

Chapter Ten

Leadership and Power

This chapter presents an introduction to leadership and power in organizations. Having examined theories and principles of leadership, we return to our earlier discussion of the differences between leaders and managers by examining how leaders and managers relate to power in organizations. We will examine power in organizations in terms of the need for power; formal and informal leadership; the various types of power in organizations; and how leaders identify with the types of power in organizations compared with how managers use the various types of power in an organization.

THE NEED FOR POWER

Throughout history, individuals have had a need for power. Historical records discuss this need and even biblical references discuss individuals with “power” over others. In studying the power that some individuals have over others, David McClelland proposed that power can be reasonably sought and used.¹ He found that the need for power is the desire to have an impact on others. This can be shown in three ways: by strong actions that yield help or advice; by action that produces emotion in others; and by a concern for reputation.

Thus, people with a high need for power prefer action situations. They also rate highly in competitiveness and aggressiveness and are often interested in prestige possessions. In organizational settings, managers with a high need for power often are more successful than those with a lower need for power.

FORMAL AND INFORMAL LEADERS

Leadership, according to a number of the definitions we have noted, entails a process by which an individual influences others to accomplish desired goals. Within business organizations, the leadership process works through a leader or manager who influences subordinates to accomplish the goals defined by top management. As noted in chapter 2, there may be two classes of leaders in an organization: formal leaders who by virtue of their title or position are identified in terms of the organizational structure as leaders; and informal leaders who demonstrate certain characteristics that enable them to influence others but who are not formally designated as leaders by virtue of their title or position within the organization. We distinguish them for analytical purposes and because, in practice, both types of leaders may exercise leadership behaviors and influence others.²

A formal leader is someone officially invested with organizational authority and power and generally given the title of manager, executive, or supervisor.³ The amount of power is theoretically determined by the position he or she occupies within the organization. Much like the traditions that supported the genetic theory of leadership, it is presumed, but not always the case, that people with the necessary technical and leadership skills occupy the positions of power as formal leaders.

An informal leader may not have the official leadership designation but can, nonetheless, exercise influence on others. Such individuals frequently lack formal authority, assignment of a power position, or even responsibilities; but by virtue of a personal attribute or superior performance, or perhaps charisma, they play a leadership role by influencing others. Yet the influence of informal leaders may differ from, and even conflict with, that of formal leaders.⁴

Thus, the distinction between formal and informal leaders leads us to questions about the relationship between power and influence in an organization: How do the differences in power between formal and informal leaders affect the ways in which each exercises influence in an organization? Do formal and informal leaders exercise different types of influence? What sorts of power can each possess? What is the relationship among leadership, influence, and power in an organization? This distinction between formal and informal leaders is a key to understanding power, conflict, and change in organizations. It leads us to examine the different types of power that leaders and managers may possess.

POWER IN ORGANIZATIONS

The study of power in organizations requires that we first define the terms that are relevant to our discussion. George and Jones define *power* as the abil-

ity of one person to cause another person to do something they otherwise might not do.⁵ They define *formal individual power* as the power that originates from a person's position in an organization.

Gibson, Ivancevich and Donnelly propose a third term: *authority* is the formal power a person holds because of their position in the organizational hierarchy.⁶ According to this definition, upper level supervisors would have authority over lower level supervisors in their organizational structure.

Like the concept of formal leadership, these definitions convey the idea that power in an organizational setting derives from one's position in the organization. However, power that is derived from one's position in an organization is also accompanied by an obligation; namely, to use that power in an ethical manner for the accomplishment of organizational goals. Leadership in organizations requires that leaders accept the responsibilities of a position and the power that goes with the position; thus, they should be held accountable for the manner in which they use the power inherent in their position for accomplishing organizational goals.

This leads us to consider various types of power within an organization and how they are used by leaders and managers. John French and Bertram Raven identify five interpersonal bases of power: legitimate; reward; coercive; expert; and referent.⁷ In addition to these five types of power, Montana describes two additional types of power used by managers: charisma; and information power.⁸ A discussion of each follows.

Legitimate Power

Legitimate power is the power assigned to a given position within an organizational structure.⁹ The power comes with the position and is assigned to the person who occupies a specific position within the organization. Should the individual leave the position, the power remains with the position and does not follow the individual. This power is legitimate because it is defined by the organizational structure, and the individual occupying the position is vested with the power. The assumption of power is generally signified by an official title; and the relative degree of power is reflected on the organizational chart by its situation relative to other positions within the organization.

Organizations sanction various levels of power. These levels of power correspond to the hierarchical executive levels within the organization itself. A position that is higher in the organization will have more power vested in it than a lower position; and a manager occupying the higher level position will be able to exercise more power than someone occupying a lower position.

Thus, it would appear that legitimate power is more suited to a manager than a leader, simply because leaders attract followers and get them to do

what is needed without position or hierarchical level. Managers on the other hand may need position over others to accomplish tasks and achieve goals.

Reward Power

Reward power is also inherent within the organizational structure in that managers are given administrative control over a range of rewards and resources.¹⁰ Employees can be influenced by the possibility of receiving rewards in exchange for performing work. Organizational rewards are typically of monetary value; but they may also be more subtle and intangible, such as managerial praise, status, attention, scheduling, and promotion. Managers may offer a wide range of rewards to motivate work performance. A manager possesses reward power over an employee to the extent that there is managerial control over the reward potential and to the extent that the employee values and seeks the available rewards. If a manager cannot deliver a desired reward, or if the available reward is not desired by or meaningful to the employee, the reward power of the manager will be greatly diminished.

To be meaningful, rewards need to be appropriate for the work performed. If management wishes to motivate an employee to sell \$100,000 more of a product, giving the employee a new wristwatch or a \$100 saving bond will probably not be sufficient because it will not be perceived as proportionate to the extra performance required. Thus, reward power is a tool by which managers use organizational resources to influence and motivate genuine performance.

Thus, reward power seems to be more beneficial to managers than to leaders. Leaders, as we have discovered earlier, often rely on more intrinsic rewards to energize followers, whereas managers seem to be more in line with extrinsic rewards to motivate followers.

Coercive Power

Coercive power is based upon a leader's ability potentially to punish or dismiss an employee and is, in part, implied by a leader's legitimate power.¹¹ Punishment is defined by a range of options, from a mild warning to a suspension to termination of employment, all of which are assumed to have negative consequences for the person being punished. Thus, in order for coercive power to be effective, a particular punishment must be perceived as having negative consequences by the person being punished, just as rewards must be perceived as meaningful by recipients. For example, for most people, losing one's job is often perceived as having negative eco-

conomic consequences for the individual; but the use of employment contracts with termination clauses has had the effects of weakening the both perception of punishment and the consequences for the individual when a decision is made to terminate the contract regardless of the reason. Termination of employment may also be perceived as having minimal economic consequences for an individual when it is accompanied by a generous severance package. Thus, the punishment must be tied to the perception of negative consequences for coercive power to be operative. Often the potential to apply coercive power is sufficient in itself to influence the desired a change in an employee's conduct or performance.

Coercive power may also have negative repercussions when it is associated with conflict. A manager's range of options in administering punishment to workers may be constrained not only by employment contracts but also by labor union contracts and employment discrimination laws. Threats of work stoppages, lawsuits, and the negative publicity associated with them have led to a trend away from the use of coercive power and toward more neutral forms of punishment or conflict resolution.

Similar to the allocation of meaningful rewards, a range of punishments is needed because the punishment applied should be appropriate or proportionate to the offending behavior. Management, in having a range of punishments from a mild warning to the more severe punishments, maintains a measure of flexibility to assess what punishment is suitable to the behavior in question.

Coercive power is more useful to managers than leaders who achieve goals and objectives without coercing followers with some threat of punishment. Followers willingly do what they do out of respect for a leader, not in fear of the leader.

Several guidelines relative to the application of punishment are noteworthy:¹²

- The punishment should be suitable to the offense.
- The punishment should follow as closely in time as possible to the offense committed.
- The punishment should have educational value wherein the person punished should understand why they are being punished in order for the employee to change his or her behavior.
- The manager doing the punishing should not enjoy doing it.

Finally, a point to remember in connection with coercive power is that punishment, or the threat of punishment, does not promote desired employee performance; it only discourages undesirable actions on the part of subordinates. Even though punishment does not promote desired behavior, by serving to discourage undesirable behavior, it is a powerful tool for influencing behavior.

Expert Power

Expert power is complex and is associated with the particular qualifications possessed by an individual, including specialized skills, knowledge, abilities, or previous experience.¹³ Any of these qualifications may individual enable the individual to exercise influence based on these qualifications, especially when the organization needs and values the specialized skills, knowledge, abilities, or experience; the skills are scarce; or the skills are highly specialized. Because expert power is often derived from specialized knowledge or advanced education, it can be relatively unrelated to age, seniority, or time on the job. This form of power allows someone who is relatively young or new to the workforce to influence others within the organization. Expert power is often associated with innovation and the power to influence change within an organization.

This form of power may also change over a period of time. First, the value placed upon a specific type of expertise within an organization may change according to business decisions affecting what is needed and valued by an organization in order to achieve its goals. Second, specialized knowledge and skills may become obsolete if the person who possesses them does not keep up-to-date with newer advances. Third, specialized knowledge and skills may be replaced by new forms of technical expertise.

Often, a leader (or managers with leadership skills) is viewed as having the skills most admired by followers. Thus, expert power is most often associated with leaders and managers who possess highly relevant and specialized qualifications.

Referent Power and Charismatic Power

Referent power is the power of one individual to influence another by force of character or personal charisma.¹⁴ An individual may be admired because of a specific personal trait, and this admiration creates the opportunity for interpersonal influence within a group or organization. Advertisers have long recognized referent power in making use of sports figures and other charismatic persons for making product endorsements. An employee who is particularly handsome or beautiful, talented, or just plain likable may be described by fellow employees as inspiring and motivating; thus, endowing the individual with a potential to influence others as a result of these personal qualities.

An interesting feature of referent power is that it can be gained by association. An individual's power may derive, not from their personality, but from their association, relative position or reporting relationship with another person who is identified as possessing power within the organization. The titles of assistant or deputy are often used to denote those persons associated with

individuals who actually possess the organizational power. Even though these assistants do not themselves have great power, they are often perceived as acting in place of those who do. For example, an assistant who is temporarily empowered to sign correspondence in place of a superior is perceived as having greater power, when, in fact, it is their superior who holds the power. This variant of referent power is also called “reflected power,” because the individual who exercises the referent power is reflecting the power associated with a position held by another person in the organization.

Referent power is most often associated with leaders who possess the charismatic characteristics that followers admire. It is important to note that some managers also have referent power and can use this to exhort followers to accomplish tasks and achieve goals.

Charismatic power is defined as an intense form of referent power and originates from an individual’s personality, physical characteristics or other ability or characteristic that causes others to believe in and follow that person.¹⁵ As we discussed in chapters 7 and 8, charismatic power is associated with charismatic and transformational leaders.

Information Power

Information power is power that comes from access to and control over information within the organization.¹⁶ Information may be privileged information; it may be classified information; or it may simply be information to which subordinates do not have access. The more information a person has within the organization, the more power that person has. Thus, information is viewed as a valuable resource.

This is where a key difference between leaders and managers comes into play: Leaders, in most cases, want their subordinates to know more information, because it is easier to solicit the assistance of informed followers in achieving goals and objectives. Managers, on the other hand, may be reluctant to share information if they perceive it as power-sharing and believe that their power to control subordinates and direct their behavior may be lost if their subordinates know as much as they do. Thus, information sharing means losing a measure of control over subordinates.

SUMMARY

Leadership in organizations involves the use of various types of power to influence performance and achieve goals. These may include legitimate power, reward power, coercive power, expert power, referent power, charismatic

power, and information power. Both formal and informal leaders exercise influence with an organization by some combination of these forms of power.

Formal leaders typically possess legitimate power by virtue of their position within the organization. Their degree of control over organizational resources enables them to use reward power to influence performance. They may also possess coercive power to the extent they can discipline employees and affect decisions to hire or terminate employees. Formal leaders in complex organizations typically possess varying degrees of expert power, which enables them to influence decisions across functional areas of an organization. Depending on their position within an organization, formal leaders may also use varying degrees of referent power to influence decisions or performance.

Informal leaders, by virtue of their position within an organization, are less likely to possess legitimate power or coercive power. Instead, they are more likely to rely upon a combination of expert power, reward power and referent power to influence others. Informal leaders often use expert power to influence change or innovation because their expertise enables them to solve problems in new or creative ways and to develop new products or services. Informal leaders may not control organizational resources typically associated with tangible or monetary rewards, but they may use intangible forms of reward power such as attention to motivate and influence others. Informal leaders may also use referent power to influence others by means of charismatic qualities or reflected authority that is based upon their association with more powerful individuals.

Thus, leadership, influence, and power within an organization can be viewed in terms of formal and informal leaders who use legitimate power, reward power, coercive power, expert power and referent power in different combinations. Conflict and change can also be viewed in relation to certain types of power: expert power is often associated with change and innovation, while coercive power is more complex. The potential for using coercive power within an organizational setting may be sufficient in itself to influence performance; but the actual use of coercive power may, within a wider legal context, have negative repercussions and become associated with organizational conflict. Thus, in the following chapters, we examine leadership and conflict, and leadership and change.

NOTES

1. David C. McClelland, *Power: The Inner Experience* (New York: Irvington, 1975), 7; David C. McClelland and D. Burnham, "Power is the Great Motivator,"

Harvard Business Review (January–February 1995): 126–39, cited by Gibson, *Organizations*, 9th ed., 252.

2. George, *Understanding*, 357, 398.
3. Montana, *Management*, 254.
4. Montana, *Management*, 254.
5. George, *Understanding*, 407.
6. Gibson, *Organizations*, 9th ed., 250.
7. John R. P. French and Bertram Raven, "The Basis of Social Power," in *Studies in Social Power*, ed. D. Cartwright (Ann Arbor, MI: Institute for Social Research, University of Michigan, 1959), 150–67, cited by Gibson, *Organizations*, 9th ed., 250.
8. Montana, *Management*, 259.
9. Montana, *Management*, 256; Gibson, *Organizations*, 10th ed., 250–51; George, *Understanding*, 408–10.
10. Montana, *Management*, 256.
11. Montana, *Management*, 254–59; Gibson, *Organizations*, 10th ed., 248–52; George, *Understanding*, 407–11.
12. Montana, *Management*, 257.
13. Montana, *Management*, 254–59; Gibson, *Organizations*, 10th ed., 248–52; George, *Understanding*, 407–11.
14. Montana, *Management*, 254–59; Gibson, *Organizations*, 10th ed., 248–52; George, *Understanding*, 407–11.
15. George, *Understanding*, 411.
16. George, *Understanding*, 411.



LEADERSHIP IN ORGANIZATIONS

There Is a Difference between
Leaders and Managers

David I. SWANSON