

Impacts of Industry Attractiveness and Competitive Position on Leadership

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Abstract

Contingency models of leadership have focused on the effects of organizational and follower characteristics on leadership. Much less effort has been given to understanding the effects of the external competitive environment on leadership. This paper explores the relationships among the external competitive environment, categorized by the attractiveness of the industry assessed by the intensity of competition and the industry's long-term potential for sales and earnings growth, the strength of the company's competitive position in the industry, and leadership. The results show that industry attractiveness and competitive position have statistically significant effects on numerous leadership functions, traits, skills, styles, and its effectiveness. The findings have numerous implications for the practice of leadership, and for the debates in the literature over the effects of the external environment on leadership, the most effective leadership styles, and the assessment of leadership effectiveness.

Keywords: leadership, competitive intensity, competitive position

1. Introduction

Contingency models of leadership, introduced in the 1960s (Fiedler, 1967; Korman, 1966) in reaction to the failures of earlier trait and behavior models to identify universal requirements for effective leadership, focused on the effects of internal organizational factors, the nature of the tasks, and follower characteristics on leadership and its effectiveness. Studies analyzed the moderating effects of internal organizational goals (Kerr, 1985; Miner 1982a, 1982b), the nature of the tasks to be performed (House, 1996; Vroom & Yetton, 1974), the maturity, knowledge, and experience of followers (Blake & Mouton, 1964; Hersey & Blanchard, 1977, 1969), and the quality of leader-follower relationships (Fiedler, 1967) on leadership traits, behaviors, and effectiveness. Much less effort was given to understanding the effects of the external competitive environment on leadership despite the fact that leadership depends more on the company's competitive position than on the traits of its leaders (Bazigos, Gagnon, & Schaninger, 2016), and that factors beyond any leader's control (e.g., the competitiveness of the industry) are critical drivers of performance (Thomas, 1988). Bass and Stogdill summarized the state of the literature in 1990:

Much has been learned about how the demands of a task and the characteristics of the immediate group members modify the type of leadership that will occur. Less well studied has been the effects of the external environment and the complex organization in which the tasks are to be accomplished and in which the leader's group is embedded. Yet, it is clear that the external environment and the complex organization exert important effects on the leader's behavior in his or her group (1990, p. 565).

Bass and Stogdill's critique of the literature stimulated a number of studies of the effects of the external environment on leadership's impacts on organizational performance, including the effects of environmental dynamics, competition, and uncertainty on innovation (Jansen, Vera, & Crossan, 2009; Wu, & Chow, 2008); the effects of market uncertainty on financial performance (Waldman, Ramirez, House, & Puranam, 2000), and the success of new ventures (Ensley, Pearce, & Hmieleski, 2005) and economic conditions on the effectiveness of alternative leadership styles (Huang, Xu, Chiu, Lam, & Farh, 2015). Studies of the effects of changes in the external environment on the leadership functions, skills, and competencies needed to orchestrate major organizational changes spawned the field

of Change Management (Kotter, 2007; Boaz & Fox, 2014). Explorations of the effects of the competitive environment on the leader's role as the organization's chief strategist (Finkelstein, Hambrick, & Cannella, 2009; Ireland & Hitt, 1999; Schoemakaer, Krupp, & Howland, 2013) launched the field of Strategic Leadership. The globalization of economies generated studies of the effects of global competition, multi-national operations, and cultural diversity on leadership roles, responsibilities, skills, values, and 'mindsets' (Bikson, Traverton, Moini, & Lindstrom, 2003; Goldsmith, Greenberg, Robertson, & Hu-Chan, 2003; Mendenhall, et al., 2013; Osland, 2013; Wibbeke & McArthur, 2014). These and other studies expanded understanding of the effects of external factors on leadership, but many questions remain about the interactions among the external competitive environment, the complex organization, and fundamental leadership functions, characteristics, and effectiveness.

2. Purpose

The purpose of this study of the impacts of the external environment on leadership was to determine if the attractiveness of the industry and the strength of the firm's competitive position in the industry had statistically significant effects on essential leadership functions, skills, traits, and style identified and extensively researched in the literature, and on the effectiveness of the leadership. Industry Attractiveness and Competitive Position encapsulated the external opportunities and threats, and the company's internal strengths and weaknesses fundamental to leadership's role in formulating and implementing organizational strategies (Fitzroy, Hulbert, & Ghobadian, 2012; Henderson, 1979; Kiechel, 2010; Stern & Deimler, 2006; Thompson, et al., 2014; Wheelen & Hunger, 2006).

An enhanced understanding of these relationships would enable organizations to better align their leadership with the opportunities and threats facing the company, and better develop leaders with the skills, traits, and behaviors essential to meeting these challenges and opportunities. The paper also explores three important Bass and Stogdill (1990) hypotheses: (1) changes in the external environment affect leadership; (2) market instability increases the need for leadership; and (3) market instability increases the importance of consultative leadership in particular. Finally, the paper contributes to the continuing debates over the most effective leadership style, and whether a consistent leadership style (Bruce, 1988; Stan & Roll, 1980) is more effective than one that varies with the situation (Hersey & Blanchard, 1969).

Industry Attractiveness, as shown in Figure 1, was measured by the net of Competitive Intensity (threats) and the industry's Long-term Potential for growth in sales and profits (opportunities). Greater Competitive Intensity reduces the attractiveness of the industry; greater Long-term Potential for growth increases the attractiveness of the industry. Competitive Intensity was measured by the collective strength of Porter's (1979) five forces of competition: rivalry among existing firms in the industry; the threat of new entrants; substitute products that cap prices current rivals can charge; and the bargaining powers of suppliers and customers. The industry's Long-term Potential was based on the outlook for sales and profit growth over the next five years.

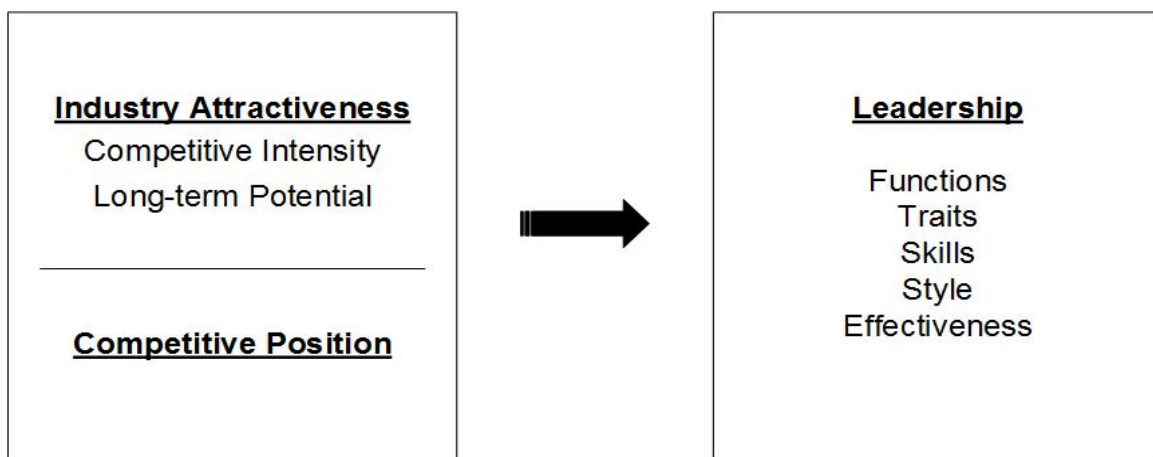


Figure 1. Industry Attractiveness, Competitive Position, and Leadership

The strength of the firm's Competitive Position in the industry was assessed on the basis of its internal strengths and weaknesses (Bazigos, et al., 2016) in terms of market share, profitability, relative cost, and image. Industry Attractiveness and Competitive Position together represent the external opportunities and threats facing the firm, and its capacity for responding to them- the SWOT analysis fundamental to strategic business planning.

Industry Attractiveness and Competitive Position are treated as independent variables in the literature, when in the world of business, they are interdependent. Industry Attractiveness, a construct consisting of the intensity of competition and the industry's potential for sales and profit growth, was significantly, negatively ($p < 0.001$) correlated with the company's Competitive Position. Thus, the strength of the company's Competitive Position in the industry weakened as the attractiveness of the industry declined. (Higher values for Industry Attractiveness indicate declining attractiveness.). The correlation between Industry Attractiveness and Competitive Position reflects the workings of a dynamic competitive market economy. An increase in the attractiveness of the industry (e.g., from an increase in demand or introduction of new technology) initially improves the competitive positions of extant firms in the industry, but draws new firms to the industry that reduce its attractiveness and weaken the Competitive Positions of current rivals until less-efficient firms exit the industry. The exit of less-efficient firms improves Industry Attractiveness and the Competitive Positions of surviving firms in a continuing competitive cycle where Competitive Position rises and falls with Industry Attractiveness.

The significant correlation between Industry Attractiveness and Competitive Position raised the potential for multicollinearity significantly affecting the study's results. However, the results were not affected, with all variance inflation factors throughout the study less than 1.4. Mean centering the data affected only the intercepts.

The study explored relationships among Industry Attractiveness, Competitive Position and the importance (rated on a 5-point Likert scale from limited to critically important) of leadership functions, traits, skills, and styles identified as critical in the literature, heavily researched, and included in most university leadership and management courses. The five fundamental leadership functions included creating a shared organizational vision, obtaining people with needed skills, fostering teamwork, encouraging innovation, and being a change agent (Kotter, 1990; Northouse, 2014; Yukl, 2006).

The leadership traits in the study included being decisive, confident, persistent, adaptable, and taking risks (Hughes, et al., 2009; Kirkpatrick & Locke, 1991; Kouzes & Posner, 2007; Zaccaro, 2007). Essential leadership skills included technical, analytical, interpersonal, communications, and strategic planning (Munford, Zaccaro, Connelly, & Marks, 2000; Northouse, 2014). The four fundamental leadership styles were task oriented, employee oriented, participatory, and directive leadership (Bowers and Seashore, 1966; Hemphill and Coons, 1957). Participatory and directive leadership were treated as opposite ends of a continuum – leaders who were more participatory were less directive (Tannenbaum & Schmidt, 1958). Employee and task-oriented leadership were treated as discrete variables (Hemphill & Coons, 1957), which enabled leaders to be both employee and task oriented. The leadership styles were constructs measured by three behaviors critical to each. Participatory leadership was measured by the extent to which leaders invited followers to participate in decision making, encouraged followers to make suggestions for improvements, and consulted with followers when facing a problem. Employee-oriented leaders got to know their followers individually, showed concern for their job satisfaction, and encouraged working together. The task-oriented leader gave followers specific goals to achieve, tasks to complete, and detailed instructions for completing assigned tasks. Leadership effectiveness was assessed on a 5-point Likert scale from limited to extremely effective.

The reliability of the leadership constructs was tested using Cronbach's alpha (Cronbach, 1951). Cicchetti and Sparrow (1990) suggested the following reliability (r) guidelines for significance: $r < .70$ (unacceptable), $.70 \leq r < .80$ (fair), $.80 \leq r < .90$ (good), and $r \geq .90$ (excellent). Adjusted reliability scores using the Spearman-Brown prophecy formula were also calculated because there were less than five measures for each leadership style construct. The adjusted alpha scores were .91 for participatory leadership, .84 for task-oriented leadership, and .93 for employee-oriented leadership, indicating good to excellent reliability for each construct.

3. Methods

A quantitative, cross-sectional research design using general linear modeling (linear regression) statistics was used to assess the effects of the attractiveness of the industry and the company's competitive position in the industry on leadership. The survey instrument developed for this study addressed factors critical to successful leadership identified and researched in the literature. It was directed to executives with professional leadership experience at for-profit companies in the manufacturing sector. It was opened in November 2014 and closed in March, 2015. The

respondents represented various levels of leadership within their organizations, up to and including CEOs. A pilot study addressed potential errors and ambiguities. Social bias was minimized by ensuring anonymity and confidentiality of both respondents and their organizations, and providing no compensation for participating. Over 600 responses to the questionnaire were received; 452 were sufficiently complete to include in the statistical analyses. Some included responses did not answer all three profile questions in Tables 1-3.

The sample provided good representation of companies of different sizes (measured by total sales revenues) with each size category accounting for over 13% of the sample. However, the sample tended towards larger organizations, with two-thirds of the companies having sales over \$10 million, and over 40% having sales over \$100 million.

Table 1. Size of Organizations

Size of Organization	Count	Percent
Less than 10 million	138	33.82
11 to 100 million	99	24.26
101 million to 1 billion	60	14.71
1.1 billion to 10 billion	55	13.48
Over 10 billion	56	13.73

N = 408

The participants had significant leadership responsibilities measured by the number of people they led that ranged from under 10 (35%) to over 100 (16%), with nearly two-thirds of the leaders having over 10 followers, and 30% over 50.

Table 2. Number of Followers

People Led	Count	Percent
<10	113	34.77
11-25	73	22.46
26-50	42	12.92
51-100	46	14.15
>100	51	15.69

N = 325

The leaders in the study also had extensive leadership experience. Over 85% of the leaders had five or more years of leadership experience; nearly two-thirds over 10 years; and 40% over 20 years of experience as business leaders.

Table 3. Total Years of Leadership Experience

Years Leadership	Count	Percent
<5	48	13.83
5-10	61	17.58
11-20	98	28.24
>20	140	40.35

N = 347

4. Results

The following analyses tests if Industry Attractiveness and the company's Company Position in the industry have statistically significant effects on fundamental leadership functions, traits, skills, styles, and effectiveness.

4.1 Leadership Functions

Table 4 shows that both Industry Attractiveness and Competitive Position had statistically significant effects on the importance of four of the five fundamental leadership functions.

Table 4. Effects of Industry Attractiveness and Competitive Position on Leadership Functions

Dependent Variable	Independent Variable							
	Industry Attractiveness				Competitive Position			
Functions	Coef	SE Coef	T-Value	P-Value	Coef	SE Coef	T-Value	P-Value
Vision	0.0397	0.0147	2.70	0.000*	0.1242	0.0493	2.52	0.012*
Teamwork	0.0220	0.0137	1.61	0.109	0.1063	0.0462	2.30	0.022*
Change Agent	0.0477	0.0153	3.12	0.002*	0.0705	0.0517	1.36	0.173
Innovation	0.0437	0.0152	2.88	0.004*	0.1202	0.0512	2.35	0.019*
People	0.0434	0.0144	3.01	0.003*	0.1212	0.0488	2.48	0.013*

Note: *Statistically significant at $p < .05$.

Industry Attractiveness had a statistically significant effect on the importance of all of the leadership functions but promoting teamwork. The importance of creating a shared vision, being a change agent, encouraging innovation, and obtaining people with needed skills increased significantly as the attractiveness of the industry declined. As shown in Table 5, both components of Industry Attractiveness, Competitive Intensity and Long-Term Potential for sales and profit growth, also had statistically significant effects on the importance of four of the five leadership functions.

Table 5. Effects of Competitive Intensity and Long-Term Potential on Leadership Functions

Dependent Variable	Independent Variable							
	Competitive Intensity				Long-Term Potential			
Functions	Coef	SE Coef	T-Value	P-Value	Coef	SE Coef	T-Value	P-Value
Vision	0.0428	0.0147	2.92	0.004*	0.0878	0.0587	1.49	0.136
Teamwork	0.0263	0.0136	1.93	0.054	0.1436	0.0550	2.61	0.009*
Change Agent	0.0541	0.0150	3.60	0.000*	0.2029	0.0602	3.37	0.001*
Innovation	0.0494	0.0150	3.29	0.001*	0.1766	0.0602	2.93	0.004*
People	0.0304	0.0131	2.32	0.021*	0.1552	0.0525	2.95	0.003*

Note: *Statistically significant at $p < .05$.

The importance of all of the functions except promoting teamwork, which was marginally significant at $p = 0.054$, increased as competition increased, and all of the functions except creating a shared vision increased with greater Long-Term potential for sales and profit growth. Thus, the importance of the functions leaders performed increased at companies facing greater competitive threats and or economic opportunities.

Table 4 also shows that the company's Competitive Position in the industry had statistically significant effects on the importance of all of the leadership functions but being a change agent, which may be less important to companies in stronger competitive positions. The elevated importance of four of five leadership functions at companies with strong competitive positions in the industry is both interesting and counter intuitive. It could be argued that leadership is of greater importance to companies in weaker competitive positions than it is to companies holding stronger competitive positions.

The data showed precisely the opposite – the importance of four of the five leadership functions increased as the company's Competition Position strengthened, suggesting that the elevated importance of leadership at companies holding stronger competitive positions was more an assessment of the importance of leadership in obtaining strong competitive positions at these companies than the need for leadership. This is supported by the finding below that leadership effectiveness was rated higher at companies holding stronger competitive positions.

4.2 Leadership Traits

Table 6 shows that Industry Attractiveness had a statistically significant effect on the importance of all five leadership traits - all five leadership traits acquired greater importance as the attractiveness of the industry declined.

Table 6. Effects of Industry Attractiveness and Competitive Position on Leadership Traits

Dependent Variable	Independent Variable							
	Traits	Industry Attractiveness				Competitive Position		
	Coef	SE Coef	T-Value	P-Value	Coef	SE Coef	T-Value	P-Value
Risk Taking	0.0382	0.0145	2.63	0.009*	0.0282	0.0492	0.57	0.567
Decisive	0.0331	0.0130	2.55	0.010*	0.1109	0.0440	2.52	0.012*
Adaptable	0.0303	0.0119	2.54	0.012*	0.0991	0.0404	2.45	0.015*
Persistent	0.0291	0.0139	2.09	0.030*	0.0593	0.0469	1.26	0.207
Confident	0.0290	0.0121	2.39	0.018*	0.1044	0.0411	2.54	0.012*

Note: *Statistically significant at $p < .05$.

Table 7 shows the effects of the individual components of Industry Attractiveness on the five leadership traits. Increasing competition increased the importance of each of the leadership traits, while greater sales and profit potential increased the importance of being decisive, adaptable, and confident, but not risk-taking or persistence.

Table 7. Effects of Competitive Intensity and Long-Term Potential on Leadership Traits

Dependent Variable	Independent Variable							
	Traits	Competitive Intensity				Long-Term Potential		
	Coef	SE Coef	T-Value	P-Value	Coef	SE Coef	T-Value	P-Value
Risk Taking	0.0417	0.0145	2.87	0.004*	0.0889	0.0584	1.52	0.129
Decisive	0.0383	0.0128	2.98	0.003*	0.1661	0.0515	3.23	0.001*
Adaptable	0.0340	0.0119	2.86	0.004*	0.1131	0.0476	2.38	0.018*
Persistent	0.0322	0.0139	2.31	0.021*	0.0863	0.0555	1.56	0.121
Confident	0.0339	0.0120	2.82	0.005*	0.1481	0.0484	3.06	0.002*

Note: *Statistically significant at $p < .05$.

Table 6 also shows that all of the leadership traits except risk taking and persistence increased in importance as the company's Competitive Position strengthened. The elevated importance of taking risks and being persistent with increased competition, but not with strengthened Competitive Positions and greater long-term growth potential, suggested that risk-taking and persistence may be highly desirable leadership traits at companies facing increasing competition, but less desirable traits at companies holding strong competitive positions in industries with high growth potential. Such favorable positions may breed conservatism, risk aversion, bureaucratic restraints on decision making, and a more circumspect view of persistence.

4.3 Leadership Skills

Table 8 shows that unlike its extensive effects on leadership functions and traits, Industry Attractiveness had a statistically significant effect on only the leader's strategic planning skills that acquired greater importance as the attractiveness of the industry declined.

Table 8. Effects of Industry Attractiveness and Competitive Position on Leadership Skills

Dependent Variable Skills	Independent Variable							
	Industry Attractiveness				Competitive Position			
	Coef	SE Coef	T-Value	P-Value	Coef	SE Coef	T-Value	P-Value
Technical	0.0214	0.0146	1.46	0.145	0.1006	0.0493	2.04	0.042*
Analytical	0.0112	0.0122	0.92	0.360	0.0421	0.0412	1.02	0.308
Interpersonal	0.0059	0.0125	0.47	0.638	0.0439	0.0422	1.04	0.300
Strategic Planning	0.0344	0.0137	2.50	0.013*	0.1332	0.0462	2.88	0.004*
Communications	0.0211	0.0108	1.95	0.051	0.0502	0.0363	1.38	0.168

Note: *Statistically significant at $p < .05$.

Table 9 shows that increasing Competitive Intensity increased the importance of leaders' communications skills; greater Long-term potential increased the importance of leaders' interpersonal skills; and both increased the importance of leaders' strategic planning skills. The importance of the leader's technical and, again, strategic planning skills was also greater at companies in strong Competitive Positions (Table 8).

Table 9. Effects of Competitive Intensity and Long-Term Potential on Leadership Skills

Dependent Variable Skills	Independent Variable							
	Competitive Intensity				Long-Term Potential			
	Coef	SE Coef	T-Value	P-Value	Coef	SE Coef	T-Value	P-Value
Technical	0.0233	0.0147	1.59	0.113	0.0564	0.0586	0.96	0.337
Analytical	0.0136	0.0122	1.11	0.268	0.0833	0.0489	1.70	0.089
Interpersonal	0.0092	0.0125	0.74	0.460	0.1285	0.0499	2.57	0.010*
Strategic Planning	0.0379	0.0137	2.77	0.006*	0.1103	0.0548	2.01	0.045*
Communications	0.0233	0.0108	2.16	0.031*	0.0682	0.0431	1.58	0.114

Note: *Statistically significant at $p < .05$.

It is revealing and unexpected, given the emphasis on leaders' interpersonal skills in the literature, that it was leaders' planning, not interpersonal, skills that were increasingly important with declining Industry Attractiveness and both of its components, and with stronger Competitive Positions in the industry. Only increasing Long-term Potential significantly increased the importance of leaders' interpersonal skills.

4.4 Leadership Styles

Table 10 shows that Industry Attractiveness and Competitive Position had significant effects on leadership style. The importance of task-oriented, employee-oriented, and participatory leadership increased while the importance of directive leadership declined as the attractiveness of the industry declined. The company's Competitive Position in the industry also had a significant effect on task and employee-oriented leadership that both increased in importance at companies holding stronger competitive positions.

Table 10. Effects of Industry Attractiveness and Competitive Position on Leadership Style

Dependent Variable Style	Independent Variable							
	Industry Attractiveness				Competitive Position			
	Coef	SE Coef	T-Value	P-Value	Coef	SE Coef	T-Value	P-Value
Task	0.1602	0.0350	4.58	0.000*	0.484	0.118	4.09	0.000*
Employee	0.0528	0.0132	3.99	0.000*	0.1770	0.044	3.96	0.000*
Participatory	0.1372	0.0386	3.56	0.000*	0.212	0.130	1.62	0.105

Note: *Statistically significant at $p < .05$.

Competitive Intensity also had a significant effect on leadership style (Table 11), with the importance of task and employee-oriented, and participatory leadership increasing with heightened competition. Long-Term potential did not have a significant effect on leadership style.

Table 11. Effects of Competitive Intensity and Long-Term Potential on Leadership Style

Dependent Variable	Independent Variable							
	Competitive Intensity				Long-Term Potential			
Style	Coef	SE Coef	T-Value	P-Value	Coef	SE Coef	T-Value	P-Value
Task	0.1659	0.0351	4.73	0.000*	0.061	0.140	0.43	0.664
Employee	0.1288	0.0374	3.45	0.001*	0.020	0.150	0.14	0.892
Participatory	0.1408	0.0388	3.63	0.000*	0.0003	0.155	0.02	0.987

Note: *Statistically significant at $p < .05$.

4.5 Leadership Effectiveness

The strength of the organization's Competitive Position in the industry had a significant effect ($p < .001$) on leadership effectiveness while declining Industry Attractiveness had a negative, but not statistically significant effect on the effectiveness of the leadership. The two components of Industry Attractiveness, Competitive Intensity and Long-term Potential, had mixed effects on leadership effectiveness. Increasing Competitive Intensity had a negative but not statistically significant effect on leadership effectiveness, while Long-term Potential had a statistically significant, positive effect. Thus, leaders were rated more effective at companies holding strong competitive positions in high-potential growth industries, but not significantly downgraded at companies facing increasing Competitive Intensity that is largely beyond leadership's control.

5. Discussion

A number of studies of the effects of the external environment on leadership have followed Bass and Stogdill's (1990) call for additional research to complement the numerous studies of the effects of organizational and follower characteristics on leadership, but there is still much to learn about these important relationships. The findings in this study that the attractiveness of the industry and the strength of the company's competitive position in the industry had statistically significant effects on numerous leadership functions, traits, skills, style, and effectiveness contribute to a better understanding of these relationships.

As summarized in Table 12, declining Industry Attractiveness and improving Competitive Position collectively had statistically significant effects on the importance of all five leadership functions and traits; two of five leadership skills; and three of four leadership styles. Assessments of leadership effectiveness also increased with stronger Company Positions in the industry. Both components of Industry Attractiveness, increasing Competitive Intensity and greater Long-term Potential, also had statistically significant effects on the importance of many of the leadership functions, traits, skills, and styles, as well as on leadership effectiveness.

6. Conclusions

The most important implication of this study follows from the finding that leadership is most needed and most important when companies confront greater competitive threats or greater opportunities. Companies need to recognize the heightened importance of leadership in these situations, and ensure leaders throughout the company have the capabilities needed to meet the threats and exploit the opportunities. The effectiveness of its leadership should be the organization's highest priority in these situations because of its increasing importance, and because adapting the leadership to the continuously changing external environment will, in most cases, prove significantly more difficult than modifying internal organizational structures and business systems.

Table 12. Effects of Industry Attractiveness and Competitive Position on Leadership

Leadership	Industry Attractiveness and Competitive Position			
	Industry Attractiveness	Competitive Position	Competitive Intensity Intensityness	Long-term Potential
Leadership Functions				
Vision	*	*	*	----
Teamwork	----	*	----	*
Change Agent	*	----	*	*
Innovation	*	*	*	*
People	*	*	*	*
Leadership Traits				
Risk Taking	*	----	*	----
Decisiveness	*	*	*	*
Adaptability	*	*	*	*
Persistence	*	----	*	----
Confidence	*	*	*	*
Leadership Skills				
Technical	----	*	----	----
Analytical	----	----	----	----
Interpersonal	----	----	----	*
Planning	*	*	*	*
Communications	----	----	*	----
Leadership Style				
Task Oriented	*	*	*	----
Employee Oriented	*	*	*	----
Participatory	*	----	*	----
Leadership Effectiveness	----	*	----	*

Note: *Statistically significant positive effects at $p < .05$.

The relationships between the company's competitive position in the industry and leadership also have a number of important implications for the practice of leadership. Declining Industry Attractiveness increased the importance of being a change agent, risk taking, persistence, and participatory leadership, but being in a stronger Competitive Position did not. Coupled with the finding that a stronger Competitive Position increased the importance of leaders' technical and strategic planning, but not interpersonal skills suggest a more cautious, conservative approach to leadership at companies holding stronger competitive positions. Leaders who maintain the status quo may be preferred to those who challenge it at more successful companies. Thus, leaders must recognize the need for and have the ability to align their styles and behaviors with the company's changing competitive position in the industry, as well as with changes in the external environment. Adaptability emerges in the study as a key leadership trait that acquires greater importance as the attractiveness of the industry declines, and the company's Competitive Position strengthens.

Declining Industry Attractiveness and stronger Competitive Positions both increased the importance of leaders' strategic planning skills, as did increasing Competitive Intensity and greater Long-Term Potential for sales and profit growth. Only increasing Long-Term Potential increased the importance of leaders' interpersonal skills. The

implication is that the leader's role as the chief architect of strategy (Andrews, 1980), and responsibilities for integrating strategy and leadership (Marx, 2014; Montgomery, 2012) take on added importance at companies facing greater competitive threats and opportunities. Companies in these situations need leaders with strong planning skills that are not emphasized in the leadership literature or the classroom where the focus is on interpersonal skills.

Assessments of leadership effectiveness generally fall into two categories – effects on organizational performance, and effects on followers' morale, job satisfaction, motivation, and commitment (Mendenhall, 2013). The findings here suggested that practitioners assess leadership effectiveness on the basis of organizational performance. Assessments of leadership effectiveness were higher at companies holding stronger competitive positions in attractive industries with good long-term sales and profit potential. Companies facing greater competitive threats and opportunities therefore need to select and develop leaders with strong bottom-line orientations, and base rewards on contributions to organizational performance. This implication is consistent with the increased importance of leader's strategic planning but not interpersonal skills with declining Industry Attractiveness and stronger Competitive Positions in the industry.

The study's findings clearly supported the Bass and Stogdill hypothesis that the external environment affects leadership. Industry Attractiveness had a statistically significant effect on the importance of four of five leadership functions, all five leadership traits, all four leadership styles, and the leader's strategic planning skills. The findings also supported the Bass and Stogdill hypothesis that market instability increases the need for leadership. The importance of numerous leadership functions, traits, skills, and styles increased significantly with market instability from greater Competitive Intensity and Long-Term Potential for sales and profit growth.

The findings also have implications for the Bass and Stogdill (1990) hypothesis that market instability increased the need for consultative leadership in particular. Market instability increased the importance of participatory and reduced the importance of directive leadership consistent with Bass and Stogdill, but it also increased the importance of task and employee-oriented leadership. Thus, market instability increased the fundamental importance of leadership, not the importance of a particular leadership style.

This finding also has implications for the debate over the effectiveness of alternative leadership styles. The literature provides support for the effectiveness of every leadership style - democratic leadership (Argyris, 1957; Likert, 1961; McGregor, 1960); task-oriented leadership (Miner, 1968); and the integrated task-employee oriented approach to leadership pioneered by Blake and Mouton (Bass, 2008; Blake & Mouton, 1964). Others argue the effectiveness of the leader's style depends on the leader's personality (Fiedler, 1967; Hill & Schmitt, 1977; McGregor, 1960; O'Roark, 1986). An important implication of the findings in this study is that a number of different leadership styles acquire greater importance with changes in the external competitive environment and the company's Competitive Position. Companies therefore need to focus on developing leaders with the styles that are consistent with the external threats and opportunities facing the company and the organization's strategies rather than promoting a particular leadership style.

Fiedler (1967) argued that because personality affected leadership style and was hard to change, leaders should adapt the situation to fit their preferred style rather than attempt to adapt their style to the situation. Leaders could change their relationships with followers, re-structure tasks, and modify internal structures and systems to mesh better with a preferred style of leadership, but the significant effects of the external competitive environment on leadership found in this study suggest it is not feasible for leaders to change the situation to fit their leadership styles. Leaders cannot meaningfully change the course of the economy, prevent development of new technologies or block the introduction of new products that affect the external competitive environment. As one sage summed it up: "In the long run, the market always wins" (Kiechel, 2010, p. 167).

7. Future Research

Future research that explores additional interactions among the external competitive environment, the company's competitive position, and leadership is needed to construct and test more general theories of leadership (Day & Antonakis, 2011). Such studies include the effects of additional dimensions of both Industry Attractiveness (e.g., sales concentration, average industry profits, regulation) and Competitive Position (e.g., market share, cost advantage, technological leadership, brand recognition) on leadership. Future studies could also assess these effects on additional leadership functions (e.g., empowering employees), traits (e.g., reliability), skills (e.g., coaching), and leadership styles (e.g., servant, empathetic, authentic, credible, transformational). Additional studies of these effects

on leadership effectiveness utilizing objective measures of organizational performance (e.g., profitability, sales growth, market value) are also needed.

Industry-specific studies of these effects would identify additional characteristics of the external environment that affect leadership, and test the extent to which findings generalize. Perhaps, most importantly, studies that integrate strategic planning and leadership are needed to advancing understanding and the practice of both.

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