

## Chapter 10

# ACTION LEADERSHIP, MULTI-CONTINGENCY THEORY AND FIT

Dorthe Døjbak Håkonsson<sup>1</sup>, Richard M. Burton<sup>2</sup>, Børge Obel<sup>3</sup>, and Jørgen Lauridsen<sup>4</sup>

*<sup>1</sup>Department of Marketing & Management, University of Southern Denmark, 55 Campusvej, DK-5230 Odense, Denmark, <sup>2</sup>The Fuqua School of Business, Duke University, 28708 Durham, NC, USA, <sup>3</sup>Aarhus School of Business, Fuglesangs Allé 4, DK-8210 Aarhus, Denmark, <sup>4</sup>Department of Business & Economics; University of Southern Denmark, 55 Campusvej, DK-5230 Odense, Denmark*

**Abstract:** What is a good measure for an action-oriented leadership style to employ in the Multi-contingency Model? We develop leadership dimensions of delegation and uncertainty avoidance using factor analysis and test its implications, here on strategic implementation. An explore-exploit view of strategy is similarly confirmed using factor analysis. Using these complementary measures, we test four misfit hypotheses. Of the four, the data from medium-sized Danish enterprises support two hypotheses: a strategy of low exploration is a misfit with a leadership style of high delegation; a strategy of low exploitation is a misfit with a leadership style of high uncertainty avoidance. For researchers, an action-oriented leadership approach is integral to the multi-contingency theory and greatly enriches our theory of organizational design. For CEOs, leadership is made operational and action-oriented to solve problems and resolve misfit conditions for good performance.

**Key words:** leadership, strategy, uncertainty avoidance, preference for delegation, exploration, exploitation, fit, organizational performance

## 1. INTRODUCTION

What is action leadership in a multi-contingency world? How does action leadership and strategy fit for superior performance?

Burton, DeSanctis and Obel (2006), and Burton and Obel (2004) include leadership and strategy concepts in their multi-contingency model of

organizational design that Burton, Obel, and Lauridsen (2002) had examined earlier using categorical measures and hypotheses on misfit losses. Their aggregate results suggest that action leadership and firm strategy fit is important. However, Burton et al. used aggregated measures and did not investigate the effect of the individual misfits and their implications.

This study goes beyond earlier arguments and studies of the Multi-Contingency Model with more detailed and action-oriented leadership measures, explicit strategy measures and further applying these measures to test specific misfit relationships between leadership style and strategy. We propose a cognitive action view of leadership which suggests leadership in a way that it can be related to affect performance. Leadership is then central to a multi-contingency theory of organization. While there are many notions of leadership, we develop leadership measures that are based upon decision-making concepts which are complementary with other multi-contingency measures, here strategy in particular. In that way, fit and misfit notions can be stated with strategy and other contingencies which link individual cognitive processes and actions with firm or organizational level choices and designs.

To develop a simple measure of CEO leadership style to apply in the Multi-Contingency Model we build upon Cyert and March (1963). We find that two dimensions (preference for delegation and uncertainty avoidance) describe leadership style well, and we further demonstrate that leadership style can be categorized according to four types: leader, entrepreneur, manager, and producer.

A classical study on strategy by Miles and Snow (1978) developed a typology of prospectors, analyzers, defenders, and reactors. The Miles and Snow typology is widely used empirically, and it is very robust (Hambrick, 2003; Doty et al., 1993). In this study, we map the Miles and Snow categories onto the March's (1991) exploration and exploitation strategy dimensions and thereby obtain measures of strategy as reflective of the firms' approach to innovation, in particular whether it exploits its current situation or whether it adopts the strategy of exploring new innovations (March, 1991).

We relate these measures of leadership style and strategy and test them on a sample of 407 Danish medium-sized enterprises.