin, provides a meaningful critical contrast with bureaucracy. Radix stresses the organization's foundation which must meet the challenges of fluctuating vertical, lateral, and external demands, while bureaucracy has come to connote a more narrow emphasis on relatively less fluctuating vertical demands. Just as bureaucracy is an umbrella term encompassing a wealth of related organizational forms, so too is the radix organization. Its related forms share a conceptualization of the organization's foundation as a value chain, the primary and support activities that create value for customers (Denison 1997). The magnitude of the change associated with the radix has not been seen since the industrial revolution and the emergence of bureaucracy (Victor and Stephens 1994).

This article revisits Daft and Lewin's (1993) challenge for theory regarding the new-form organization. It addresses the research question: *How do recent changes associated with the new-form or radix organization affect the practice of leadership?* Leadership theories have assumed that the leader has power over those being led, specifically institutionalized power or authority. Changing business practices have blurred the concept of authority and the distinction between management and non-management personnel. Can an organizational leader be effective with no reliance on institutionalized power or authority? Indeed, can one be an organizational leader but have no authority? It has also been assumed that the domain of organizational members is largely internal, and that relatively few members are in boundary-spanning roles (Thompson 1967). However, many members in the radix organization are in boundary-spanning roles. Can an organizational leader's institutionalized power extend to those outside the leader's hierarchical domain, including those outside the leader's organization?

In the attempt to answer these questions, recent theorizing regarding the radix organization is reviewed. A model is developed in which organizational leadership is

shown to both respond to, and induce, environmental change. Stakeholder theory is drawn upon as the basis for the new nonhierarchical conceptualization of leadership, referred to as the stakeholder model of organizational leadership, as stakeholders may include those inside the firm or outside of it, with no assumption of managerial authority over stakeholders. A review of business practices associated with the radix is next presented, from which it is determined that we are witnessing the relative decline of traditional managerial authority in leader relationships and a concomitant increase in alternate types of authority. In the radix organization, authority tends to mean power to guide cooperation for task accomplishment, rather than power to direct the actions of a predefined group of persons within the organization. This is a change from “power-over” or authority of command, to “power-to,” the ability to implement (Ackoff 1993, p. 26). Propositions are developed regarding leader effectiveness, based on the changes in the leader’s role-sets and relationships that occur with migration to the radix organization.

The stakeholder model of organizational leadership contributes to the management literature. It is aligned with ongoing organizational trends in which leaders increasingly rely on nonhierarchical relationships, and in which leaders may or may not be managers. The model extends the application of stakeholder theory, which has traditionally been applied at the firm’s executive level, to individual leaders at various organizational levels. The model also incorporates and extends research regarding leader complexity to the radix organization.

## Leadership and the Coevolution of Organizations and Environments

Leadership is one of the most widely studied constructs in the management field (Bass 1981, Yukl 1994), and has many definitions. It will be defined here as “. . . influential increment over and above mechanical compliance with routine direction of the organization” (Katz and Kahn 1966, p. 302), connoting leadership with organizational change. This article will focus on the relatively unexplored relationship of organizational leadership with supraorganizational change, through adaptation of the coevolution framework (Lewin et al. 1999).

The coevolution framework transcends previous theories. While theories such as population ecology and resource-based theory contribute to our understanding, they are single-themed and fragmented, placing insufficient emphasis on how environmental change may emerge from the organizational level (Lewin and Volberda

1999). Organizational change may indeed beget environmental change—and organizational leadership is instrumental in this process. The environmental force of information technology can be traced to firms such as Apple, Microsoft, and AOL, whose influence is inextricably linked to the leadership of Jobs, Gates, and Case, respectively. Globalization intensified through the transformational leadership of Branson of Virgin, Barnevik of ABB, and Simon of British Petroleum (Kets de Vries and Florent-Treacy 1999). And Toyota’s production system, spearheaded by its leadership, came to serve as a model for Japanese industry and the world (Womack and Jones 1996).

The new-form or radix organization reflects the transition from the industrial to the postindustrial or knowledge-based age. The industrial age was characterized by the conventional wisdom that land, labor, and capital were the factors of production. The transition to the postindustrial age has brought to the forefront a factor of production—knowledge—which is critically different from the others. Land, labor, and capital are subject to diminishing returns; i.e., the output associated with greater use of the factor increases at a decreasing rate. Knowledge is not subject to decreasing returns; output associated with it instead increases at an increasing rate (Reich 1992). This implies that we have little experience upon which to understand this factor; indeed, our experience with other factors may be a hindrance here.

Due to automation, a better-educated workforce, and other determinants, in advanced economies the human factor of production is largely shifting from labor, those who are employed to do as told, to human capital, those who are employed to think (Pfeffer 1996). The earlier distinction between managers/leaders and other employees has disappeared somewhat with the migration to the postindustrial age. For example, quality circles and other new practices are based upon the assumption that those who perform a function are capable of thinking about how to improve the function, and should be empowered to do so for the benefit of the organization. An implication, which is similar to that of the point above, is that relationships between manager/leaders and other employees have changed, and that use of industrial-age models may exacerbate rather than alleviate current problems.

While knowledge is created by the firm’s human capital, individual employees are not the sole influence in knowledge creation. Knowledge might instead be the property of a collective, such as a team, in which it is generated and shared across members. The firm’s social capital, based upon its trusting relationships or networks,

also influences knowledge creation. Indeed, the acquisition and exploitation of knowledge are predominately social processes (Kogut and Zander 1992). The firm's ability to generate social capital, and thus generate collective knowledge, is related to its structure, culture, and processes, its intangible assets or resources. These resources are particularly critical to the firm's strategic position, as they may be firm-specific and socially complex, rendering them difficult to imitate by others (Barney 1991). The implication is that a firm's ability to sustain competitive advantage by creating value for customers is increasingly based upon its treatment of human capital and its generation of social capital, as well as its ability to discern and influence environmental forces.

The radix organization is a reaction to bureaucracy, the organizational form of the industrial age, and attempts to overcome bureaucracy's tendencies toward excessive size and hierarchy through implementation of market-based techniques within the firm (Ackoff 1993). Its primary focus is the customer, who may be a global customer. Accordingly, organizational design should facilitate customer relationships that are seamless across multiple products and regions (Galbraith 2000). Some of the common characteristics of the radix are flexibility and agility (Volberda 1996), fluid and permeable boundaries (Kanter 1990), and emphasis on lateral relationships across functions, business units, and geographic regions (Galbraith 1994). These characteristics reflect that the new-form is intentionally underdetermined (Denison 1997), rendering it more responsive and adaptive than bureaucracy (Wheatley 1992).

The radix organization utilizes the collective resources of several firms located along the value chain, recognizing that multiple value chains may exist and that shifts in value chains based on evolving core competencies may represent strategic opportunities. Thus, the radix organization acknowledges the unique competencies of other organizations, and tends to link them into its value chain. This reconfiguration of the value chain offers the firm the advantages of greater flexibility and speed, and lower risk, compared to the other strategic options of confiscating the competencies through takeover activity, or attempting to replicate them through internal expansion to achieve vertical integration.

The coevolution framework makes use of multidirectional causality and multiple environments in explaining new organizational forms. Multidirectional causality is illustrated in the previous examples of how organizational leadership influences, as well as is influenced by, environmental forces (See Figure 1). The framework's multiple environments consist of extrainstitutional, institutional, and industry. As noted above, the extra institutional forces

of technological advances and globalization facilitate evolution toward the radix organization. Managerial logic, with recent movement from a modern to postindustrial logic, supports the radix and its relative emphasis on exploration of the new rather than exploitation of the existing.

The institutional environment reflects differences in regulation, capital markets, and governance. These differences help to explain variation in organization form across countries (Whitley 1994), and the relative acceptance of, or resistance to, the radix organization. In the third aspect of the environment, industry, new hyper-competitive strategies emphasizing speed encourage a more adaptive and flexible organization form (Ilinitch et al. 1996). Internal organizational aspects of the coevolution framework include managerial action, strategic intent, organizational adaptation (exploitation and exploration), and leadership.

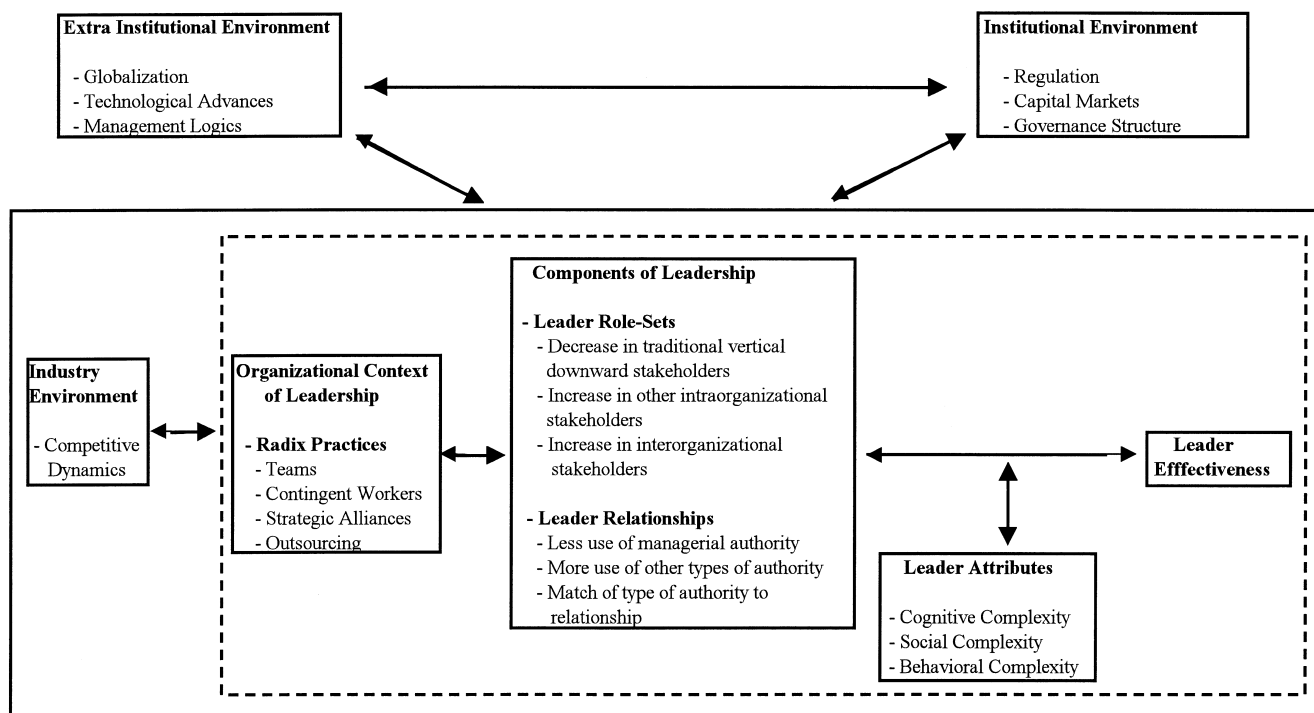
As the radix organization is primarily organized laterally across a flexible value chain, and the generation of social capital is viewed as critical to knowledge creation and competitive position, its leaders are involved in a multitude of intra- and interorganizational relationships. Accordingly, the ontological basis for the leader's role-set, historically the leader's hierarchical position, should be changed. Stakeholder theory contributes the needed theoretical basis for organizational leadership in the radix organization.

## **Applying Stakeholder Theory to Organizational Leadership**

Stakeholder theory conceptualizes the firm as a series of groups with different respective relationships to it. Stakeholders consist of internal organizational members, including employees, managers, and board members; external members, such as owners, customers, suppliers, and competitors; and hybrid members engaged in inter-organizational cooperative activity with the firm. While a primary focus of stakeholder theory has been the ethical principles guiding stake management, Mitchell et al. (1997) conclude that normative concerns alone are necessary but insufficient criteria for addressing stakeholder interests. Clarkson (1995) offers that stakeholders are defined in terms of a focal social actor, permitting the theory to be applied appropriately to individuals as well as organizations. Thus, the theory is rendered suitable for integration with literature regarding organizational leaders' domains.

Stakeholders have the potential to influence or affect the firm, and/or be influenced or affected by it (Freeman 1984). They influence the firm through their words and deeds, through covert signals and overt protests, and most

**Figure 1 A Stakeholder Model of Organizational Leadership**



importantly, through their ability to help or hurt the firm’s ability to create value. Stakeholders are conceptualized here as the various parties along the firm’s value chain configurations that influence its value creation. They might contribute to, or benefit from, the value creation, or they might hurt or suffer from it. Their bargaining power influences their ability to appropriate the rents associated with value creation (Coff 1999). Some stakeholders may not be supportive, which may justify a defensive reaction. However, effective leaders will tend toward cooperative stakeholder relationships, to maximize their potential benefits (Hooijberg and Schneider 2000). For example, a competitor may present the opportunity for a cooperative alliance into a new market, and compensating employees at above-market wages may lead to greater commitment and a high performance culture.

In keeping with much leadership theory, the stakeholder model of organizational leadership has leader effectiveness as its dependent variable (see Figure 1). It is defined as the collective sense of the leader’s efficacy, based on the perceptions of multiple stakeholders. This definition follows and extends measures employed in previous research, in which perceptual data have been used to measure leader performance (Denison et al. 1995). As few leaders are able to gain reputational effectiveness

concurrently from multiple constituencies (Hart and Quinn 1993, Tsui 1984), this criterion is a critical test of the leader. Effectiveness reflects stakeholders’ narrow assessment of how the leader is performing in terms of their respective expectations, and broad assessment of the leader’s overall effectiveness across stakeholder groups. This approach is related to Hooijberg’s (1996) conceptualization of leader effectiveness, which includes multiple perceptions and measures of the leader’s performance.

In order to delineate the independent variables within the model, the next two sections specify how practices associated with the radix organization both influence, and are influenced by, leadership. The sections correspond to two major areas of study within the leadership literature: leader role-sets and relationships. (See Figure 1.) Each section brings forth how evolution to the radix organization has affected the practice of leadership. The section on leader role-sets develops a proposition regarding the breadth of the leader’s role-set and leader effectiveness. Immediately following is the section on leader relationships, which includes a discussion of the various types of authority. Propositions are developed regarding the breadth of the leader’s repertoire of authority types, the leader’s tendency to engage in the specific authority type(s) that are most appropriate for a given relationship,

and leader effectiveness. The section that immediately follows, on leader attributes, culminates in a final proposition regarding the leader attributes positioned to be particularly critical to leader effectiveness.

## Leader Role-Sets Within the Stakeholder Model of Organizational Leadership

### The Literature on Leader Role-Sets

The management field has historically tended to link and confound the constructs of leadership and management. The seminal Ohio State studies emphasized leadership behaviors within the manager-subordinate relationship (Bass 1981), and leadership has been viewed as an interpersonal managerial role having to do with motivating subordinates (Mintzberg 1973). Leadership came to be associated with the empowered party in vertical authority-based relationships.

But researchers also put forth that many relationships influence managerial leaders' behaviors and effectiveness. Networking, the development and maintenance of cooperative organizational relationships, has been linked to managerial leader effectiveness (Yukl 1994). Osborn et al. (1980) stressed the importance of the leader's orientation toward vertical and lateral relationships. Studies found that their broader sets of relationships influence managerial leaders' behaviors (Pfeffer and Salancik 1975), and that managers gain a reputation for effectiveness by meeting the varying expectations of superiors, subordinates, and peers (Tsui 1984). The vertical dyadic linkage model came to be extended into a network of multilevel, multidomain relationships (Graen and Uhl-Bien 1995).

In summary, by defining leadership as a managerial role and limiting subjects in leadership studies to managers, much research confounded the constructs of leadership and management. Yet, it was found that leaders' relationships with others also influence their effectiveness. Recent research has extended the managerial leaders' role-set beyond subordinates to include supervisors and peers, but leaders' wider role-sets continue to be neglected; e.g., persons outside the organization, and those linked to the leader by a diagonal relationship. However, the neglect of both leaders without managerial authority and leaders' wider role-sets was not a shortcoming historically, given that organizations depended on supervision as a key control mechanism and that most managers were not in boundary-spanning positions. It was appropriate to assume that the leader had managerial authority and that their relationships with subordinates were primary influences on leader effectiveness. But new business practices have come to undermine this assumption.

### New Business Practices and the Leader's Role-Set

To specify the characteristics of leadership associated with effectiveness within the stakeholder model, this section examines the key business practices that have developed under the managerial logic of the postindustrial age. Their effects include the expansion of leaders' role-sets to include new stakeholders, an increased propensity for leaders to lack managerial authority, and greater leader role complexity brought about through their simultaneous involvement in several organizations or social systems (Katz and Kahn 1966).

*Increased Use of Teams.* Organizations have increased their reliance on team-based structures (Stewart and Manz 1995). A team is a collection of task-interdependent individuals who share responsibility for outcomes, are embedded within a larger organization/social system, and manage their relationships across organizational boundaries. Team classification criteria include their degree of self-management, the nature of team memberships, and the purpose or function of the team (Dunphy and Bryant 1996). Team effectiveness encompasses both organizational components, such as improvements in product quality, and employee components, such as improvement in job satisfaction (Cohen et al. 1996).

Teams are frequently self-managed and/or cross-functional. Self-managed teams demonstrate collaborative teamwork (Kirkman and Shapiro 1997). They have increased autonomy and are delegated many responsibilities that were traditionally under the domain of managers. Self-managed teams may also be self-led when members are innovative and set their strategic direction. The design of the team's organizational context, however, remains management's responsibility (Hackman 1987).

Cross-functional teams consist of members with different functional expertise. These teams cut across functional silos and hierarchy to create competitive advantages including increased speed to market, improved customer focus, and enhanced organizational learning (Parker 1994). It has been noted that "The context of cross functional teams is complex and differs from that of more conventional teams in that it includes hierarchical, lateral, and inter-team dependencies that require continuous negotiation" (Denison et al. 1996, p. 1011). For example, team members may also have an alternate membership in their functional area, leading to potential role conflict.

Team leaders may be assigned by management and thus have managerial authority over other team members, or may emerge through the team's informal processes (Manz and Sims 1987) and thus lack managerial authority. Teams with no appointed leader reflect trends toward

greater employee empowerment and autonomy. The use of teams suggests decreased reliance upon managerial authority as a coordinating mechanism.

The use of teams is also associated with the expansion of leaders' role-sets and greater leader role complexity. In the case of cross-functional teams, appointed leaders often maintain their traditional functional position and role-set relationships while serving as team members. Thus, the cross-functional team leader faces role-set expansion and increased role complexity in negotiating the requirements of several roles. In the case of self-managed teams, role-set expansion occurs as internally selected team leaders assume responsibility for tasks that were formerly performed by managers. Fulfilling the new tasks may also result in increased role complexity.

*Increased Use of Contingent Workers.* The long-term employment contract has been broken, replaced in part with the use of contract or contingent employees. Contingent workers include temporary employees recruited by the hiring firm, those hired through temporary agencies, and independent contractors who are either self-employed or employed by another firm (Rousseau and Libuser 1997). Firms hope that using contingent workers will cut costs, increase flexibility, and avoid potential problems associated with legal and regulatory compliance regarding permanent employees.

As has been discussed, traditional theories of leadership have assumed that those leading and those being led are employed by the same organization and are in a manager-subordinate relationship. The contingent workforce therefore represents a significant area for study due to the challenge it poses to traditional theory and practice (Pearce 1993). First, while a leader and contingent worker may be in a vertical dyadic relationship, it will differ substantially from the traditional vertical dyadic relationship based upon managerial authority. Second, contingent workers may be members of other organizations while performing tasks within the leader's organization, and thereby increase their leader's role complexity.

*Strategic Alliances.* A hallmark of the current business era is that many firms are choosing to engage in cooperative interorganizational activities (Ring and Van de Ven 1994). Strategic alliances are driven both by strategic needs to develop or enhance competitive advantage, and by social opportunities that influence the emergence of interfirm cooperation (Eisenhardt and Schoonhoven 1996). Some alliances exploit the productivity of capital and assets through joint maximization of complementary assets, while others are exploratory, involved in the pursuit of new opportunities (Koza and Lewin 1998).

Cooperative relationships present a need to develop influence without the formal authority to command. Membership in alliances results in a new boundary-spanning role for leaders not based on managerial authority, and increases their role complexity through involvement with other organizations.

*Outsourcing.* Outsourcing refers to a firm's reliance on external sources for particular value chain activities that were previously performed internally. Increased use of outsourcing reflects the view of the firm as a series of internal markets that contract with one another and with external markets based on efficiency and other criteria (Halal 1994). Accordingly, the firm should bifurcate its value chain activities into areas in which the firm has great value-adding competency, or which are considered critical strategic needs, and areas in which the firm has no special capability, or which are not critical. The former group should remain internalized and the latter should be outsourced, so that the firm can concentrate its efforts on developing and fully exploiting its competencies (Saunders et al. 1997).

The outsourcing of previously internal functions results in the need for boundary-spanning activities by leaders who previously interacted solely with internal organizational members. Thus, outsourcing results in a new inter-organizational role for leaders and increases their role complexity. Furthermore, the outsourcing relationship is not based on the managerial authority of the leader. Indeed, the practice may be viewed as an attempt by organizations to mitigate reliance upon managerial authority as a control mechanism.

As organizations tend to develop the leadership that best suits them at a point in time (Wheatley 1992), migration from bureaucracy to the radix organization influences the practice of leadership. It is proposed that those leaders who are viewed as effective across multiple stakeholder groups will tend to engage successfully in the business practices that have been outlined here. Thus, they will attract and retain a diverse array of organizational stakeholders in their intrafirm and boundary-spanning activities:

PROPOSITION 1. *There will be a positive relationship between the breadth of a leader's role-set to include multiple stakeholders and leader effectiveness.*

## **Leader Relationships Within the Stakeholder Model of Organizational Leadership**

The review of the radix organization's business practices indicates that, contrary to traditional models, many of the

leader's role-set members are no longer subordinate to the leader's managerial authority; indeed, the leader may not have managerial authority. This section reviews the literature on authority to ascertain whether the construct is sufficiently broad to include the new relationships associated with the stakeholder leadership model.

### **Authority and Intraorganizational Relationships**

The concept of authority, also known as managerial authority or institutional power, is found in Weber's (1968, p. 954) typology of power. Managerial authority is obedience to rational rules ". . . which meet with obedience as generally binding norms whenever such obedience is claimed by him whom the rule designates." It is associated with position in a bureaucracy, defined as the power to make decisions that guide the actions of others. Managerial positions are authority laden, as evidenced by subordinates' acknowledgment of the legitimacy of the power and willingness to yield to it (Simon 1957). While managers may indeed have other sources of power, it is authority or legitimate power that differentiates managers from nonmanagers.

However, the authority that characterizes vertical relationships has never been the sole type of authority in organizations. Weber (1946, p. 947) noted that ". . . relationships of domination may exist reciprocally. In modern bureaucracy, among officials of different departments, each is subject to the others' powers of command insofar as the latter have jurisdiction." As the tidy flow of authority in vertical relationships becomes muddled by lateral relationships, the management field has generally tended to dwell on vertical authority relations (Osborn et al. 1980). Some attempt has been made to fill the gap in theorizing about authority in lateral relationships with the concepts of staff and matrix authority. Staff authority is the ability to influence or advise but not direct. Matrix authority is specific to managers who have authority over assigned projects, but rely on other managers to accomplish the process. Because the domains of staff and matrix authority are specific to certain types of lateral relations, they are not sufficiently broad to encompass the wealth of lateral relations in organizations that have been outlined in studies (Whyte 1969).

Vertical relationships within the organization are often labeled as "formal" and lateral relationships as "informal." For example, Mintzberg (1979) puts forth that vertical relationships generally rely on the formal control mechanism of direct supervision, whereas lateral relationships rely on the informal communication of mutual adjustment. Jaques (1976) instead argues that authority is a matter of degree and type, and has developed a typology of authority relationships in organizations (see Table 1).

Several types of authority found in the typology rest on long tradition. Managerial authority (Type 1), the right to direct subordinates, has dominated the management literature. Supervisory authority (Type 2) is associated with managerial authority because it gives supervisors the right to monitor subordinates, while a higher-level manager sets the standards that are inherent in the supervisor's monitoring. Staff authority (Type 3) is the right to advise but not direct, and attachment (Type 4) is akin to matrix authority.

The typology includes several types of authority that have not been the subject of much discourse in management, despite the fact that some can be traced to the seminal writings of Weber and others. These nontraditional types of authority are more prevalent and more critical in the radix organization than they were in bureaucracy. Prescribing authority (Type 5) is a strong type of authority, second only to managerial. It is exemplified by the doctor-nurse relationship in hospital settings. Like managerial authority, prescribing authority grants one the rights to decide limits, appraise conformity to them, and give orders to others regarding tasks. However, the prescriber, unlike the manager, does not have the power to confer the prescriber's performance evaluation, although the prescriber can make recommendations regarding it.

Monitoring/coordinating and collateral authorities are applicable to lateral relationships. Under monitoring/coordinating authority (Type 6), the coordinator works within a task-based framework that has been agreed upon by all concerned parties. This authority is associated with those who monitor and coordinate teams, relying upon persuasion in place of direction. Collateral authority (Type 7) suggests the reciprocal authority described by Weber. It is bilateral, characterized by the equal ability to persuade and to be persuaded. Collateral authority depends on mutual interests to develop the cooperation necessary for task achievement.

### **Authority and Strategic Alliances**

Just as authority is one of several control mechanisms within an organization, so too is authority one of several mechanisms within cooperative alliance relationships. Some have positioned such relationships as hybrid governance structures, which bridge the structures of markets and hierarchies (firms) and incorporate some aspects of each (Hennart 1993, Williamson 1991). Accordingly, the use of authority would be manifested in cooperative relationships that tend toward the features of hierarchies, and would appear less in more marketlike relationships. But, greater development of the association between authority and cooperative relationships is necessary, to illustrate how effective leaders in the radix organization

**Table 1** A Typology of Authority

Number	Name	Traditional or Nontraditional	Limit Setting	Task Initiation	Appraisal of Personnel Competence
1	Managerial	Traditional	Decide	Order	Decide
2	Supervisory	Traditional	Recommend	Order	Recommend
3	Staff	Traditional	Recommend	Order	—
4	Attachment/Matrix	Traditional	Decide	Order	Limited
5	Prescribing	Nontraditional	Decide	Order	Recommend
6	Monitoring/Coordinating	Nontraditional	Recommend	Persuade	—
7	Collateral	Nontraditional	Limited	Persuade	Limited

Adapted from Elliot Jaques. 1976. *A General Theory of Bureaucracy*. Halsted Press, NY. p. 263.

depend upon a repertoire of authority types with their hybrid stakeholders.

Grandori (1995) describes the key types of alliances or networks. Social networks such as industrial districts, an informal type, are distinguished by personal relationships in which coordination is not codified into a contract. Bureaucratic networks such as franchising and cartels are formalized contractual agreements. Proprietary networks or joint ventures are common when uncertainty and the potential for opportunism are particularly present, and rely upon property rights or ownership to control members' behavior. In operator joint ventures, one partner assumes responsibility for the venture; and in shared joint ventures, partners contribute complementary skills and comanage the venture. In the autonomous type, the joint venture is its own company with relatively little direct influence from the partners (Galbraith 2000).

I put forth that effective alliance leaders will tend toward use of the types of authority that are most appropriate for the type of cooperative relationship. The use of trust as the key control mechanism in social networks indicates that leaders in these networks will largely rely upon the nontraditional types of authority—prescribing, monitoring/coordinating, and collateral. There will be relatively little use of any type of authority in bureaucratic networks, in which there is greater reliance upon contract. In operator joint ventures in which one firm dominates, I suggest that leaders will rely upon a mix of types of authority, but may have to rely upon the more traditional types when conflicts arise. In shared ventures with cooperation across lateral relationships, leaders will place greater reliance upon the nontraditional types of authority. And in the autonomous type, in which ventures operate independently of their owner-firms, leaders will rely upon the broad mix of types outlined in the previous section on organizational relationships.

In keeping with the role-set expansion and increased

boundary-spanning activities associated with migration from bureaucracy to the radix organization, I propose that effective leaders will utilize a broad repertoire of authority types rather than largely rely upon managerial authority. Further, the leader-stakeholder relationship will be a moderating variable regarding authority type. Effective leaders will differentiate leader-stakeholder relationships from each other in meaningful ways, and will tend to engage in the type(s) of authority that are most appropriate for a given leader-stakeholder relationship:

**PROPOSITION 2.** *There will be a positive relationship between the breadth of a leader's repertoire of authority types and leader effectiveness.*

**PROPOSITION 3.** *There will be a positive relationship between a leader's tendency to engage in the specific type(s) of authority that are most appropriate for a given leader-stakeholder relationship and leader effectiveness.*

## Leader Attributes Within the Stakeholder Model of Organizational Leadership

Effective leaders are able to assess stakeholders' respective abilities to influence and affect, and to be influenced and affected by, the leader. The leader needs to discern ". . . who and what really counts . . ." (Mitchell et al. 1997), which is a significant intellectual challenge given the maze of stakeholders. Some stakeholders may be well known and predictable; others are more peripheral and ambiguous. Further, stakeholders may not have dyadic ties with the leader, but may instead form networks to fortify their positions (Rowley 1997).

Mitchell et al. (1997) develop the criteria of legitimacy,



power, and urgency to classify stakeholder salience. Legitimacy is the perception that the actions of a stakeholder are desirable or appropriate. A stakeholder has power to the extent that he/she develops an image of access to coercive, utilitarian, or normative power, and utilizes this image to impose his/her will. Urgency reflects the perception of time sensitivity, and the criticality or importance of a stakeholder claim. Effective leadership requires the cognitive ability to make keen assessments of the relative legitimacy, power, and urgency of stakeholders.

I have proposed that effective leaders have relationships with a broad range of stakeholders that make use of various types of authority. Given these challenges, effective leaders must possess significant cognitive, emotional, and behavioral abilities to cope with their complex environments. Several research streams theorize about leadership as a complex systems phenomenon (Jacobs and Lewis 1992). Osborn et al. (1980) posit that leadership is subject to multiple influences such as setting, group environment, and the nature of the group. Others put forth that leaders must deal with tensions among competing values (Denison et al. 1995, Hart and Quinn 1993), and competing constituency expectations (Tsui 1984).

The Leaderplex Model of Hooijberg et al. (1997) proposes that individual attributes and their interactive effects are related to the leader's effectiveness in dealing with organizational complexity. Leader complexity is essential for effectiveness, given the organizational complexity that the leader faces: "Complexity implies the ability to respond to a host of ambiguous and contradictory forces, including the simultaneous presence of opposites" (Denison et al. 1995, p. 526). The complexity attributes of the Leaderplex Model have been incorporated into the stakeholder model of organizational leadership to reflect the individual leader's relative ability to respond to a context of multiple stakeholders and authority relationships. (See Figure 1.)

Cognitive complexity is the ability to think in a multidimensional, abstract manner and to synthesize information at various levels of abstraction (Jaques 1976). It has two dimensions: differentiation and integration. Differentiation is the number of characteristics of a problem one discerns, and integration is the number of connections and rules governing the connections made among the differentiated concepts (Boal and Whitehead 1992). Leaders particularly require cognitive complexity when the time span of decisions is lengthy, the decision environment is uncertain, and tasks require the ability to synthesize component parts (Jacobs and Lewis 1992).

Social complexity, the ability to apply interpersonal skills in a socially appropriate manner, reflects the leader's social perceptiveness and response flexibility

(Zaccaro, Foti, and Kenny 1991). Leaders who are socially complex have more developed and complex knowledge structures regarding people and situations, greater understanding of critical social organizational problems, and more adaptive responses to these problems than non-leaders do (Zaccaro, Gilbert, Thor, and Mumford 1991). The Leaderplex Model highlights the dimensions of social differentiation and integration. Social differentiation is the ability to discriminate aspects of a social situation, including the capacity to differentiate emotions in one's self and others. Social integration is the capacity to synthesize the components of a social situation that leads to increased understanding of the social context and accomplishment of instrumental objectives.

Cognitive complexity is thought to be necessary but insufficient for leader effectiveness in complex situations. Effective leaders are also behaviorally complex, tending to "... act out a cognitively complex strategy by playing multiple, even competing roles, in a highly integrated and complementary way" (Hooijberg and Quinn 1992, p. 164). Accordingly, effective leaders will demonstrate a wider repertoire of roles than less effective leaders. This tendency has been supported in empirical testing of the roles associated with the Quinn Leadership Model (Denison et al. 1995, Hart and Quinn 1993). Hooijberg (1996) has proposed that two components of behavioral complexity, repertoire and differentiation, respectively reflect leaders' behavioral flexibility and the suitability of their behaviors to their organizational context.

In summary, effective leaders exercise judgment in assessing the salience of stakeholders, possess the ability to apply interpersonal skills in a socially appropriate manner, and have a repertoire of leadership roles that spans a range of potential situations. (See Figure 1.)

*PROPOSITION 4. There will be a positive relationship between a leader's cognitive, social, and behavioral complexities and leader effectiveness.*

## Conclusion

Leadership exists because of changing environmental conditions that affect the organization, and the incompleteness of organizational design (Katz and Kahn 1996). The emergence of the radix organization has indeed increased the need for leadership, to respond to changing environmental conditions and to fill the empty space resulting from the "collapse of structure" (Hatch 1999) as we have known it. The stakeholder model of organizational leadership is markedly different from the dominant conceptualization of leadership that developed under bureaucracy. Traditional leadership theories apply within an organizational context of discernible organizational

boundaries, a tendency toward towering hierarchy, and reliance on managerial authority. The stakeholder model of organizational leadership applies to an era of fuzzy boundaries, relatively flattened hierarchies, and work relationships sometimes brought about through contract instead of employment.

The stakeholder leadership model displayed in Figure 1 and its related propositions address issues regarding the relationship of a leader with those outside of the leader's hierarchical domain. It is offered that multiple types of authority are possible in relationships within and across organizations. Some may disagree with this position, viewing authority as limited to managerial authority and other types of relational control as informal mechanisms, such as mutual adjustment. Accordingly, organizations are becoming more informal and authority is employed less frequently.

I instead offer that an organization's sanctioning of its leaders as legitimate is necessary to signal support for their efforts. Authority, or organizationally sanctioned power, continues to be required in organizations to promote the cooperation necessary for goal achievement. As organizations become more flexible and place more emphasis on lateral and interorganizational relationships, the concept of authority is adapting to reflect these relationships. Authority is coming to mean power to guide cooperation for task accomplishment, rather than power to direct the actions of a predetermined group within the organization. While the concept of authority is broadened in this definition, it remains distinct from the broader concept of power. Power includes influence that may not be institutionally sanctioned; indeed, charismatic influence can actually work against institutionally sanctioned power.

The stakeholder leadership model describes how leadership has come to evolve with the radix organization. The model is at a developmental stage, and is presented with the intention of promoting research to further fill the gap between leadership theory and practice. Study of the types of authority is in order, particularly regarding the leader's sensemaking process of discerning which type is appropriate for a relationship, and regarding the stakeholder's role in influencing or negotiating the authority (Barnard 1938/1968). In addition, study should address the interplay between leadership and the institutional force of culture in terms of the radix organization. Diversity in leadership practices will tend to emerge as the radix becomes diffused across cultures, reflecting how institutional forces come to shape both the diffusion process and its outcomes.

In particular, study is necessary regarding leader behaviors within the radix organization. Leaders will continue to initiate structure by creating and defining roles

to facilitate goal attainment, and will continue to exhibit consideration for others by developing relationships characterized by trust, respect, and concern (Fleishman and Peters 1962). However, the specific behaviors associated with these tasks have adjusted to reflect the radix organization. Bureaucracy had emphasized hierarchy and reliance on managerial authority. Accordingly, leader behaviors associated with initiating structure were about the delineation and direction of the activities of subordinates. Leader behaviors associated with consideration tended to be guarded and paternalist, given the bureaucratic form's mechanistic and impersonal qualities.

In the postindustrial age, the facilitation of knowledge creation through the development of social capital is replacing direction of subordinates as the key manifestation of initiating structure. While leadership remains in part about the leader's own human capital, it is increasingly about developing social capital by creating relationships that provide access to the human capital of others (Brass 2000). These relationships are not necessarily between the leader and stakeholders. The leader may encourage the development of networks across multiple members from disparate parts of the organization, or encourage interorganizational networks, which are then independent of the leader. But, I offer that the leader's direct relationships with others will remain critically important, and will be characterized increasingly by power with others. Leader behaviors within the radix organization will encourage interactions and connections, and use relatively intense, positive emotion in so doing, for in the radix organization stakeholders tend to *join*, not *follow*, the leader.

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