

Transformational Leadership and Value Congruence

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Transformational leadership has become a very frequent focus for contemporary leadership research. Central to this leadership approach are morals, ethics and standards (Northouse, 2013). While initial research has focused more on intrinsic motivation, and follower development (Bass & Ronald E. Riggio. "Transformational Leadership. Mahwah, 2006), later research has explored the relationship between value congruence and transformational leadership. Values are considered on the part of the leader, the follower and the organization, including the various relationships between them. It is observed that the effectiveness of a leader and the satisfaction and commitment of his followers is dependent on the degree to which leader, follower and organizational values align, also referred to as value congruence.

Part I

Academic Research

In this first part of the paper, academic research related to value congruence and transformational leadership is presented. The concepts from the academic literature and their relationships to each other are shown in figure 1. This illustrates that individual followers, leaders and even organizations identify with distinct values. The congruence of these values, and their various dimensions directly impact the quality and nature of the interactions between leaders, followers and their organizations.

Transformational Leadership

Northouse summarizes Transformational Leadership as an approach that extends beyond individual personality traits to encompass moral aspects of leader follower relationships (Northouse, 2013). In the research that he presents, it is suggested that

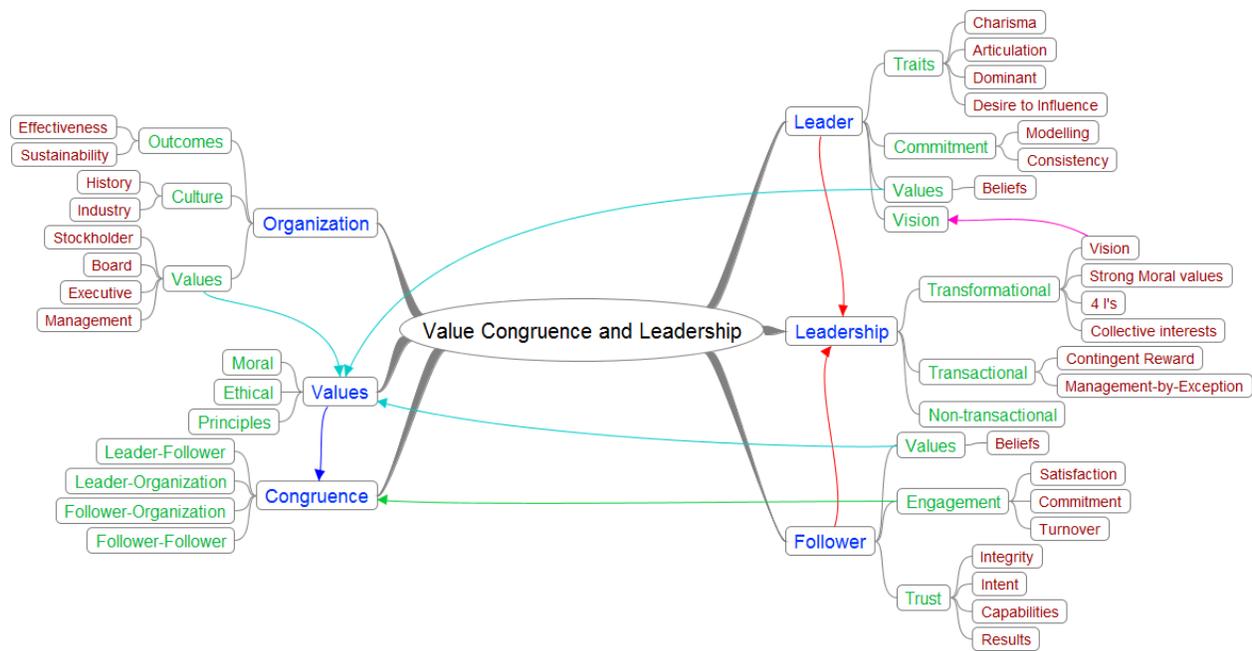


Figure 1. Value Congruence and Leadership

transformational leadership elevates both the leader and the follower to higher moral perspectives.

This transformational theory is presented alongside transactional leadership as a contrasting approach which is positioned at the opposite end of a spectrum. Where transactional leadership deals with exchanges, a reward for compliance, transformational leadership is seen as internally motivated. (Northouse, 2013)

Vision is a key component in transformational leadership. Development of the vision is a shared process which incorporates the views of the followers as understood by the leader to produce alignment.

This alignment of values and morals is dependent on the value systems of each participant mentioned. A closer look at values, and value systems will help clarify when and how this elevation occurs.

Values and Value Systems

From Rokeach we define a value as “an enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence.” He further defines a value system as “an enduring organization of beliefs concerning preferable modes of conduct or end-states of existence along a continuum of relative importance.” (Rokeach, 1973).

Congruence

Krishnan builds on these definitions of value and value system to explore the impact of value system congruence on transformational leadership. He cites research which shows that followers were willing to align their values with those of their leaders when they perceived their leaders as being competent and successful (Krishnan, 2002).

The process through which an individual learns the values of an organization is referred to as socialization. In cases where congruence is weak, one of three outcomes are observed. Either the follower can change her value system to achieve congruence, or the value system of the organization can be changed or the follower can abandon the organization (Krishnan, 2002).

This process of socialization occurs in part through the moral development of the leader. In fact, leader moral development impacts the ethical climate and employee attitudes.

Leader Moral Development

The degree of value congruence can be measured across three dimensions from the employee's perspective: commitment, satisfaction and turnover intention. Furthermore, the ethical climate within organizations is influenced significantly by leaders (Schminke, Ambrose, & Neubaum, 2005).

Ethical Climate

To better understand the ethical climate, Schminke discusses Kohlberg's theory of cognitive moral development. These are preconventional, conventional and postconventional. The preconventional level suggests that egoistic drivers primarily inform ethical decisions. In the conventional level, social relationships begin to factor in to ethical decision making. Finally in the postconventional level ethical decisions are based on universal principles of rights and justice. Later research showed that individuals operate in different levels depending on context, rather than progressing through them in sequence and making all ethical decisions based on their current level. One result of Schminke's research was to show that "the relationship between leader moral development and ethical climate is stronger in younger organizations" in most cases. (Schminke et al., 2005)

Employee attitudes

The data gathered shows that there when the moral development of the leader is superior to the moral development of the follower, the effects of incongruence were not as pronounced. The inverse was true, that when the moral development of the follower was greater than that of the leader, job satisfaction, commitment to the organization and turnover intention were all more pronounced. (Schminke et al., 2005)

Another dimension that gives perspective into the tension between leader and follower resulting from misalignment of values is satisfaction with the leader.

Satisfaction with a Leader based on Value Congruence

Meglino begins his discussion of value congruence by highlighting that corporate culture has as its basis the values that are shared among employees. As such they accommodate "smooth working relationships between co-workers" (Meglino, Ravlin, & Adkins, 1991). This smoothness results from the idea that shared values "allow a person to predict the behavior of others." (Meglino et al., 1991)

Some social mechanisms contribute to this blending of values and value systems, including so called legends and stories about the leaders of organizations. These not only help to define the culture, but to convey the core values demonstrated by the leader in certain situations (Meglino et al., 1991).

Mergers and Acquisitions and Leader Adoption

The concept of value congruence is then projected on to a merger or acquisition scenario to explain some of the difficulties associated with the blending process. As cultures come together, there are clashes between the two value systems. Changes in leadership and consolidation further complicate the blending process. The result is lack of value congruence followed by the the outcomes mentioned in the section “Congruence” above (Meglino et al., 1991).

A final relevant observation is that “value congruence will have little effect on satisfaction unless employees have significant experience with a leader’s style.” The process of becoming familiar with a leader’s style may fall under the socialization process mentioned previously (Meglino et al., 1991).

Relationships between leader and follower are important, as has been shown, but there are other notable factors that influence the effectiveness of a leader, as well as overall work outcomes. One such relationship is that of peers, or co-workers.

Value Congruence between Co-Workers

Interpretation of environmental stimuli was impacted by the work values of individuals. This suggests that workers with similar values will interpret details about their work environment in similar ways when there is value congruence (Adkins, Ravlin, & Meglino, 1996). Naturally the impact of this worker-worker dynamic will extend to interactions with leaders.

Value congruence is also associated with similarity in cognitive processes and common communication systems. These similarities encourage more frequent and more

effective communication between co-workers while also reducing stress. Another impact is a reduction in miscommunication. (Adkins et al., 1996)

Ethical climate was identified previously as being stronger in younger organizations. In a similar way it was observed that the effects of value congruence on employee satisfaction were stronger in low tenure employees. (Adkins et al., 1996)

The primary focus up to this point has been on the leader and the follower, as well as follower-follower (co-worker) dynamics within the organization. Equally prescient in predicting quality leadership outcomes is the organizational value system.

Interplay of Individual and Organizational Value Systems

(Liedtka, 1989) Liedtka explores the moral accountability of leaders within organizations. She highlights some extreme cases where neither the agents within organizations nor the organizations are ascribed full accountability for their actions. These value conflicts represent a situation in which leaders and organizations are at odds and outcomes become unpredictable. (Liedtka, 1989)

On the other hand, in the absence of conflict, or with full congruence of values, many decisions are made by predetermined scripts (PhD, 2006) (Liedtka, 1989). These scripts represent a type of behavioral shortcut, enabling workers and leaders within an organization to produce an efficient work environment.

Conflict is further segmented into internal conflict and external conflict. Internal conflict is defined as a lack of values consonance within one's self. External conflict represents lack of consonance with the values of others or with the organization. Her research explores the four possible scenarios when there is both internal and external consonance, or both lack consonance or one is consonant and the other lacks consonance. Leaders are more effective when there is both internal and external value congruence (i.e. consonance). (Liedtka, 1989)

Follow up research by Posner and Schmidt demonstrated that managers in a state of

high congruence displayed higher commitment, success, dis-stress and credibility. Managers who self-identified as being internally consonant with their personal values and externally with organizational values, reported their belief that ethical managers have more opportunity. (Posner & Schmidt, 1993)

Another observation in their research was that the most frequent conflict occurred in cases when a manager was clear about his personal values but uncertain about organizational values (Posner & Schmidt, 1993).

Taking the organizational view one step further it's possible to consider the effect of transformational leadership on group ethics.

Group Ethics

Values and value systems spring from individual moral identity. More recent research has characterized moral identity in terms of answers to two questions. "Am I a moral person? What kind of moral principles and values do I hold, and how resolutely will I stand up for these moral principles and values?" (Zhu, Avolio, Riggio, & Sosik, 2011) The answers to these questions can be analyzed across the four dimensions of unity, conviction, continuity and self recognition.

With respect to transformational leadership and group ethics, the development in followers of a desired moral identity has as its most important social influence "positive role modelling" or "leading by example" on the part of the leader. This naturally implies that the leader is in possession of high moral values and is clear on his moral identity.

The academic literature reviewed up to this point represents a small sample of available research on the relationship between personal and organizational values and value systems and their impact on leadership. Outside of academia, the business community has produced a corpus of books on leadership. A few of these contain relevant analysis related to the role of values in the business environment and the effect of those values in leadership settings.

Part II

Business Books

This part of the paper reviews specific values and related concepts in a business setting. These values range from personal beliefs to core ideology to trust and vision. Common among them all is that success as a business leader is dependent on developing and practicing a moral value system consistent with generally accepted norms.

Beliefs and Values

Schein argues that corporate culture is made up of three levels, the second of which is “espoused beliefs and values”. He attributes these espoused beliefs and values to the individuals who create organizations by suggesting that “All group learning ultimately reflects someone’s original beliefs and values, his or her sense of what ought to be, as distinct from what is.” As such, the leaders are responsible for instilling in their followers the basic beliefs and values that will drive the organization. (Schein, 2010)

This position is supported by the observations presented in the research above that younger organizations exhibit a stronger ethical climate. As an organization ages, the original beliefs and values have already been internalized, which diminishes the effectiveness of attempts by subsequent leaders to change the organization. This directly relates to the scenario of a merger or acquisition.

Core Ideology

Collins and Porras describe beliefs and values as a core ideology. As they put it, the leader must establish for the company the basic precepts that define “This is who we are; this is what we stand for; this is what we’re all about” (Collins & Porras, 2002). Outside of corporate cultures they highlight such documents as the Declaration of Independence or the Gettysburg Address as examples of a statement of core ideology.

A core ideology may include stories or legends, or even be completely centered around some past event. It serves as a reference point for both leaders and followers within an organization about values and value systems that are consistent with the company. These may or may not agree with popular ends, such as 'always maximize profit'.

Credibility

In the *Speed of Trust*, Covey explores four aspects of trust, which includes integrity, but extends to encompass intent, capability and results (Covey & Merrill, 2014). Applying these four aspects of trust to transformational leadership and value congruence it is expected that a leader must not only have integrity, but he must also possess intent, capability and history (results) consistent with the values and moral position he intends to establish. If any of these four aspects are missing, his leadership capacity will be diminished by lack of trust.

Clear Values and Vision

Blanchard is considered last and brings the discussion full circle back to transformational leadership and vision. His description of vision cites as a requirement "Clear Values". These values define the way in which leaders within an organization and their followers operate on a daily basis. The values on which a vision is based "need to be consistently acted on... They need to resonate with the personal values of the members of the organization so that people truly choose to live by them." (Blanchard, 2013)

Without clear, consistent values, that are shared between leader and follower, there can be no compelling vision.

Summary

In the research and literature surveyed throughout this paper there is strong evidence of a need for value congruence as requisite for effective transformational leadership. Alignment of morals and values is essential to the formulation of vision, the socialization of

members into the organization and the execution of organizational objectives. The state of value congruence occasions a number of efficiencies, including similarity of cognitive processes and communication systems. The predictive character of behavior among people with value congruence further streamlines cooperation between leaders and followers and among peers. The levels of follower satisfaction and commitment both increase when values are aligned interpersonally and organizationally.

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