



## **Leadership Economics**

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### **Abstract**

The idea of economies, when considered in the broadest sense, involves systems. That is the context in which this article contemplates leadership. *Leadership Economics (LE<sup>n</sup>)* identifies and defines the dynamics that comprise the leadership economy and shows how those elements contribute to, and interact toward, the accomplishment of organizational outcomes. Scholarly research of the economy's fundamentals supports Leadership Economics' concept and serves as the basis for understanding it. Additionally, Christian theological evaluation supplements the discussion regarding the practical application of Leadership Economics, lending further substance to this model.

The intent of Leadership Economics is not to add another definition to the leadership ideal or to propose new leadership principles. Rather, the goal of Leadership Economics is to delineate leadership's means. Leadership Economics deals with *how*: how leaders move organizations from definitions and principles to outcomes.

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The idea of Leadership Economics is positioned in the middle of the leadership continuum. That is, between the definitions of what leadership is on the one hand, and what leadership hopes to accomplish on the other. Most of what is written about leadership relate to either the definition of leadership or what leadership works to achieve.

The discussion this work invites the reader to consider seeks to prompt additional study and exploration into the functioning of the leadership dynamic, the very real territory that exists between definitions and outcomes. In a word, Leadership Economics is about: HOW; how do

leaders really lead? How do leadership principles function, allowing leaders to better understand and practiced those dynamics, contributing to more effective organizational performance?

### **Hypothesis**

The essence of Leadership Economics lies in the belief that particular, identifiable, constant realities exist within the leadership reality that, when pursued and applied in a systematic fashion, will result in the ability to lead in ways that help achieve desired outcomes. These realities are specific, definable operants recognizable within the leader/follower dynamic. The functionalities suggested here are not recent insights or new discoveries. Rather, they are known elements of the leadership paradigm. Leaders and followers who intentionally and purposefully work together within the functioning of the economy that is defined by these dynamics, can, with reliability, expect to achieve the desired ends.

At the core of Leadership Economics is the relationship between the leader and follower[s]; relationships are, and must be, at the core of any leadership effort. Once relationships are established, trust is the next consideration. After trust comes influence. The final piece of the leadership economy is humility. These four attributes, functioning successively as prescribed, are the essence of Leadership Economics.

This theory holds that relationships, trust, influence, and humility comprise the foundational building blocks upon which leadership is built and operates. Additionally, each of these elements can be defined and understood in its own right and, as such, lends itself to a systematic, dependent, and corresponding approach to exercising effective leadership.

The attributes that comprise the Leadership Economics model can be known and the sequential construct this theory suggests can be both understood and applied. It is to that end that this work seeks to initiate discussion.

### **Economics**

The use of economics as a backdrop to the Leadership Economics ideal results, in part, from Canadian economist Jim Stanford's suggestion that economics has to do with how things work, how organizations work. Interestingly, some of the earliest studies of economic concepts date back to the mid-1800s and, as the Robert Schiller, distinguished Yale professor of economics shares, dealt with the "study of human behavior". Consequently, Stanford argues that an understanding of economics principally attempts to define, evaluate and predict "interactions and relationships between people". It is with this perspective in view that the idea of economics is applied to the leadership model under consideration in this article.

The evaluation of economics involves understanding people, their behaviors, and the influences that contribute to a system in question. Floyd Bond, quoting Lew Wagner in a discussion about the study and instruction of economic principles, wrote that economics is about "those concepts and relationships which serve to organize and tie together" the functionalities that define an economy. Economics then has as its focus the relationships, and choices that work to influence and define those relationships, more so than any particular outcome that might be desired.

### Relationships

Relationships are foundational to leadership; they are central to all leadership realities. At its heart, the idea of relationships anticipates a form of association, that is, a connection between things. In the case of leadership, that connection deals largely with the leader and the follower(s). Everything about leadership rises and falls on the effort those involved invest in relationships.

Ed Weymes, Associate Dean at The University of Waikato in New Zealand, holds that, when discussing leadership and the importance of relationships, “one cannot occur without the other.” Weymes goes on to argue that the challenge of leadership lies in the effort to establish relationships.

Relationships are not just foundational to the principles of leadership, relationships are where leadership starts. Mark McCaslin, former Assistant Professor at the University of Idaho, calls relationships “the energy that fuels leadership”. Simply put, no matter the application, leadership absolutely begins with relationships.

Given that leadership starts with relationships, understanding them is essential for leaders. Stefan Klaussner, Visiting Professor at the European University Viadrina in Germany, contends that relationships are definable. The point is that they do not exist in simple linear terms, but rather function in a fluid state. An understanding of the nuances of relationship and their complexities is critical to those who lead. The reader’s attention is drawn to this fact in order to highlight the critical nature of relationships within the Leadership Economics theory.

Finally, when considering relationships, it bears mentioning that they are not a one-way enterprise, the responsibility solely of the leader, but rather require two-way effort. Jane Howell and Boas Shamir, writing in the *Academy of Management Review*, note that the onus regarding relationships within the leadership continuum lies with all parties involved, not just the leader. It is, therefore, reasonable to suggest that leadership simply cannot exist in a vacuum absent relationships. Relationships are where the leadership economy begins, but successful leadership requires more than relational effectiveness.

### Trust

David Elrod, former finance director with Microsoft, speaking about leadership argues that trust is an essential quality of leadership. Furthermore, with the Leadership Economics model in mind, it is interesting to note that Chughtai, Byrne, and Flood write in the *Journal of Business Ethics* that the realization of trust is dependent on relationships. In the most direct terms, trust cannot be realized outside of relationships. The evidence on this point is clear.

*The Oxford English Dictionary*, when defining trust, holds that by its very nature trust anticipates the reliance, confidence or faith in some quality or attribute of another. Clearly, this speaks to the centrality relationships play in the establishment of trust.

Trust is something that is realized and only achieved over time according to Xiaojun Lu of Shanghai Jiao Tong University in China. Indeed, Meister, Green, and Galford in their book

*The Trusted Advisor*, advance the idea that, generally, the longer relationships exist the more beneficial they can be in contributing to trust. Time, however, is not the only contributor to the fostering of trust in relationships. Chughtai, Byrne, and Flood suggest that trust is a subjective function that can vary widely in both qualitative and quantitative terms.

In addition to time, various scholars, to include those already mentioned in this article, assert that things like proximity, consistency and the reciprocating nature of relationships, to mention just a few, are all attributes that have an impact on trust. In other words, trust does not just happen. It is a function of numerous complex and diverse elements all rooted, in one way or another, in relationships. Klaussner, referenced earlier, plainly states that relationships and trust exist in a symbiotic relationship. Interestingly, in and of themselves it is not these two functions that move organizations. For that, there is a subsequent, integral dynamic within the leadership economy necessary for organizations to realize targeted outcomes.

### Influence

Northouse, in his hallmark textbook entitled simply *Leadership*, writes that influence is the essential element of leadership, “without influence, leadership does not exist.” Finnish organizational consultant Kalle Siira posits that influence is the most central dynamic that must be accomplished for leadership to be considered effective. Truly, the idea of influence is, in one way or another, essential to most leadership definitions and leadership cannot happen without influence.

Sadly, it is here, with influence, that most leaders start their effort to lead. That unfortunate reality is at the core of many leadership failures. While influence is what is needed, it should not be what leaders seek. Influence is not some commodity to be acquired, simply bought off the shelves of the nearest supermarket. Rather, as Kacmar Carlson and Harris wrote in the *Journal of Social Psychology*, a leader’s conduct with respect to “personal actions and interpersonal relationships” is what drives his or her ability to influence an organization. Interestingly, leaders who are attentive with respect to constructing environments that attend to relational realities motivate or influence followers, according to Wong and Cummings, nursing professors in Canada.

It is this consideration, that although influence is central to the realization of leadership, it should not be the aim of leadership. This perspective is foundational to the Leadership Economics’ argument. Dorothy Gaiter, President of Alabama-based Gaiter Electrodiagnostic Technology, writes plainly that “when people trust their leaders, they will follow”. Such trust, according to authors Maister, Green and Galford result from relationships. So, it is healthy relationships that ought to be the focus of leaders. In doing so, trust can be cultivated, and influence effected.

### Humility

In the strictest sense, what has been presented to this point in this article is true and applicable with respect to the practice of leadership. That said, it is believed, and research strongly suggests, that there is an additional element, applied by leaders in concert with relationships, trust, and influence that materially bears on leadership’s effectiveness. That attribute is humility.

True humility's most powerful consideration, from a leadership perspective, is its focus on the good of the organization rather than self, according to professors Morris, Brotheridge, and Urbanski. These scholars go on to state that when leaders appreciate the contributions of others, seeking to serve them and encouraging their involvement, the benefits of humility to the organization are better understood and realized. Indeed, van Dierendonck and Patterson, writing in the *Journal of Business Ethics* offer a pointed thought: humility and leadership are conjoined realities.

The impact of humility on leadership is profound, perhaps exponential. Consider for a moment the thoughts of Jim Collins, author of the much-heralded book *Good to Great*. Collins' research highlighted humility and professional will as unique attributes of "Level 5" leaders who lead their 11 respective companies to unparalleled heights compared to the other 500 companies a part of Collins' study.

Another proponent of humility as a fundamental leadership attribute is the late, great UCLA basketball coach John Wooden. Wooden held that he had one simple focus as a coach, "do everything possible to help . . . our team". He was absolutely determined to accomplish one thing as a coach, teaching and developing his players. Interestingly, absent from his considerations is any concern for winning. This is an approach entirely antithetical to most current coaching practices. The same is true about most part leadership practices employed by the majority of coaches and leaders today.

The academic research certainly supports the thesis that there is a sequential, dependent reality that defines how leadership works. In fact, the work associated with this effort has resulted in the development of a mathematical statement intended to express how leadership functions:

$$\{[(+/-R_L) + (+/-R_F)] = T\} = I\}^h$$

The R, T, I, and <sup>h</sup> represented in this equation relate to relationships, trust, influence, and humility respectively. The <sub>L</sub> and <sub>F</sub> reference the leader and the follower(s). Essentially then, as the relationship between the leader and follower(s) goes, so goes the trust between them and consequentially influence. Accordingly, consistent with mathematical principles, humility's weight on the statement effects all elements exponentially.

### Christian Worldview

There is a question that remains. Is this thinking treated favorably when considered from a Christian worldview perspective? Thankfully Scripture is replete with leadership examples affording an opportunity for such an evaluation.

When considering relationships as a core piece of the leadership practice one finds numerous supporting references. Joshua served alongside Moses 40 years before assuming the responsibility of leading Israel. Additionally, Elijah's tutelage of Elisha is defined by a word Easton's Bible Dictionary characterizes as one "adopt[ing] him as a son and invest[ing]" in his training. Then there is Paul's work with Timothy, who Paul, writing in Philippians and 1 Corinthians, refers to as a "true child" and "beloved and faithful child". Perhaps, when considering the leadership perspective, there is no more compelling example than Christ Jesus' work with His disciples. He spent three years working with a truly rag-tag group who, after

Christ's leadership, willingly abandoned their lives, following Him to death, marking the world indelibly with His gospel message for eternity.

In each example, the work started with relationships. Over time those relationships served to cultivate trust between the parties, and that trust resulted in the realization of influence. In each case, those leaders conducted themselves with humility throughout their efforts. Indeed, there is no greater example of the kind of humility that the Christian worldview contemplates than that exercised by Jesus, giving His life in the conduct of His work with the disciples and the fulfillment of God's will and plan for mankind.

## **Conclusion**

The work undertaken in this article sought to contribute specifically to the notion of how leadership works. Leadership Economics is a theoretical perspective intent on provoking conversation around the real-life practice and application of leadership.

It is believed that there is a dependent, associative reality existing between relationships, trust, influence, and humility in their respective contribution to the leadership dynamic. Scholarly content, as well as Christian worldview considerations, both support the concepts held in this article.

Understanding how leadership is accomplished is paramount to the effective realization of desired organizational outcomes. Leadership Economics works to explain and lend clarity to the perennial leadership questions of: "How"?

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## **About the Author**

Robert P. Schiefer is an entrepreneur, leadership coach, mentor, and public speaker. He is the franchise owner of a Chick-fil-A restaurant located in Niceville, FL. Robb has spent more than 25 years leading teams in either senior leadership roles or as the owner of businesses. Robb is a graduate of Liberty University, graduating Summa Cum Laude, with a Bachelor of Science degree in Religion. Robb also holds a Master of Arts in Organizational Leadership degree from Regent University. The effort toward his Master's degree resulted in Robb's development of the Leadership Economics® concept.

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