University of New England

School of Economics

**Economic Revisionism and Organizational Leadership:
A Hope-Based Theory**

by

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No. 2004-19

Working Paper Series in Economics

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Abstract

Unlike most other allied social disciplines, economics has neglected leadership. Conceptual foundations for a theory that proposes that a distinctive leadership role is to facilitate the development of hope so that organizational members can sustain their commitments can be found in the work economic revisionists, such as Amarta Sen, Albert Hirschman and Jon Elster, have done in modifying conventional economic theory to explain the effect of commitment and the emotions on behavior. It is also proposed that the authority organizational leaders have to call meetings gives them the capacity to both influence social interactions to carry out this role and also form an impression of the cultural strength of the organization and receptiveness to inspiration of its members that can shape their choice of leadership styles.

Key Words: Management; leadership; organizational effectiveness.

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1. INTRODUCTION

The phenomenon of leadership has been the subject of a considerable body of literature in the humanities and certain branches of the social sciences. Traditions f inquiry into leadership have been particularly prominent in philosophy, politics, anthropology, psychology, sociology and history. Moreover, insights from all these traditions have been integrated into studies of management and organizational behavior that have been of both an academic and popular nature (Bass, 1990).

The considerable interest other disciplines have shown in leadership makes the relative neglect by economists of this phenomenon all the more striking. This neglect becomes even more puzzling when one considers that the relationship if, any between leadership and effective performance should be of general interest to economists. In particular the political economy of policy reform (Rodrik, 1996), the theory of collective action (Olson, 1965; Frohlich *et al.*, 1971) and the economics of organizations (Williamson, 1975) constitute three rapidly developing areas of contemporary economic thought in which the issues raised by leadership theorists appear to have a compelling relevance.

Why then have economists paid so little attention to leadership? Perhaps the most plausible explanation for this puzzle is that the distinctive way leadership is conceived by writers on organizational leadership seems to have ruled it outside

the bounds of mainstream economic analysis. While there seem to be as many definitions as there are theories of leadership (Bryman, 1986), two distinctive aspects of leadership when it is compared with other co-ordinative activities such as "management" seem to be repeatedly emphasized.

The first is reflected in the oft-quoted slogan that "management is about doing things right while leadership is about doing the right thing" (Nanus and Dobbs, 1999, p.11). This focuses on the judgment-making aspect of leadership. Provided that a particular actor such as the chief executive has sufficient authority, this person can exercise leadership in these terms by making judgments that affect the direction of an organization's development.

The second main way in which leadership has been distinguished from management is by those writers who conceive leadership as a distinctive type of social influence relationship. To lead is to influence, to guide, to engage a following and build their commitment to realize a particular vision. According to Tichy and Devanna (1986, p.5), leadership involves pulling an organization into the future "by creating a positive view of what the organization can become and simultaneously providing emotional support for individuals during the transition process."

Those few economists who have sought to develop models of leadership have focused on this second aspect of leadership by assuming that leaders will

attempt to influence member behavior once group or organizational goals have been determined. For example, Casson (1991) sees leaders using "moral rhetoric" to manipulate member shame and guilt so that there is an emotional cost to agent opportunism. He deploys an agency-theoretic approach to identify the conditions under which such leadership through moral manipulation may result in lower agency costs than formal monitoring of behavior. Hermalin (1998) has advanced a somewhat different economic model of leadership. He proposes that under conditions of asymmetric information, "leadership by example" may be interpreted as a signal that leaders have better information about the value of effort devoted to their common activity so that "the harder the leader works, the harder the followers work" (Hermalin, 1986, p.1196). Both Casson and Hermalin see themselves as breaking new ground, modeling a phenomenon that has traditionally been avoided by the majority of economists who subscribe to the convention that economic analysis should not explore processes of preference change. According to this convention they should either (i) take the preferences of individuals as given and not look inside the "black box" within which they are formed and transformed; or (ii) assume that they are stable and explain apparent preference change in terms of adjustments in the shadow prices of inputs in household production functions (Stigler and Becker, 1977).

The emphasis Hermalin and Casson have given to addressing the problems fellow mainstream economists might encounter in incorporating leadership concepts into their analysis does, however, mean that any contribution their theories might make to the broader literature on organizational leadership is likely to be limited. For example, their economic models of leadership have not yet developed the theoretical richness of situational theories (based on foundations laid by Fiedler, 1967; Hersey and Blanchard, 1967; Vroom and Yetton, 1973; House, 1971) that relate the effectiveness of leadership as a mechanism of social influence to the adaptation of the leadership styles to situational contingencies.

In this paper we advance the argument that the work of some economic revisionists such as Sen (1977), Hirschman (1982) and Elster (1998) may actually provide the conceptual foundations for the construction of a theory of leadership that can make a more significant contribution to the organizational leadership literature. These revisionists have focused on two phenomena that, like leadership, are hard to explain with conventional economic models. Sen and Hirschman, for example, have clarified why economists find it difficult to explain "commitment" unless they relax and modify their standard assumptions while Elster has, similarly, identified the difficulties involved in adequately explaining the effect of emotions on behavior in terms of a cost-benefit analysis that incorporates them as psychic arguments in individual utility functions.

In this paper we will explore the notion that the effectiveness of organizational leadership as a distinctive co-ordinative activity can be evaluated in terms of its influence on the commitment members make to the advancement of organizational goals. The remainder of paper is organized into four further sections. In the first section we examine the relevance of Sen's theory of commitment to leadership theory. We also consider the insights Hirschman's (1982) work on "shifting involvements" provide with regard to the risk involved in trusting members to sustain their commitments. This work highlights the way the accumulation of disappointment can threaten the sustainability of commitments and suggests the need to explore the emotional basis for such commitments. In the next section we apply the general framework that Elster (1998) has formulated for analyzing the effect of emotions on behavior to the analysis of a particular emotion – hope. A theory of leadership based on these conceptual foundations is presented in the third section. It is proposed that a distinctive role of leadership is to facilitate the development of hope so that organizational members can sustain their commitments in the face of disappointments. The authority leaders have to call meetings gives them the capacity to both influence social interactions toward this end and also form an impression of the alignment and intensity of member hopes that can shape their selection of leadership style. The potential contribution this

theory of leadership can make to the broader literature on this subject is considered in the concluding section.

2. THEORIES OF COMMITMENT

Sen (1977, p.327) distinguished "commitment" from altruistic acts of "sympathy" on the basis that "while sympathy relates similar things to each other – namely, welfares of different persons – commitment is in terms of a person choosing an act that he believes will yield a lower level of personal welfare to him than an alternative that is available to him". To understand commitment in the organizational context, it is necessary to consider the types of uncompensated contributions members might make to the advancement of organizational goals. These are perhaps most obvious in the case of non-profit organizations which tend to stand out from other organizational types in terms of their reliance on gifts of money (donations) and time (full or partial volunteering) (Rose-Ackerman, 1996). However, a form of uncompensated contribution that is important for all organizations arises from the willingness members to forego opportunities to "shirk" or "free-ride" in pursuing its goals. This may be reflected in the supply of discretionary effort and in the "civic" actions individuals take to enforce social norms that stigmatize these forms of "rational opportunism". Such activities reduce X-inefficiency (Leibenstein, 1966) and agency costs (Jensen and Meckling, 1976)

by diminishing reliance on formal mechanisms to monitor individual effort. They become particularly important when members work in teams. As Hermalin (1998) has shown, contracts cannot be made contingent on individual member efforts so that even if they are devised to minimize the aggregate disutility of effort they do not solve the underlying "teams problem". This arises since each team member gets only a fraction of the overall return to the effort they expend so they will spend less than the first-best level of effort on the common endeavor.

According to Sen (1977), discretionary and uncompensated contributions of effort, time and wealth can only be viewed as "commitments" if they involve a sacrifice in personal welfare. They qualify as acts of "sympathy" rather than commitment if individuals can derive utility from the contributions themselves. For example, even if individuals believe that their individual contributions have a very low probability of making a difference to the realization of the organization's goals, they may still derive "in-process" benefits (Buchanan, 1979) from the process of striving toward their realization. These intrinsic or solidary benefits can provide the type of "selective incentive" that Olson (1965) suggests is necessary to induce individuals to make contributions to collective goals that have public good characteristics.

No matter how ingenious economists (and those organizational theorists who have followed in the footsteps of Barnard, 1938/1966) are in conceiving

different types of selective incentives, there does seem to be residual component of uncompensated contributions to the advancement of organizational goals that inescapably involves some sacrifice in personal welfare. Sen (1977, p.339) contended that such instances of authentic "commitment" cannot be adequately understood in terms of the conventional revealed preference theory of mainstream economics since this presumes a single preference ordering for an individual. He thus proposes that individuals are likely to have a number of different rankings of potential choices, with each ranking being made according to a specific criterion such as "personal welfare" (which would include sympathy), "personal interest" (which would exclude sympathy), "actual choices" and a "most moral" ranking. These different rankings could, in turn, be ranked via a "meta-ranking" that "can provide the format for expressing what preference one would have preferred to have".

For an organizational chief executive seeking to determine the extent to which leadership can be used to influence commitment, two factors will need to be taken into account. The first is how the strength of "meta-preferences" underlying commitment varies across organizational members. This suggests that the benefits of amplifying rhetorical appeals to these meta-preferences will be subject to diminishing marginal returns since their impact will be felt more and more by people who have already decided to comply with them and less and less by the

remainder of relatively insensitive "hard cases" for whom non-compliance is still an option (Casson, 1991).

The second is the sustainability of the meta-preferences. As Mayer, Davis, Schoorman and David (1995) have pointed out, any relationship of trust between leaders and subordinates must arise from a "willingness to be vulnerable" by the trustor since there is always a risk involved in placing trust in the future actions of a trustee. In his book *Shifting Involvements*, Hirschman (1982) identified the risks involved in trusting individuals to sustain commitments where require the formation and imposition of "second order" meta-preferences[1].

Firstly, the subordination of any first order preference to break a commitment to a second order meta-preference to sustain it involves a personal struggle – what Schelling (1980) called an "intimate contest for self-command". This process of "protracted and tormented transition from one kind of behavior to another" (Hirschman, 1982, p. 75) can be characterized by all kinds of feints, ruses and strategic devices and may be subject to repeated disappointment as individuals fall short of expectations they place on themselves.

Secondly, Hirschman argued that even if individuals are able to subject their behavior to second order meta-preferences their resulting commitments may be

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[1] Hirschman (1982) drew attention to the similarities between Sen's (1977) concept of meta-preferences and Frankfurt's (1971) concept of "second order desires and volitions" that persons use to evaluate their first order preference orderings in terms of whether they reflect the kind of life a person wants to live or the kind of person he or she aspires to become.

"sticky" rather than permanent. Thus if they make an allowance for disappointment at the time they commit themselves to contribute to organizational goals, actual disappointments may eventually accumulate above the threshold at which individuals can rationalize breaking their commitments. The emotional experience of accumulated disappointment can erode the authority of the meta-preferences on which commitments are based.

These disappointments can arise from a number of sources. In addition to the disappointments they experience at those times when they fail to prevail in the "intimate contest for self-command", an organization's members may also experience disappointment with the progress it is making toward realizing its goals. Due to their "poverty of imagination" (Hirschman, 1982) they may not imagine all the obstacles to their advancement so that surprising failures and setbacks may be interpreted as disappointments. They may also experience disappointment with the relationships they form with organizational members who also make commitments to the advancement of the organization's goals. The values conflicts that surround the meaning of such commitments, the consistency with which any one commitment is to be pursued to the exclusion of others, and the relative priority that should be attached to different commitments (Batsleer, 1992) may be a significant source of such disappointments. Finally, there can be an accumulation of disappointment with the organization's leadership. For

example, the allocation of tasks to members implicitly signals the trust the leader places in them. Disappointments can obviously arise where there is a mismatch between this trust and the commitment members seek to make in terms of their second-order meta-preferences.

Hirschman's analysis draws attention to the emotional basis for commitment. It also raises the question of whether there is another emotion that organizational leaders can seek to influence and strengthen in order to sustain member commitments in the face of disappointments. Before exploring this issue, it is necessary to consider how emotions affect individual decision-making and behavior.

3. AN ELSTERIAN THEORY OF HOPE

In an important survey article, Elster (1998) criticized economists who have sought to apply a utilitarian cost-benefit analysis to modeling the effect of emotions on behavior and drew from the field of emotion theory in psychology in order to formulate an alternative framework based on three main propositions. The first is that while some emotions are pleasant and others are unpleasant, they cannot simply be treated as psychic arguments in utility functions because emotions affect the capacity to make choices.

It would seem that emotions may have both a negative and positive effect on decision making capacity. On the one hand, they can "cloud" or "over-ride"

dispassionate judgment[2]. On the other hand, emotions can improve decision-making capacity where they function as "tiebreakers", enabling agents to make decisions where rational choice theory is indeterminate. In this regard Elster (1998) cites Damasio's (1994) research in neurobiology that finds that patients who have experienced damage to their frontal lobes lose their capacity to make decisions. This is because they cannot perform the basic agenda-setting function of screening issues according to their urgency and significance, since it is the emotions that enable "normal" people to spontaneously react to, and focus their attention on, issues that are urgent and significant.

Elster's second proposition is that individuals do not choose their emotions but, rather, choose to avoid or engage in situations that trigger particular emotions. He argues that this is best explained in terms of "cognitive dissonance" theory. Just as this theory can explain why individuals seek out cognitions that reduce the dissonance associated with their decisions (Festinger, 1957) so too can it be expanded to explain why they will seek out situations that generate emotions that also reduce their dissonance. According to Elster, dissonance theory is more

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[2] By drawing attention to this distorting effect of the emotions, Elster seems to be attempting to revive interest in a subject that was an intense concern of Enlightenment writers on political economy. For example, in the *Theory of Moral Sentiments* Adam Smith held the cardinal virtue to be "self-command" - the capacity to make a reflective and calculated assessment of one's interest without yielding to "the passions that take their origin from the body" or those "which take their origin from a particular turn of habit of the imagination". As Da Fonseca (1991, p.93) has pointed out, Smith's stress on self-command springs from the associated view that through the "passions of the imagination", in particular, an "agent's sub rational dispositions and motivations" can "powerfully affect his thinking processes and behavior".

realistic than the cost-benefit model in that it views individuals as making hard choices on the basis of *reasons* rather than on the basis of introspections about how they feel" (Elster, 1998, p.66). It is compatible with Hirschman's theory of shifting involvements since it can explain the "sticky", "punctuated equilibrium", "path dependent" nature of many commitments in respect of which individuals seek for reasons to sustain their commitments until a threshold is reached "when the arguments on the other side become too strong and the rationalization breaks down" so that "a switch in behavior occurs".

Elster (1998, p.47) does this by making a third proposition that emotions do not induce predictable actions but "action tendencies" that he defines as "states of readiness to execute a given type of action". Along with "cognitive antecedents, intentional objects, physiological arousal, physiological expressions (and) valence" (Elster, 1998, p.49), such action tendencies distinguish emotions from non-emotional states. In essence what Elster is proposing is that a particular emotion is characterized by a particular type of action tendency that is engendered by antecedent beliefs and the investment of emotional energy (Wallis and Dollery, 1999).

Leaders are likely to be crucially interested in the emotion that produces an action tendency to sustain commitments in the face of accumulated disappointment. We would propose that this is the emotion of hope. The point of

departure for the theory of leadership presented in this paper is thus that it is *hope* that constitutes the primary emotion that leaders strive to influence.

The characteristic action tendencies produced by this emotion are reflected in Snyder's (1994, p.5) definition of hope as "the sum of the willpower and waypower that you have for your goals". He proposes that, in the course of striving to achieve the goals they place their hopes in, people need to exercise (i) "willpower" as they draw on their reserves of emotional energy or "determination and commitment", and (ii) "waypower" as they generate one or more effective paths to their realization. They will particularly need to exercise willpower and waypower in the face of opposition or resistance or when the path they are pursuing toward a goal comes to be blocked.

The theory of leadership that comes closest to being based on this conception of hope is, of course, House's (1971) path-goal model. House uses the expectancy theory of motivation to show how effective leaders help followers see goals, the paths to them and how to follow those paths effectively. They would thereby seem to be influencing the "willpower and waypower" subordinates have to pursue organizational goals by *inter alia*: showing subordinates the value of outcomes over which the leader has some control; finding ways to increase the value to subordinates of these outcomes; using appropriate coaching and direction

to clarify the paths to those outcomes; and removing barriers and frustrations to these paths (Rusaw, 2001).

An Elsterian approach that explores the beliefs underlying hope and the social factors affecting the emotional energy through which it is expressed can provide further insight into how leadership can influence hope. The action tendencies of hope will be triggered by two core beliefs. The first is the belief that the advancement of common goals is "neither impossible nor inevitable" (Sutherland, 1989, p.195). This belief does not have to be based on probabilistic calculation. Commitments are often made under conditions of "bounded uncertainty" such that their consequences cannot be probabilistically calculated - they can only be imagined (Shackle, 1973, p.62).

The second belief is that the advancement of common goals is "worthwhile" or "important" in the sense that it is "worthy of pursuit in a special way incommensurable with other goals we might have" (Taylor, 1985, p.135). Such a belief would have to be derived from a second order meta-preference that views the commitment to these goals as being, at least in part, expressive of the "kind of life I want to live" or the "kind of person I want to become".

However, hope involves more than a set of beliefs. These beliefs must be expressed with a degree of emotional energy or *passion* that is reflected in the characteristics of physiological arousal, physiological expression and valence

described by Elster (1998). Perhaps the most immediate indicator of passion is a person's level of emotional energy.

Collins (1993) has formulated a theory in which emotional energy is "the common denominator in rational social action". According to this writer, people invest varying levels of emotional energy in their social interactions. High levels of emotional energy will be reflected in feelings such as enthusiasm and confidence while low levels are manifested, for example, by apathy and depression. However, in most interactions the emotional energy of individuals is at a "medium level" which will be unnoticed by both themselves and those with whom they are interacting. Only people with very high or very low levels of emotional energy will pass the attention threshold at which their degree of emotional intensity becomes "empirically visible, both in behavior (especially nonverbal expressions and postures) and in physiology" (Collins, 1993, p.211). It is suggested that "passion" consists in the high and observable level of emotional energy that can either draw people toward, or repel them away from, interactions in which it is generated by participants.

Collins goes on to propose the conditions under which this passion may accumulate across a series of "successful" interaction rituals (IRs). Basically this can occur when interactions pass thresholds of "boundedness" determined by their alignment of core beliefs and "density" determined by whether they are close

enough for a sufficient period of time to ensure that they can be moved by one another's passion. The interacting group will then have a common focus and emotional mood that will go through a short-term cycle of increase and mutual stimulation until a point of emotional satiation is reached. Such interactions will leave each participant with an "energetic afterglow" that "gradually decreases over time" so that individuals have an incentive to reinvest their emotional energy in subsequent interactions. It may therefore accumulate across IRs so that "an individual may build up a long-term fund of confidence and enthusiasm by repeated participation in successful IRs" (Collins, 1993, p.212).

This suggests that organizational leaders should influence the group interactions that are subject to their authority to ensure that these conditions for the development of shared hopes are realized. The next section will seek to construct a theory of leadership based on this insight.

4. A HOPE BASED THEORY OF ORGANIZATIONAL LEADERSHIP

Once it is accepted that the dependence of organizations on leadership is related to their reliance on commitments sustained through hope, a theory of leadership can be constructed to explain, firstly, how leaders can influence the interactive processes through which hope is developed; and, secondly, the factors that influence the style of influence chosen by leaders.

The analysis of hope in the previous section suggests that the interactive processes through which this emotion can be developed are those in which participants share a common focus on the goals of the group and in which interaction is sufficiently dense to ensure that if participants have a passion to advance organizational goals, they can move other participants through this passion. We would propose that the interactions that surround the processes of making judgments about organizational direction would seem to have these properties. The two distinctive aspects of leadership – judgment-making and social influence – can therefore be brought together if they are conceived as providing the opportunity to influence hope though leadership.

To understand how this can occur it should be recognized that organizational leaders do not just have authority to make decisions regarding the allocation of tasks and resources necessary to co-ordinate its activities. They also have the authority to call *meetings* to discuss these decisions and to influence the development of hope in these interactions. There are a number of ways in which they can do this.

Firstly, they can determine the density and boundedness of these meetings. In this regard they can range from public meetings addressed to members as a whole to smaller meetings that bring together individuals representing conflicting

values or interests to face-to face interactions within an inner circle of trusted loyalists.

Secondly, the organizational leader can provide the overall context for discussion. According to organizational theorists, such as Selznick (1957) and Terry (1995), a persistent concern will revolve around the question: "Does the organization have the cultural strength and access to resources to enable it to selectively adapt to environmental threats and opportunities so as to sustain organizational vitality"?

Thirdly, the organizational leader can set the agenda and direct discussion of each issue on this agenda. In this regard he must make judgments about whether to steer discussion toward resolution or to prolong it so that the issue can be explored in more depth. If leadership is concerned with "doing the right thing" rather than "doing things in the right way" such discussions must regular explore the worth and feasibility of the goals being pursued by the organization.

Fourthly, organizational leaders must choose the extent to which they try to inspire followers. The literature on "charismatic" or "inspirational" leadership suggests (Bennis and Nanus, 1992; Conger, 1989; Tichy and Devanna, 1986) suggests leaders may do this by *inter alia* using emotional rhetoric to amplify beliefs in the worth of goals, suggesting alternate paths to the realization of blocked goals, and inducing a common focus through the intensity of their own

focus on realizing particular goals. As Bennis and Nanus (1992, p.28) have observed that "these intense personalities do not have to coerce people to pay attention. They are so intent on what they are doing that like a child, completely absorbed with creating a sandbox, they draw others in". A large proportion of effective leader's signals must comprise signals of their attention to the advancement of their quest since, as Peters and Austin (1985, p.270) found, "it's a matter of the quantity of attention paid to the matter at hand rather than the quality, odd as that statement may sound".

Finally, organizational leaders can exploit the "expression game" properties of meetings. The concept of an expression game was pioneered by Goffman (1959). According to this theorist, these involve "senders" who express themselves in particular ways, and "receivers" who take in and react to such expressions, forming an impression of the "senders". Senders may thus engage in "self-censorship" or "preference falsification" (Kuran, 1990) since they will be aware that receivers are "making inferences from the expressive act about the sender's motives, values and commitments" (Loury, 1994, pp.432-3). Leaders will thus be aware that subordinates may interpret task allocation as an expression of trust in them by the leaders and may try to form an impression of the particular perceptions on which this trust is based. In other words: is the willingness of leaders to accept varying degrees of "risk-taking in relationship" with different

subordinates based on their perceptions of subordinate "ability" or "integrity" or "loyalty"?[3]

Expression games also enable leaders to form an impression of the *contingencies* that shape the selection of leadership style. Most situational theories of leadership follow Fiedler (1967) in including within their list of such contingencies two that have been highlighted by this theorist. The first is what he calls "task structure". This varies according to the clarity and specificity of follower understandings of what must be done. Through meetings that discuss organizational direction, leaders should be able to form an impression of how clearly participants can "see" the paths to achieving organizational goals. The second contingency relates to the quality of leader-member relations. According to Fiedler this can vary according to the degree of friendliness, trust, initiative and co-operativeness of the leader and the subordinates.

We would propose that the key relationship quality leaders will need to form an impression of is the alignment and intensity of stakeholder hopes. This

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[3] In their review of the literature on interpersonal trust Mayer *et.al.* (1995) suggest that the antecedents of trust can be found in the propensity to trust of the trustor and in characteristics of the trustee that lead that person to be more or less trusted. The three characteristics mentioned here can be seen as the same as the three that these writers suggest appear most often in the literature: ability, benevolence, and integrity. "Ability" is that group of skills, competencies, and characteristics that enable a party to have influence within some specific domain. "Benevolence" or "loyalty" is the extent to which a trustee is believed to want to do good to the trustor, aside from self-interested motives. "Integrity" is attributed to trustees who adheres to a set of principles that the trustor finds acceptable.

will convey an impression of the cultural strength of the organization and may shape the selection of leadership styles along the lines indicated in Table 1.

Table 1: The Selection of Leadership Styles

Leadership Styles	Inspirational	Strong	Appreciative	Supportive
Impression of Cultural Strength	Hopes widely shared with observable intensity	Shared hopes can only emerge after leader imposes clear vision	The emergence of shared hopes is thwarted by values conflict.	Apathetic response to leader's inspirational efforts.
Receptiveness to Inspiration	Whole organization	Core Following within organization	Exacerbates conflict until shared vision emerges	Unreceptive
Primary organizational challenge	Increasing commitment	Organizational drift	Facilitating dialogue	Overload
Basis for Trust Allocation	Ability	Loyalty	Personal Mastery	Integrity
Task expectation	High achievement	Persistence	Learning	Coping

The relative effectiveness of four alternative leadership styles – inspirational, strong, appreciative and supportive – may vary according to the leader's impression of the cultural strength of the organization.

An inspirational style would seem to be most effective when meetings leave the leader with the impression that organizational goals arouse hopes that are widely shared with an observable intensity. Members at every level of the

organization are thus likely to be receptive to the leader's inspirational activities. Leaders may thus be able to call for increased commitment, trusting that reserves of hope can be expanded through the inspirational influence they have on meetings that satisfy the conditions for successful IRs. In these expression games the leader will be able to give the impression that they do not doubt subordinate integrity or loyalty. Task allocation will be therefore be primarily based on leader perceptions of individual ability. Inspirational leaders will typically set followers challenging tasks that give them opportunities to expand perceptions of their ability. Part of the challenge may arise from incompletely specified task structures so that the onus is on subordinates have to discover paths to difficult goals and to share these discoveries with colleagues. The commitments members make to these goals are, however, likely to be vulnerable to erosion from the accumulation of disappointments that arise from their own failure to live up to these high expectations.

According to Little (1988, p.5) a distinctive characteristic of strong leadership is that it seeks to "bring hardness in decision making and clear purpose where before there was irresolution and drift". A strong leadership style is thus likely to be most effective when the leader perceives that shared hope can only develop after the leader takes decisive action to impose a clear task structure in an organization that is drifting due to confusion and ambiguity about goals and tasks.

The strong leader will seek to anticipate that this imposition may both arouse hope and provoke resistance and so will seek to mobilize followers who can be trusted to strive to advance his goals in the face of resistance. Meetings will take the form of "us vs them" expression games that will exclude and marginalize any participants who do not leave the leader with an impression of personal loyalty and commitment to advance goals selected by the leader. The tasks set authentic followers will demand high levels of persistence and will be express the trust the leader places in them on the basis of their personal loyalty. Member commitments are most vulnerable to disappointment when they do not share the hopes of the strong leader and his or her followers and resent their attempts to interpret the voicing of disappointment as a symptom of resistance that needs to be overcome if the organization is to realize its goals.

Appreciative leadership is a response to the challenge of values conflicts that prevent the organization from moving forward. Meetings provide a forum in which participants express their hope in different values with an intensity that may prevent them from appreciating the perspective of members with rival values. Appreciative leaders will seek to defuse passions to enable participants to engage in learning through dialogue (Senge, 1990). This can occur as they explore complex issues by "suspending" their assumptions, holding them "as it were, 'hanging in front of you', constantly accessible to questioning and observation"

(Bohm and Edwards, 1991, p.15). The leader may therefore attempt to limit her own assertion of authority to the minimum level needed to sustain genuine dialogue by countering the tendencies of other members to shift from calmer dialogue into passionate discussion. They will signal that their trust in participants, their willingness to include individuals in dialogue is based on perceptions of their "personal mastery".[4] They will do this in the hope that participants will be able to reframe and expand their hopes to focus on a broader more encompassing vision to emerge from the dialogue. Where successful, appreciative leadership may thus enable the leader to eventually engage in inspirational leadership. However, appreciative leadership is particularly vulnerable to disappointments arising from the slow progress the organization makes in moving in a particular direction as the leader awaits for super-ordinate goals to emerge from dialogue that can provide the basis for shared hope among previously rival groups.

Supportive leadership can be selected when the leader interprets apathetic responses to his inspirational efforts as a symptom of organizational overload. This could be the case where organization members lack the material and emotional resources to cope with the demands placed on them and are therefore unreceptive to such inspirational efforts. Underlying this apparent apathy may be the suppression of hope that characterizes stressed members who continue to

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[4] Senge (1990, p.141) has characterized "personal mastery" as the capacity to hold in a creative tension the drive to "continually clarify what is important to us" with the drive to "continually learn how to see current reality more clearly".

persevere in the face of almost overwhelming disappointment. The most effective response for leaders would seem to be to adjust expectations and simplify task structures to give participants hope in their capacity to cope with the pressures of performing their tasks. In doing this leaders are signaling that they are primarily placing their trust in the integrity that motivates followers to strive to cope with overwhelming work pressures. To the extent that leaders fail to provide support, their own leadership is likely to be the main focus of accumulated disappointment.

There is thus a demand- and supply-side to this hope-based theory of leadership. The demand for leadership arises from the need to either build on or address the barriers to the emergence of shared hopes so that the culture of the organization can become more responsive to external opportunities and threats. The supply-side can be conceived in two ways. Situational theorists such as Fiedler (1967) tend to conceive individual leaders as having more or less fixed personality traits ("task-" or "relationship-oriented") so that the supply of leadership consists of selecting to positions of authority leaders with traits that ensure they provide the most effective leadership style in particular situations. The theory presented in this section adopts an approach that is similar to that of Hersey and Blanchard (1967), Vroom and Yetton (1973) and House (1971). It conceives individual leaders as having a capacity to adapt their leadership style to the demands of the situation. Their selection of inspirational, strong, appreciative

or supportive styles will thus depend on the impression they form of the alignment and intensity of member hopes. The potential contribution this theory can make to the organizational leadership literature must now be considered by way of conclusion to this paper.

5. CONCLUSION

The hope-based theory of leadership presented in this paper can be distilled into the following propositions:

1. The dependence organizations have on the capacity of their executives to exercise effective leadership will be related to the trust these executives need to place in members to sustain their commitments to make uncompensated contributions to the advancement of organizational goals.

2. The authority leaders have to call meetings gives them the capacity to influence social interactions to foster the development of shared hopes that can sustain these commitments in the face of disappointments.

3. The impression leaders form of the alignment and intensity of stakeholder hopes will enable them to choose a leadership style that most effectively influences the development of hope.

4. Inspirational, strong, appreciative and supportive leadership styles can be distinguished according to the way they respond to impressions of cultural strength.

5. Each style is vulnerable to the accumulation of a particular type of disappointment.

We would suggest that the economic revisionist approach on which this theory is based may be more promising, in terms of the contribution it can make to organizational leadership studies, than the more conventional economic rationalist approaches of economists such as Casson (1991) and Hermalin (1998).

Firstly, it shows how the judgment-making and social influence aspects of leadership may be related. The meetings in which the leader discusses the judgments that need to be made about organizational direction may provide the best context within which the alignment of member hopes can be shaped since these meetings provide the forum within which reasons for believing in the worth and possibility of common goals can be shared and interactions can take place that reinforce the emotional energy generated by these beliefs.

Secondly, the theory provides an explanation for the inspirational dimension of leadership. This is missing from the models of both Hermalin and Casson. Thus in his model of leadership by example Hermalin (1998) seems to limit followers to being influenced by the actions and not the words of their

leaders. This model thus neglects the inspirational influence a leader's rhetoric can have on follower's behavior. This neglect is evident in Hermalin's (1998, p.1189) comment that "historical instances of leading by example include Dr. Martin Luther King, Jr. marching at the head of civil rights marches". Surely King's rhetoric mattered to at least some of his followers. They would have been influenced both by his exemplary actions and the inspirational effect messages such as the famous "I have a dream" speech had on their emotions and behavior.

While Casson's (1991) model does acknowledge the significance of leadership, it also ignores the potentially inspirational effect of such rhetoric by treating leaders as primarily seeking to manipulate emotions of shame and guilt. However, the intention to induce shame and guilt through manipulative rhetoric may be subject to problem of "incoherent intentions". Elster (1998, p.58) generalizes this problem in the following way: "By an incoherent intention I mean the intention to induce emotion X by behavior that would induce X if it was spontaneous but that induces emotion Y if believed to be motivated by the intention to induce X". Thus, for example, if the members of an organization come to believe that the leader is trying to manipulate their emotions of shame and guilt, they may become angry and experience a build-up of resentment toward this person that would undermine their willingness to look to him or her for leadership. Moreover, as Elster (1998, p.58) points out, "although a person with an incoherent

intention may try to get around this problem by hiding his motivation, this requires an effort that should itself be counted as a cost and may in a given case be hard to achieve successfully". However, if inspirational leadership is conceived as involving the influence, by leaders, of the emotions of hope possessed by the members, then these problems of incoherence will not arise. Members are unlikely to be angry with a leader when they realize that the rhetoric used by this person is directed toward strengthening the hopes they share with this actor.

The theory presented in this paper does not, however, simply reduce leadership to its inspirational dimension. It treats leaders as being able to choose the extent to which they try to influence members. They can most effectively exercise inspirational leadership when there is a minimal alignment and intensity to member hopes. A decision to exercise strong, appreciative and supportive styles may thus be seen as decisions to respectively limit, postpone or forego inspirational mechanisms of influence.

It is suggested that this approach can mainly make a contribution to situational theories of leadership. These theories are distinguished by their insistence that there is no "one best way" to lead others and by their resulting typologies of leadership styles. Fiedler (1967) distinguishes "task-oriented" from "relationship-oriented" styles according to the personality traits of the leader. Hersey and Blanchard (1967) propose that the effectiveness of different

communication styles – "telling", "selling", "participating", delegating" – will depend on the maturity of subordinates as a group. Vroom and Yetton (1973) developed a decision-tree to help leaders choose from a menu of styles – "autocratic", "consultative", "group process" - ranked according to the level of subordinate participation in decision making. However, the typology presented in this paper does seem to bear the closest resemblance to that offered by House (1971). The four styles delineated in Table 1 can be related to the "high-achievement (inspirational), "directive" (strong), "participative" (appreciative) and "supportive" styles identified by House. This is not surprising since the two theories both focus on the motivational effects of leadership with House's "path-goal" theory implicitly recognizing the need for leaders to influence subordinate hopes.

Economic theories, whether revisionist or not, do, however, typically embody a deductive approach to theory construction. The theory presented in this paper is no different. Unlike the largely inductive path-goal theory, its propositions are deductively derived from concepts formulated in the theories of commitment and the emotions advanced by Sen, Hirschman and Elster. As would be the case with other economic theories, any assessment of its contribution to an interdisciplinary field such as organizational leadership will depend on whether this deductive approach is considered to complement the more inductive

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methodology used by researchers in other social sciences. If a revisionist approach can not only bring a phenomenon such as leadership within the explanatory reach of economic deduction but make a contribution to this broader literature, then it would seem to confirm Hirschman's (1985, p.8) argument that "parsimony in theory construction can be overdone and something is sometimes gained by making things more complicated".

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