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Firm environment, leader behaviors, and leadership effectiveness: An interactive model

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Abstract Based on the value-based leadership(VBL) theory and the preliminary findings obtained from an empirical study of Chinese business leaders, we propose a new model addressing the dynamic relationships among firm environment, VBL behaviors and leadership effectiveness; and test the model using data collected from 95 firms. Results show that VBL behaviors help improve leadership effectiveness when the company faces intense external competition, even though intensive competition is naturally negative to leadership effectiveness. Value-based leadership can help firms to survive through extremely tough circumstances.

Keywords firm environment, value-based leadership, leadership effectiveness

摘要 结合对价值观型领导理论的分析以及过去针对这一理论在中国所作研究的基本结论, 将环境因素纳入到领导过程研究中, 提出了一个关于企业竞争环境、价值观型领导行为以及领导绩效三者之间互动的理论模型并进行实证分析。结果显示: 激烈的竞争环境会削弱企业内部的领导绩效, 但实施价值观型领导, 将有助于企业领导扭转不利局面, 提升领导绩效。

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关键词 企业环境, 价值观型领导, 领导绩效

1 Introduction

The importance of executive leadership on a firm's performance is beyond question. Many studies have provided empirical evidence of this (e.g., Finkelstein and Boyd, 1998; Adams, Almeida and Ferreira, 2005). As the transitional period for the WTO membership comes to an end, businesses in China are bound to face an increasingly competitive environment. Achieving leadership effectiveness is becoming more important than ever. To better understand the factors that facilitate effective leadership, Chinese scholars and educators have been striving to keep up with the development of leadership research in the West (Fu and Wu, 2000). Leadership books by Western scholars are being translated into Chinese, and all major leadership theories have been introduced into Chinese society.

Since leadership effectiveness became a topic of interest, the issues of how to become an effective leader, and how to increase leadership effectiveness, have been the focus for leadership research for almost a century. Starting from simple trait theories, which examined the characteristics of the leaders, through behavioral theories, to the contingency or situational theories, and onward to many more diverse and integrated theories, leadership as a field has witnessed tremendous development and has now entered into an era in which factors affecting leadership effectiveness are being explored from all possible perspectives, including characteristics of the leaders (attributes, behaviors, personal qualifications, etc.), the followers (abilities, motives, readiness, etc.) and the situation (firm culture, structure, environment, etc.). In other words, the trend is to integrate factors from all three aspects when building on leadership models. Moreover, as theories are being developed, the applicability of each theoretical model to the practice of recruiting, training and improving the work of leaders is also taken into consideration. "Sufficient relevance" (Li and Fan, 1998) requires that a new theory should provide simulation of actual leadership processes and effectiveness as well as employing simple modeling and methodologies.

The current study was designed in accordance with this trend. It incorporates the design of the Global Leadership and Organizational Behavioral Effectiveness (GLOBE) project (House et al., 1999; 2002) with the findings of a three-year project sponsored by the National Nature Science Foundation of China (NSFC); and tests the applicability of the newly developed value-based leadership (VBL) theory identified by the GLOBE project. We added a new factor, firm environment, into the framework of VBL and tested the model using data collected from 70 Chinese enterprises. We examined the interactions between certain VBL

behaviors and firm environment on leadership effectiveness, namely, subordinator commitment, satisfaction, and motivation (CSM).

2 Value-based leadership theory

Leaders lead from their values and beliefs(Kuczmarski and Kuczmarski, 1995; Woodward, 1994). However, because of their abstract nature, values were not included in most of leadership models until recently. Now, thanks to the many recent corporate scandals, researchers as well as practitioners are all starting to realize the impact of executive leaders' values on the firm. So far, CEO personal values have been reported to influence the nature of corporate culture(e.g., Schein, 1992; Kotter and Heskett, 1992); the ways organizations conduct their business, treat employees, or deal with customers and suppliers(O'Reilly and Pfeffer, 2000); explain the sustained superior financial performance of companies (Collins and Porras, 1994; Malphurs, 1996); and predict corporate social responsibility behavior(Waldman et al., 2006). Top leader values provide not only an anchor of corporate core values, but also gene amplification for the growth of those core values (Liu, Fu and Li, 2003).

In the field of leadership, the theory of value-based leadership (VBL) initially proposed by House and Fairholm et al.(1991; 1996) has received a growing attention. According to Jacobsen and House(2001), the value-based leadership theory, an alternative label for neo-charismatic theory, emphasizes the process by which leaders infuse collectives, organizations, and work with ideological values by articulating an ideological vision. The values articulated in the vision are deemed ideological. Ideological values are usually, if not always, "terminal values" (Rokeach, 1979), which are intrinsically satisfying in their own right. Unlike pragmatic values such as material gain, pay, and status that can altered or replaced, terminal values cannot be exchanged for other values and only leaders with those values are capable of exerting a strong effect on the form of the core values of an organization; these values may even become the backbone of success for an organization over a long run(Schein, 1992).

Although the leadership style advocated by VBL is consistent with the one emphasized by the Transformational Leadership theory(Yukl, 1999), VBL offers more than just the behavior. By starting from the values the leaders hold, the theory has further settled one question puzzling the academic community for a long time: "What do leaders use to transform and motivate their followers?" The ultimate purpose of leadership theories are to help leaders find ways to motivate or inspire their followers to work for the company goals. Transformational Leadership has been found to work effectively toward that purpose from the behavioral perspective. However, VBL theory, integrating

existing leadership and motivation theories, goes beyond just the behavior. It explains the mechanism with which leaders with strong self-transcendent values can transform followers by instilling such values into them; when followers accept those values and internalize them, they are more likely to work beyond the call of duty (House, Javidan, Hanges, and Dorfman, 2002). After all, values provide sources for internalized motivation, which has more spontaneous and long-term effects (Rokeach, 1979) than external motivation.

Besides providing rationale for follower motivation, VBL as a new paradigm in the leadership field also successfully integrates previous theories. For example, by drawing upon the key points of charismatic/transformational leadership, VBL includes the characteristics and attributes of an effective leader. In fact, GLOBE project found these characteristics and behaviors universally endorsed, highly regarded across different cultures, with the effect sizes ranging between .35 to .70 in terms of zero order correlations, and frequently above .50 (House et al., 2002) and labeled them as VBL attributes or behaviors. VBL behaviors include: a) articulation of a challenging vision; b) unusual determination, persistence, and self-sacrifice in the interest of values inherent in the vision; c) communication of high performance expectations of followers; d) display of self-confidence, confidence in followers, and confidence in the attainment of the vision; e) display of integrity; and f) intellectual stimulation of followers (ibid). When leaders demonstrate VBL behaviors, followers will increase their respect for and confidence in the leader. The increased confidence in the leader in turn allows the leader to exert more influence, and thus create a positive synergy. Followers on their part will express satisfaction and trust in the leader (e.g., Podsakoff et al., 1990; Koh, Terborg & Steers, 1991; Smith, 1992), and respond with better performance (e.g., Avolio, Waldman, & Einstein, 1988; Bass and Avolio, 1993) as well as greater effort and increased effectiveness (Lowe, Kroek, & Sivasubramaniam, 1996). Besides leader behaviors, VBL theory addresses the mutual relationship between leaders, followers and environment in terms of situation. For example, House et al. (1996) argued that the effectiveness of value-based leadership would vary according to corporate type and environment.

Previous situational leadership theories have attached much importance to the contingent factors that influence leadership effectiveness. The major factors examined, such as task types, follower characteristics and so on, are, inherently, still parts of leadership process. Hence, leadership researchers have persistently directed their attention at the micro level. Less attention has been given to the macro level, which examines the effect of external circumstances on the internal process of leadership. In 2001, a comparative study on charismatic leadership and transformational leadership (Waldman et al., 2001) discovered the impacts of uncertainty of firm environment on leadership effectiveness, based on data

from 48 enterprises in the World Top 500. However, no similar investigation has yet been conducted in China. The primary purpose of this paper is to investigate the impact of corporate environmental factors on internal leadership. The results of this paper, on the sample of Chinese enterprises, will not only add value to leadership theory development, but also help organizational leaders better prepare for the constant changes in their firms' competitive environment.

3 Hypotheses and model

3.1 Chinese VBL behaviors

Current leadership theories often sum a series of behavioral modes in order to direct leaders in the practice (Yukl, 2002). In the last three years, following the design of the GLOBE project, Wu et al. (2002, 2003) conducted a nationwide study and derived the following typical Chinese VBL behaviors: First, leaders integrate their own personal values, organization circumstance, and characteristics of their firm's operation to come up with a practical vision. Second, they show strong personal confidence as well as decisive faith in the vision and the likelihood of its realization. The process helps leaders build up great legitimate power within the organizations. Third, they trust, empower, and encourage their followers to be fully engaged in the vision. This process makes followers possess more power and courage to contribute to the work, surmount the difficulties and do things actively, due to their feelings of trust, support and pride.

3.2 The impact of firm environment on VBL process and effectiveness

Waldman et al. (2001) found that perceived environmental uncertainty strongly moderated the relationships between transactional leadership and charisma and performance (measured in later years). They also found that charismatic behaviors predicted performance in an uncertain environment, but not in a certain environment. When the firm is operating in a highly uncertain environment, i.e., facing severe competition, decisions have to be made much faster and leaders have to take much greater risks; and when they can do that, they win much higher admiration and respect from their followers, which in turn inspires the followers to be more committed and better motivated.

When building the value-based leadership theory, House et al. (1999) analyzed the effectiveness of VBL in various situations. First, since VBL theory focuses on the internalized motivation in the followers' ideology, the effects of such motivation caused by value-based leaders on followers' commitment should be much bigger than the effect of other kinds of leadership behavior. In other words,

VBL has the abilities to deal with different kinds of complicated environment (Schwartz, 1996; House, Delbecq, & Taris, 1996).

Under circumstances of fierce competition, the sense of control within the organization usually diminishes and accordingly, perceived uncertainty increases. Under such circumstances, emotional reactions from employees vary greatly from excitement to anxiety, depression, or even exhaustion (Brashers, 2001). It is very hard for them to produce and maintain optimism and attain faith. Naturally, employees would seek reassurance or protection from leaders, hoping they can make them feel safe and hopeful. VBL behaviors such as vision articulation, showing self-confidence, and showing confidence in followers, will greatly help assure the employees that things are under control and help facilitate the healing and revitalization process (Bunker, 1997), thus minimizing the psychological threat posed by the turbulent surroundings (Miller, 1979).

When conducting our study on Chinese organizational leaders, we interviewed each top leader. In the interview, most of them informed us without any hesitation that the external environment has either a positive or a negative effect on the leadership process and effectiveness, but the CEO's positive values and behaviors are always the backbones for the whole organization to conquer its troubles. Based on a rationale of value-based leadership and knowledge accumulated via intensively interviewing Chinese CEOs, we propose a new model in which VBL and firm environment interact with each other to exert an impact on leadership effectiveness. Specifically, we hypothesize:

Hypothesis 1: Value-based leadership behaviors, such as vision articulating and showing follower confidence, are positively related to leadership effectiveness.

Hypothesis 2: The intensity of firm competition is negatively related to leadership effectiveness.

Hypothesis 3: The more fiercely competitive environment enterprises face, the more positive function value-based leadership behaviors play in influencing leadership effectiveness.

Fig.1 provides an illustration of the above hypotheses.

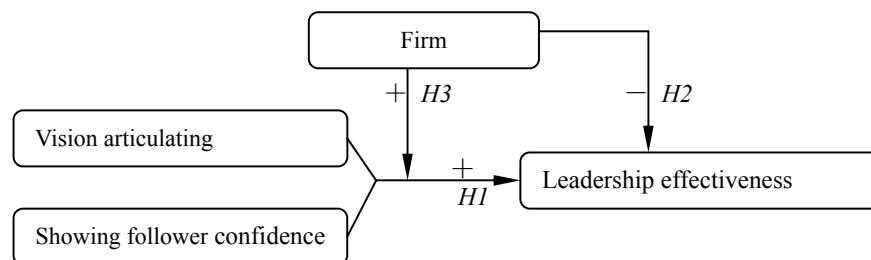


Fig. 1 Relationships among firm environment, VBL behaviors, and leadership effectiveness

Two points deserve further explanation here. First, the typical value-based leadership behaviors suggested by Wu et al. also include showing self-confidence, intellectual stimulation, team building etc., which has also been demonstrated to be significant in leadership effectiveness. However, in order to clearly show the effects of environmental factors and simplify the model, this paper chooses only the most typical value-based leadership behaviors for examination.

Second, as the above hypotheses touch upon multi-level phenomena in the organization, a multi-level model should be established for hypotheses testing. In the early period of leadership research, to simplify the research, leadership was often regarded as a “one-to-group” function, namely the average leadership style(ALS)(Stogdill, 1948), which means the function and effects of a particular leader are equal to all of his/her followers. Obviously, such approach has some disadvantages, leading as it does to too much attention being given to individual traits and behaviors of leaders. After Grean and Cashman(1975) advanced leader-member exchange theory(LMX), the paradigm for researching leadership changed considerably. This new model suggested that leadership exists between a pair of one leader and one follower. Leadership may vary across different leader-member dyads attached to the same leader. The view turned the previous horizontal study on average leadership into the vertical study on individualized leadership. Combining these two viewpoints of leadership, it is obvious that the key variables should be allocated at the follower-individual level and group-collective level. At the individual level, each follower receives relevant information from leaders, which is determined by individual status or position in the organization, mutual relationship, and personal experiences; at the collective level, leadership of a particular organization lies in some similar circumstances such as identical corporate structure, corporate environment and so on; however, leadership in different companies faces distinct structures and environments. Regarding our model, the impact of value-based leadership behaviors(vision design and confidence towards followers) on leadership effectiveness, stated by **Hypothesis 1**, is specified at the individual level, which means leader behaviors perceived by a follower will influence his/her own response to the leader. The impact of firm environment on leadership effectiveness, stated by **Hypothesis 2**, is specified at the collective level, which is designed to examine the impact of the external environment on the average performance of organizational leadership. Finally, **Hypothesis 3** is designed to investigate the cross-level impact of the external environment on the function of VBL stated as **Hypothesis 1** at the individual level. Overall, we have established a multi-level model to examine the process as well as the effectiveness of value-based leadership in the Chinese context.

4 Methods and results

4.1 Data collection and sample description

As mentioned earlier, this study of Chinese value-based leadership is part of a global project designed by House and his associates (House et al., 1999). We followed closely the requirements of the project, but added a few additional dimensions to reflect some aspects of the unique environment Chinese business leaders operate in.

The data included both interview and quantitative data obtained from questionnaires. The CEO of the company was usually the first individual to be contacted. We would explain the purpose of the project and invite him/her and his/her company to participate in the research. We also assured them of the anonymity of the information they provided. Having obtained permission, well-trained researchers would conduct a semi-structured interview of the CEO (the current study does not use the data obtained from these interviews, so we omit detailed information about interviewing and coding of qualitative materials). After the interview, the executive was asked to complete a CEO questionnaire and to randomly nominate six to eight direct subordinates to fill out the follower questionnaires, from which the quantitative data were collected. The name of the executive was put on the cover page of the follower questionnaire for follower rating before it was distributed. The subordinate questionnaire addressed personal perception of leadership behaviors and traits and his/her own morale, job satisfaction and commitment to the organization; the leader questionnaire gathered information about corporate history, environment and operation (House et al., 1999). A pre-addressed and stamped envelope was provided along with each questionnaire. The respondent was instructed to fill out the questionnaire and directly mail it back to the research team. A total of 820 questionnaires were delivered to 97 enterprises, of which 686 copies were returned from 95 enterprises, resulting in an average response rate of 84.0 percent. The response rates for subordinates and CEOs were 83.5 and 85.0 percent, respectively.

Because of the requirement of the HLM program (which we used for hypotheses testing), we excluded unmatched respondents and those leaders with fewer than 4 direct subordinates responding to our survey. A total of 70 leaders and 404 of their direct subordinates were finally retained for model testing. Among the final sample, 65.6% of subordinates and 90.0% of leaders were male. The average age of the subordinates was 37 years old. The average age of the leaders was not available, but estimated to be between 35 and 40. The largest fraction of the firms (46.3%) was in manufacturing, one fourth (24.7%) were in trade, and others were from various other industries (See Table 1 for details).

Table 1 Demographics of the sample

		Subordinates	Leaders*	Firms
Sample size		404	70	70
Age	Mean	36.69	2.64	12.53
	SD	8.40	0.76	12.27
	Maximum	62	4	1
	Minimum	19	1	51
Gender	Male	65.6%	90.0%	
	Female	34.4%	10.0%	
Education (years)	Mean	14.45	15.05	
	SD	2.55	2.49	
	Maximum	2	9	
	Minimum	23	22	
Location	Beijing			13 (18.5%)
	Shanghai			14 (20.0%)
	Chongqing			16 (22.9%)
	Dalian			16 (22.9%)
	Suzhou			11 (15.7%)
Firm size	50—100			33 (47.5%)
	101—500			22 (31.3%)
	501—3500			15 (21.2%)
Industry	Manufacturing			32 (46.3%)
	Wholesale			17 (24.7%)
	Others			21 (29.0%)

* Some of the leaders' exact ages were not available, so we categorized in four age groups with "1" = 20 – 30; "2" = 31 – 40; "3" = 41 – 50; and "4" > 50.

4.2 Measures

All measures of leader behaviours and leadership effectiveness were obtained from the questionnaires developed by House et al.(1999). GLOBE Questionnaires were first translated into Chinese and then back translated from Chinese into English for accuracy(Brisline, 1970). In Table 2, we list specific measuring items for each scale. According to House et al. (working paper), the leader behaviour measures are consistent with earlier theories of charismatic, visionary, and transformational leadership that are integrated as part of VBL theory. Regarding leadership effectiveness, the GLOBE project uses followers' level of commitment, motivation, and satisfaction (CMS) as indicators.

Table 2 Descriptive statistics of key variables

Scales	Items	Factor loading	Alpha values
Vision articulating ^a	1. Makes plans and takes actions based on future goals	0.80	0.79
	2. Has a clear understanding of where we are going	0.68	
	3. Anticipates; attempts to forecast events; considers what will happen in the future	0.63	
	4. Is able to successfully anticipate future needs	0.62	
	5. Clearly articulates his/her vision of the future	0.61	
	6. Anticipates and prepares in advance	0.59	
	7. Anticipates possible future events	0.58	
	8. Has a clear sense of where he/she wants this organization to be in five years	0.56	
	9. Has a vision and imagination of the future	0.42	
Showing follower confidence ^a	1. Shows confidence in subordinates	0.72	0.74
	2. Allows subordinates to use their judgment when solving problems	0.70	
	3. Shows confidence in my ability to contribute to the goals of this organization	0.65	
	4. Delegates challenging responsibilities to subordinates	0.57	
	5. Shows confidence in my ability to work without supervision	0.57	
Firm environment ^b	Intensity of the competition in terms of:		0.61
	1. product/service quality and variety	0.71	
	2. marketing (advertising and promotion)	0.61	
	3. product/service price	0.60	
	4. inputs (e.g., raw material parts)	0.52	
5. manpower (e.g., engineering, accounting, computing talents, etc.)	0.48		
Commitment, satisfaction, & motivation ^a	1. I agree with the chief executive's vision of this organization	0.80	0.81
	2. I expect this organization to have an excellent future	0.63	
	3. I contribute to this organization 100% of my ability	0.62	
	4. I am willing to make serious personal sacrifices to contribute to the success of this organization	0.57	
	5. I expect to be with this organization three years from now	0.44	
	6. My effort is above and beyond what is required	0.37	

Notes: ^a $N = 404$; factor loading coefficients were obtained from the CFA model performed at the individual level.

^b $N = 70$; factor loading coefficients were obtained from the one-factor solution of EFA.

Firm environment was measured by the extent to which executives perceive the competition among firms within the industry to be intense. We measured the competition in five aspects: manpower, inputs(e.g., raw material parts), marketing, product/service quality, variety, and price. The executives were asked to answer the question “How intense is the competition in (one of the above mentioned aspects)?” on a seven-point scale. Since the executives responded to those questions, this construct was measured at the firm level rather than the individual level.

As demonstrated in Table 2, Cronbach’s alpha values for all key constructs were above 0.60, indicating acceptable measuring reliabilities. Besides, since we adopted pre-determined items designated by the GLOBE Project team, face as well as content validity could be ensured. Statistically, we conducted confirmatory factor analyses (CFAs) to examine discriminant validity for those constructs measured at the individual level. The proposed 3-factor model with 20 indicators fit the data well ($\chi^2_{(167)} = 320.70, p < .05; CFI = .93, IFI = .94; RMSEA = .06$) and was superior to a one-overall-factor model ($\chi^2_{(170)} = 1006.23, p < .05; CFI = .67, IFI = .72; RMSEA = .16$). The results indicate an acceptable distinctiveness among key variables. Table 2 presents coefficients for factor loadings obtained from the three-factor CFA model. All of these coefficients are statistically significant, indicating reasonable item-scale consistency.

4.3 Data analyses and results

Having checked measurement psychometrics, we averaged items for each scale to obtain the construct score and then entered these into the HLM program for hypotheses testing. HLM was used because it takes into account individual-level error in estimating group-level coefficients(Bryk and Raudenbush, 1992) and thus provides more precise estimates of the multi-level interactions. In order to model both within-level and between-level relationships, one needs to simultaneously estimate two models: one modeling relationships within each of the lower level groups, and a second modeling to see how these relationships within groups vary between groups(Bryk and Raudenbush, 1992). In our case, we wanted to examine how the relationship between perceived leadership behaviors and followers’ CSM within each firm varies between firms due to variables such as leaders’ motives, education, and competitive environment of the firm.

HLM analyses include three hierarchical steps: a null model, a random model, and a full model. No predicting variables except the outcome variable, CSM, were introduced into the null model, which estimates the between-group variance and the within-group variance in the dependent variable. The results of the null model demonstrated that the between-group variance of CSM was significant,

indicating multi-level modeling was necessary. We then introduced predicting variables at the individual level to form the random model. The model provided estimates of the average effect of VBL on CSM within the organization. Finally, we introduced predicting variables at the company level into the random model to form the full model. The full model additionally provided estimates of the effect of firm environment on the VBL-CSM relationship. We list results of the full model in Table 3.

Table 3 Results of Hierarchical Linear Modeling analyses (a full model)

	Fixed effect		Random effect		
	Beta coefficient (SE)	Tvalue	Variance	R ² change (%)	χ ²
Level 1			0.27	/	
Level 2					
For intercept 1, <i>B0</i>			0.20	10.0**	336.6**
Intercept 2, <i>G00</i>	5.63(0.06)	92.29**			
Firm environment, <i>G01</i>	-0.09(0.05)	-1.68*			
For “vision articulation” slope, <i>B1</i>				10.1**	116.3**
Intercept 2, <i>G10</i>	0.26(0.07)	3.59**	0.17		
Firm environment, <i>G11</i>	-0.12(0.07)	-1.56			
For “showing follower confidence” slope, <i>B2</i>				16.0**	74.7
Intercept 2, <i>G20</i>	0.33(0.05)	6.58**			
Firm environment, <i>G21</i>	0.10(0.05)	1.98*	0.05		

Notes:

1. R² change is the percentage of variance reduced by adding predictors in the current model over the previous model.
2. “/” means no new predictors were added thus do not need analysis the variance change.
3. * $p < .05$; ** $p < .01$.

As predicted in **Hypothesis 1**, both vision articulating and showing follower confidence appeared to significantly predict the CSM (average beta coefficients are 0.26 and 0.33, respectively, $p < 0.01$). Comparing the two, “follower confidence(FC)” is more influential than “vision articulating(VA)” (standardized beta coefficient for FC was $0.37 (= 0.33(G20) * 0.96(SD_{FC})/0.87)$, whereas the value for VA was $0.24 (= 0.26(G10) * 0.80(SD_{VA})/0.87)$). Firm environment had a significant effect on firm average CSM($G01 = -0.09$, $p < 0.05$), and so **Hypothesis 2** was supported. In addition, it had significant effect on the “FC-CSM” relationship($G21 = -0.10$, $p < 0.05$), whereas it had no effect on the “VA-CSM” relationship ($G11 = -0.12$, $p > 0.05$). From these results, we concluded that **Hypothesis 3** was partially supported.

5 Discussions

Results from the above data analyses basically support the proposed interaction between the competitive environment of enterprises, value-based leadership behaviors and leadership effectiveness. A detailed discussion of this finding follows.

5.1 Leader behaviors and leadership effectiveness

In the hypothesized model, value-based leadership behaviors have the greatest effect on leadership effectiveness, which means that such VBL behaviors can directly boost result in the followers' commitment(C), satisfaction(S) and motivation(M) if conducted by the leader consciously. In other words, values and beliefs emphasized by the leader, a well and clearly stated vision, and being an educator and guide for employees can make the organization develop towards the direction in which its leaders are pointing; on the other hand, such VBL behaviors as the input of positive attitudes from leaders into the work, the firm's confidence towards followers, the empowerment of important and meaningful tasks to followers, and high expectation from high levels, usually have significant effects, making followers feel respected and needed, so that the emotional resonance between leaders and followers can be easily aroused, and the values of leaders can be easily accepted by followers. These effects of internalized values and motivation can last for a long time.

5.2 Environmental factors

On the one side, as the general management theory and usual corporate cases testify, a fiercely competitive environment can undoubtedly hamper/hinder the leadership effectiveness inside an organization. In a highly competitive and unstable environment, people have more uncertainty and ambiguity about their roles, so they experience severe stress and loss of direction. In such circumstances, value-based leadership is helpful in addressing these problems so that some negative effects caused by competition can be alleviated. The degree of competitiveness of the corporate environment can positively mediate the relationship between confidence towards followers and leadership effectiveness, exactly as hypothesized by value-based leadership theory: even under the circumstances of highly fierce competition, followers spare no pains to contribute their talents, make extra efforts beyond their work, and would like to sacrifice their own benefits for the benefit of the whole organization, provided that the leaders still exhibit plenty of confidence towards their followers.

One point deserving mention is that when the corporate competitive

environment is used to explain the relationship between vision design and leadership effectiveness, the effect is not evident and even appears negative, which might result from the implied meaning of vision design as regarding the leader himself as the center. Under the condition of fierce competition and an unstable environment, the vision of the organization might be held firmly by the leaders, but not by the followers, so this kind of leadership behavior plays a relatively limited function. It should be noted that the limited function refers to one in highly fierce competition compared with the one in the stable environment, which does not mean that its function is not positive or even negative. Overall, vision design makes a positive impact on leadership effectiveness.

6 Conclusions

Our previous project in the last three years showed that the typical leadership behaviors stated in value-based leadership do play some positive functions in Chinese enterprises. On the basis of this research, this study examines the interaction between firm environment and value-based leadership behaviors. In contrast to the focus of traditional situational leadership, such as task traits and follower characteristics, this research studies leadership in a bigger environment. Empirical analyses on data from 70 Chinese enterprises yield several significant results. On the one hand, value-based leadership in enterprises can help the organization resist the impacts caused by a fiercely competitive environment, reduces the disadvantages of that competition, and increases leadership effectiveness. In summary, the results demonstrate that VBL makes good sense, especially in a highly competitive environment. We anticipate that the advantages of VBL—chiefly the internalized motivation amongst subordinates it generates—will result in its behaviors becoming the norm for all leaders of high caliber within the foreseeable future.

This research has some limitations. First, although there is one situational pattern in the hypotheses, the model does not involve the typical factors that are the focus of traditional situational leadership theory, because their exclusion allows the impact of external environmental factors to be shown more evidently as well as simplifying the model. However, in practice, external environmental factors and internal process factors will interactively impact the leadership effectiveness. Therefore, further study needs to be given to the comprehensive examination of internal situational factors. The current research found that the effects caused by competitive environments are complicated; some of these effects are negative but help to elucidate the function of value-based leadership. There is no doubt that the interaction of internal and external factors will be even more complicated, deserving deeper and more detailed analysis.

In addition, the priority of value-based leadership is to share common values with all followers through communication about vision; this approach relies on psychological motivation. However, this motivation method often requires frequent mutual communication between the leaders and the followers. After all, the energy of the leaders is limited, and so the actual leadership effectiveness of such leadership is influenced by the size of an organization. Hence, it is necessary to take the corporate size as a moderating factor into account when considering the VBL effectiveness. In this study, as only the data of the followers directly under each leader were collected and no overall investigation was made on the enterprises as a whole, the impact of corporate size on the leadership effectiveness was not taken into consideration. A more accurate study should address the impact of leadership on all the staff. Thus, one direction for future research in this field is to take into the model the impact of the corporate size on leadership and performance.

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