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# More 'Right' than 'Real'

The Shape of Authentic Leadership in New Zealand

Dr Lester Levy and Mark Bentley



THE UNIVERSITY  
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Authentic  
Leadership  
Survey Results  
2007

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Dr Lester Levy is Professor (Adjunct) of Leadership at The University of Auckland Business School and Chief Executive at Excelerator. Mark Bentley is General Manager at Excelerator, Chair of Building Better Schools Through Business Partnerships and a graduate of the Committee for Auckland's inaugural "Future Auckland Leaders Programme". This report is based on research undertaken by Dr Lester Levy and Dr Annick Janson in 2006 which will be separately prepared as an academic paper.

The authors would also like to acknowledge the Authentic Leadership literature review work conducted by David Richmond, supplementary data analysis by Lydia Woolley and article review and development suggestions from Professor Bruce Avolio, the Excelerator Team and members of The University of Auckland Business School's Department of Management and International Business.

Excelerator is a charitable trust established by The University of Auckland Business School in partnership with organisations and trusts committed to building leadership in all walks of New Zealand life - arts, education, business, community, sport, politics, health, charity and the public sector. The overall purpose of Excelerator is: "To enhance the understanding of leadership in New Zealand and take action to ensure the country has creative and talented leaders and outstanding leadership that will develop, guide and advance our organisations and communities."  
[www.excelerator.co.nz](http://www.excelerator.co.nz)

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In 2006 BDO Spicers confirmed an exciting collaboration between our Firm and The University of Auckland's Business School. This was a large step for our Firm - to be involved in a research project. When Dr Levy of Exceleator discussed with us our possible involvement in the Authentic Leadership Study we could immediately see how such a study would be of immense benefit to New Zealand businesses. Leadership is a "hot topic" that is debated around Boardroom tables and on the shop floor every day. No matter what type of business you're involved in, effective leadership plays a vital part in your organisation's future.

At BDO Spicers we can see that understanding more about Leadership will enable Kiwi business leaders to make the behavioural changes that will help their businesses to grow. We can see the real value in supporting this ground-breaking research and uncovering the reality that is New Zealand business leadership.

### Thank you to our clients

BDO Spicers very much values the support of our clients and contacts who completed the survey in 2006. The answers supplied contributed to the impressive 95% confidence rating in the data - a further factor confirming the validity of the results produced in this booklet. We also acknowledge the extensive work undertaken by Dr Levy and Mark Bentley at The University of Auckland Business Schools' Exceleator in writing this report as well as the extensive review by other members of the University and Professor Bruce Avolio, the initiator of the survey itself.

### Making a change

Usually, making a significant productivity and effectiveness improvement at work costs a great deal of money, but this study reveals the massive scale of impact that can be made by mastering the true instrument of leadership - the self.

This does not need to cost a lot but takes huge effort and commitment - we encourage you to read this report and make that commitment to yourself and to your workplace and most of all to your employees.

The Partners of BDO Spicers

“Leadership without perspective and point of view isn't leadership - and of course it must be your own perspective, your own point of view. It must be authentic, and if it is, it will be original, because you are original.”

Professor Warren Bennis, The Leadership Institute, Marshall School of Business, University of Southern California<sup>1</sup>



# Foreword

**While the crumpled remains of the car inevitably attract the attention of the motorist passing a crash, the investigator often finds that it is the tell-tale tyre marks that provide a far more informative guide to cause. Perhaps, there is an element of ‘rubbernecking’ about the way we examine leadership, since our insatiable curiosity about the leader’s character, actions and qualities often deflect us from the fact “that more than anything it is the behaviours of followers that really defines leadership.”<sup>2</sup>**

This desire to recognise the importance of followers in the leadership dynamic and to “step into the minds” of the followers led me to initiate this research project. By taking this perspective, fresh insight could be sought within the New Zealand business context. I was interested to learn how the workforce perceived their leaders, how this leadership affected them directly and the ultimate impact on their performance. Indeed, the research presented in this report reinforces how relevant followers are to leadership.

This research sought to determine the levels of authenticity of leaders, workforce capacities critical to exceptional performance and the consequent leadership outcomes within the workforce. The perceptions and experiences of close to 1,000 people across New Zealand, working in primarily mid-sized organisations (up to 500 employees) were studied. The report first reflects on the leadership landscape and a review of what constitutes ‘Authentic Leadership’. The research methodology and results follow and we conclude with an analysis and interpretation of the results as well as a set of leadership imperatives.

What this research reveals is a challenging picture with significant implications for New Zealand’s future productivity and competitiveness. The level of Authentic Leadership is not as high as it should be based on our findings, and could potentially undermine the future achievements and potential of the New Zealand workforce.

Our research revealed that the New Zealand leader is unlikely to encourage and acknowledge differing points of view, has low self-awareness and is resistant to change. They respect data more than the opinions of their workforce. It is as if their need to be ‘right’ overwhelms their ability to be ‘real’.

In environments where the level of Authentic Leadership is low, we found that the effects on the workforce are profound, stripping them of the very qualities that are the ingredients of success - creativity, innovation, risk-taking, openness and profound connection to the aspirations of the organisation.

I invite you to read this research report and effectively see leadership from the perspective of the New Zealand workforce, to then reflect on what is essentially “their feedback to you” and use that to challenge your most deeply held assumptions, about your own leadership.

**Dr Lester Levy**  
**Professor (Adjunct) of Leadership,**  
**The University of Auckland Business School**



# The Leadership Landscape

The recent litany of corporate scandals, such as Enron, Worldcom, Parmalat and Tyco, may seem remote and of little relevance to New Zealand, but they can be seen as a global barometer of disturbing self-interest, ethical collapse and increasing greed. Quite naturally, these ethical compromises have driven a renewed interest in ethics-related research.<sup>3</sup> Nearer to home, there has been a recent cluster of widely publicised ethical and moral dilemmas emerging in New Zealand, reinforcing the fact that we have little to be smug about.

Concern about the state of global moral and ethical standards in business is further intensified by the unrelenting pace of change and uncertainty driven by “global interconnectedness, ubiquitous information, changing workforce dynamics and attitudes and the rising importance of social capital”.<sup>4</sup> In the context of these pervasive ethical problems, “leaders at all levels and types of organisations are facing the challenge of declining hope and confidence in themselves and their associates”.<sup>5</sup> A 2002 Time/CNN poll reported that 71 percent of those polled feel that “the typical CEO is less honest and ethical than the average person” and a survey by the Wall Street Journal Europe reported that “only 21 percent of European investors believe that corporate leaders are honest”.<sup>6</sup>

In this environment where standards, integrity and accountability, are being questioned, the theory of Authentic Leadership<sup>7</sup> has emerged as a relevant and timely response. The basis of Authentic Leadership can be found in the positive psychology literature which argues that moving organisations forward is achieved by focussing on and building people’s strengths, rather than using individual and organisational interventions

that focus on what is wrong with people and their weaknesses.<sup>8</sup>

A critical difference with Authentic Leadership as a new landmark on the ‘leadership highway under construction’ is that “it represents the integration of [ ] various fields into a broader framework”.<sup>9</sup> Authentic Leadership aims to incorporate the theories of positive leadership<sup>10</sup>, transformational leadership<sup>11</sup>, and moral/ethical leadership.<sup>12</sup>

Interest in Authentic Leadership in New Zealand evolved from Exceleator’s research interests in workforce perceptions of New Zealand leaders, and understanding the relevance of new international leadership theory to the New Zealand context. We also wanted to stimulate debate and possibility for new leadership development orientations in New Zealand.

“Where standards, integrity and accountability are being questioned, the theory of Authentic Leadership has emerged as a relevant and timely response.”



## Authenticity

The acknowledged international experts in the Authentic Leadership field define authenticity as “owning one’s personal experiences (values, thoughts, emotions and beliefs) and acting in accordance with one’s true self” (expressing what you really think and believe and behaving accordingly).<sup>14</sup>

These experts have recast over time the four components of authenticity originally identified by psychologist Michael Kernis (“awareness, unbiased processing, action, and relational”)<sup>15</sup> into self awareness, balanced information processing, moral and ethical perspective and relational transparency.<sup>16</sup> These form the basis for what constitutes a recently validated measure of authentic leadership.

**These components are characterised as follows:**

### Self awareness

Developing an understanding and sense of self that provides a firm anchor for decisions and actions

### Balanced information processing

Unbiased collection and interpretation of positive and negative self-related information

### Moral and ethical perspective

Behaviour guided by core values, beliefs, thoughts and feelings rather than outside pressures and personalities

### Relational transparency

High levels of openness, self-disclosure and trust in relationships

By way of a counterpoint, inauthenticity has been described as “the determination of people to hide

themselves not merely from others but from themselves. Behaviourally, this is manifest as hiding one’s true thoughts, being or saying what one thinks others want to hear, rather than what one really wants to say.”<sup>17</sup>

## Authentic Leadership

One of the more widely known global authentic leaders, Martin Luther King stated: “On some positions, cowardice asks the question, ‘is it safe?’ Expediency asks the question, ‘is it politic?’ Vanity asks the question, ‘is it popular?’ But conscience asks the question ‘is it the right thing to do?’” Authentic leaders recognise that there comes a time when their core values, beliefs and thoughts demand them to make decisions that are not simply safe, politic or popular, but are framed by a positive and constructive moral and ethical perspective and directly address the issue at hand, independent of the consequences. This is a time when they need to draw on their courage to lead.

Authentic leaders have “developed the capacity to examine moral dilemmas from several perspectives and make moral judgement calls when confronted with issues that do not have clear solutions”.<sup>18</sup>

Furthermore, the distinguishing characteristics of authentic leaders have been identified as follows: <sup>19</sup>

- Authentic leaders do not fake their leadership (they do not pretend to be leaders simply because they are in a management position)
- Authentic leaders lead from personal conviction rather than a desire for status or reward
- Authentic leaders are originals not copies
- Authentic leaders’ actions are based on their values and convictions

By contrast, the leader who is driven by unbridled ambition and blind adherence to financial targets can fail to focus on the disciplined work of character development and self awareness and consequently erode trust and connection with their followers.<sup>20</sup>

It will be no surprise that researchers have unearthed evidence that authentic leaders create a positive effect on organisational behaviour that leads to performance gains.<sup>21</sup>

By way of example, Herb Kelleher, founder and Chairman of Southwest Airlines is widely regarded as an authentic leader, bringing a truly original, non-defensive approach and strong personal conviction based on consistent personal values to one of the world's most competitive sectors. In recent decades, the airline industry has been characterised by financial failure, low profitability and poor return on capital, but over that period Southwest Airlines has been profitable every year. It continues to significantly outperform the industry on virtually every key metric including: employees per aircraft; passengers per employee; plane turnaround time at the gate; flights per day and has one of the best overall customer service records.

From the outset Herb Kelleher has put his employees first (rather than even his customers). *"If they're happy, satisfied, dedicated, and energetic, they'll take real good care of the customers. When the customers are happy, they come back. And that makes the shareholders happy."*<sup>22</sup>

The link between Kelleher's people focus and the airline's exceptional performance has been recognised by many commentators. As one author stated, *"none of the airline's achievements would be possible without its unusually good labour management relations, a direct result of Kelleher's hands-on efforts"*.<sup>23</sup>

In many respects Kelleher is an exemplar of an authentic leader, although it is important to realise that Kelleher is not perfect in every way as a leader. Authentic leaders make mistakes too. However, they own up to them and do not transfer the blame to others. They take responsibility themselves.

Authentic Leadership is about the substance of leadership and stands independently of leadership style. Therefore, a leader can be *"transformational, transactional, directive or participative, and be defined as an authentic leader"*.<sup>24</sup> This is reiterated by Harvard Professor and former Chairman and Chief Executive Officer of Medtronic Bill George who points out that great world leaders such as George Washington, Abraham Lincoln, Winston Churchill, Franklin Roosevelt, Martin Luther King and Mother Theresa, all had very different styles. *"Yet each of them was an entirely authentic human being"*.<sup>25</sup>

Authentic leaders like Kelleher, Warren Buffet and our very own Sir Edmund Hillary and Sir Peter Blake have a capacity to build confidence<sup>26</sup>, hope, optimism and resilience<sup>27</sup> within others. These four elements are the building blocks of Psychological Capital, a concept that has emerged out of the 'Positive Psychology' framework.<sup>28</sup> The relationship between Authentic Leadership and Psychological Capital is of research interest and part of this study has been concerned with determining their inter-related nature.

**“It will be no surprise that researchers have unearthed evidence that authentic leaders create a positive effect on organisational behaviour that leads to performance gains.”**

### Psychological Capital

Luthans, Yousseff & Avolio<sup>29</sup> refer to a set of positive psychological capacities as being Psychological Capital to differentiate them from what is commonly referred to in the literature as human capital. Recent research<sup>30</sup> has focused on empirically validating four components comprising Psychological Capital - self-efficacy, optimism, hope and resilience, demonstrating that the four components can be reliably and validly measured, as well as used to predict desired work performance outcomes.

**Psychological Capital is characterised by the following four components:**

**Confidence** - A meta-analysis of 114 studies found that confidence was more strongly linked to work-related performance than other widely-recognised notions of performance impact, such as goal setting, job satisfaction, feedback, conscientiousness, transformational leadership and organisational behaviour modification.<sup>31</sup> This point is further endorsed by other large scale studies which demonstrate the strong link between confidence and the degree of motivation and performance.<sup>32</sup> Furthermore, *"confident employees have also been shown to pursue and attain more challenging goals, exhibit higher levels of sustained effort, persevere when faced with task-related obstacles, engage in positive thought patterns (e.g., positive self-talk), and display greater resistance to stress."*<sup>33</sup>

**Hope** - Authentic leaders develop the capability to set realistic yet demanding challenges for those around them ("the way") and inspire those individuals with the desire, determination and energy to attain these stretch goals ("the will"). A number of influential studies emphasise

the relationship between hope and performance including the positive relationship between employee hope and organisational profitability.<sup>34</sup> Unsurprisingly, in light of these research findings, hope has been demonstrated to be positively linked to both job satisfaction and level of engagement by employees.<sup>35</sup>

**Optimism** - Seligman described optimism as “an explanatory style that attributes positive events to personal, permanent and pervasive causes” and interprets negative events “as external, temporary and situation-specific”.<sup>36</sup> Research shows that an optimistic workforce is likely to be receptive to change whilst a pessimistic workforce is more likely to feel threatened. The optimistic workforce will also be comfortable working in a relatively independent manner, an important quality in our increasingly geographically dispersed and virtual organisations.<sup>37</sup> Authentic leaders have a good understanding of ‘self’ and they have a real concern for developing a sense of realistic and flexible optimism in people around them.

“An optimistic work force is likely to be receptive to change whilst a pessimistic work force is more likely to feel threatened.”

**Resilience** - Positively adapting to change, challenge and adversity is a critical capacity of the authentic leader. As well as reinforcing their own resilience they need to build this durability in their organisation. Authentic leaders “anticipate potential adversity or strains, make contingency plans to support and help employees cope with them, and are available and responsive when such persons reach out to them”.<sup>38</sup> Research has already identified a “positive relationship between resilience and workplace performance outcomes” and early research findings from new research support the link between resilience and “improved bottom-line gains”.<sup>39</sup>

From a leadership development perspective, it is of critical importance to recognise that Psychological Capital is a learned capacity and can be increased through leadership development interventions.<sup>40</sup>

## Leaders and Followers

The authentic leader alone does not constitute Authentic Leadership since leadership by definition involves social influence processes between a leader and followers.<sup>41</sup> The authentic leader is true not simply to self but also to others by advancing “goals that are grounded in shared values, and they intend that their actions promote goals that

benefit the larger community”.<sup>42</sup> It is these shared values that form a key part of the reciprocal relationship between authentic leaders and authentic followers.

People who follow for authentic reasons share the leader's beliefs, values and convictions which are developed through a process of participation and engagement. Furthermore, they have neither delusion about the leader's capacity nor do they follow the leader because of a false sense of safety - it is not idolisation.

These authentic followers recognise that the manager's claim for leadership is based on “personally held deep values and convictions rather than on mere conventions of an appointed office or the desire for personal power, status or other benefits and judge the leader's behaviours as consistent with his or her beliefs, values and convictions”<sup>43</sup> and they reciprocate accordingly, having an unfettered ability to speak up, challenge, ask the hard questions and seek and see the evidence. Being an authentic follower is far from a passive process. It is proactive and disciplined, as well as reflective, in nature. The authentic leader-authentic follower relationship is typified by openness, honesty and motives that are essentially beyond self-interest.



# Methodology and Measurement

**This study surveyed the perceptions and experiences of the workforce in primarily mid-sized organisations (up to 500 employees) in New Zealand, in order to determine:**

- The levels of Authentic Leadership in New Zealand
- The levels of Psychological Capital of the New Zealand workforce
- The leadership impact on the New Zealand workforce
- The inter-relationship of these three elements

The Authentic Leadership Survey was developed by Professor Bruce Avolio and his colleagues at the Gallup Leadership Institute at the University of Lincoln-Nebraska and was used by Exceleator with his kind permission. The Psychological Capital and outcomes surveys were also developed at the Gallup Leadership Institute and each have been extensively validated over the last several years.

The study used three main research tools:

- a) an Authentic Leadership survey comprising 16 items
- b) a Psychological Capital survey comprising 12 items and
- c) a Leadership Impact survey comprising 5 items as well as 13 demographic items. In addition, three qualitative questions were included to provide insights that might clarify the quantitative results, or pose new questions.

## a) Authentic Leadership Survey

The Authentic Leadership survey was developed as an extension of the Multifactor Leadership Questionnaire (MLQ) that was originally compiled by Bass and Avolio<sup>44</sup> to measure transformational leadership. Avolio, Bass and Jung<sup>45</sup> adapted the MLQ further, and Avolio and Gardner<sup>46</sup> extended the factors to include 'Authentic Leadership', an altruistic core of leadership as opposed to leadership driven by personal agendas.

The first Authentic Leadership survey was piloted by Bruce Avolio and the Gallup Leadership Institute in the USA and this was followed with a comparable national sample in Singapore to gain inter-cultural comparisons.<sup>47</sup> This survey was further refined to produce the 16 statements about leaders that are organised into four clusters that we used for our study - transparency, balanced processing, moral and ethical perspective and self awareness. The Authentic Leadership survey required participants to judge how frequently each statement described the leadership style of the leaders in their organisation on a scale of 0 (Not at all) to 4 (Frequently, if not always).

## b) Psychological Capital Survey

The theoretical background for this concept is well documented in the academic literature,<sup>48</sup> with the survey statements being drawn from empirically validated scales and revised for work place contexts<sup>49</sup> and respondents rating each item on their own experience on a scale of 1 (strongly disagree) to 6 (strongly agree). 12 of the 24 original Psychological Capital survey statements were selected.<sup>50</sup> Our rationale was to further explore the relationship between Psychological Capital and Authentic Leadership in New Zealand that has been established in the USA.<sup>51</sup>

## c) Leadership Impact Items

The five leadership impact statements<sup>52</sup> used in this survey reflected the participants' experience on a scale of 1 (strongly disagree) to 5 (strongly agree). This study builds upon the work conducted by the Gallup Leadership Institute, the Gallup Organisation and Singapore Institute of Management<sup>53</sup> and for the first time this particular combination of leadership impact statements is investigated in the New Zealand work environment. These items explore some of the most important aspects of high performance environments, namely purpose, trust, excitement, significance and sustainability.<sup>54</sup>



#### d) Qualitative Questions

Participants were also asked to answer the following questions:

- If you could improve one aspect of leadership that you have experienced at work what would that be?
- What could the leadership in your organisation do tomorrow to significantly enhance your level of performance at work?
- What do you think is the most important leadership challenge facing your organisation at this point in time?

#### e) Participants

The Authentic Leadership survey covers the working population of New Zealand.

3,000 surveys were distributed in mid-2006 of which 965 surveys were completed by participants and returned by confidential mail directly to Excelerator at The University of Auckland Business School, yielding a 32.16 % response rate.

New Zealand currently has a total working population of 3.2m<sup>55</sup>; with this population size the margin of sampling error for interpreting the results gives a 95% confidence interval around the estimate of +/- 3.15 percentage points.

**“We need authentic leaders; people of the highest integrity, committed to building enduring organisations. We need leaders who have a deep sense of purpose and are true to their core values. We need leaders with the courage to build their companies to meet the needs of all their stakeholders, and who recognise the importance of their service to society”**

Bill George, Harvard Professor of Management and former Chairman and Chief Executive Officer of Medtronic<sup>13</sup>

Table I compares the national workforce characteristics to those of our survey:

CHARACTERISTIC	NATIONAL WORKFORCE	AUTHENTIC LEADERSHIP SURVEY
<b>GENDER</b>		
Male	53.43%	54.61%
Female	46.57%	44.56%
Other/Not stated	0.00%	0.83%
<b>AGE GROUP</b>		
Less than 30	25.82%	26.32%
30 to less than 40	24.41%	29.33%
40 to less than 50	24.59%	26.01%
Over 50	25.18%	17.20%
Not stated	0.00%	1.14%
<b>ETHNIC GROUP</b>		
European	83.89%	82.80%
Maori	10.76%	7.56%
Pacific peoples	4.48%	2.69%
Asian	5.18%	4.87%
Other/Not stated	0.48%	2.07%
<b>INDUSTRY</b>		
Retail/Wholesale sales	17.82%	12.33%
Health and Social Service	15.46%	1.87%
Manufacturing company	12.96%	17.31%
Real Estate and Business Service	11.27%	6.94%
Service company	10.77%	12.12%
Agricultural company	8.26%	3.01%
Construction company	6.02%	0.73%
Transport company	3.85%	2.28%
Government/Ministry	3.45%	3.11%
Financial Institution	3.01%	6.84%
Information Technology company	1.34%	4.77%
Utility company	0.35%	1.24%
Mining company	0.19%	0.10%
Others/Not Stated	5.26%	27.36%
<b>OCCUPATION</b>		
Professional worker, Skilled tradesman and Technology professional	24.91%	40.31%
Sales worker, Manufacturer's representative and Service worker	14.04%	8.81%
Manager, executive or officials	12.53%	18.45%
Clerical or office worker	12.53%	19.69%
Semi-skilled worker	8.34%	2.18%
Labourer	5.83%	2.18%
Business owner	No available data	0.83%
Others/Not Stated	21.83%	7.55%
<b>EMPLOYEE NUMBERS</b>		
Less than 10	27.05%	8.70%
10 to less than 20	10.28%	13.47%
20 to less than 50	12.44%	26.74%
50 to less than 100	8.29%	20.62%
Over 100	41.94%	30.47%

TABLE I: New Zealand Workforce Data (Source: Statistics NZ 2006) and Authentic Leadership survey data

# Survey Results

## a) Workforce Perceptions of Authentic Leadership

The overall mean for Authentic Leadership in New Zealand was 2.66 on a five-point scale of 0 (Not at all) to 4 (Frequently, if not always). **Figure 1** presents an overview of average ratings for the top four and bottom four Authentic Leadership items.

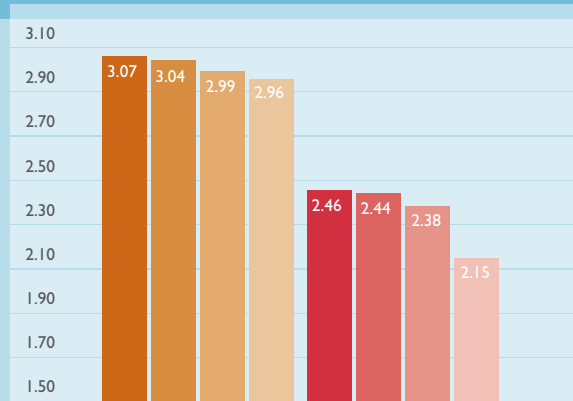
When taking an average across all 16 Authentic Leadership statements, only 37.4% of respondents judged that their leaders displayed Authentic Leadership behaviours 'fairly often' or frequently, if not always (rating 3 or above on five point 0 - 4 scale).

Closer examination of the bottom rated items suggests a worrying tendency of New Zealand leaders to be less likely to encourage or accept points of view that are different from their own. They appear to have a strong need to be right coupled with a distorted sense of self and an unwillingness to change.

The top rated items demonstrate important elements of authentic behaviour that are valued highly in New Zealand society. Interestingly though, they are not highly relational in their nature. As an example, the New Zealand leader appears to be more likely to value analysis of the data over careful listening to different points of view before making decisions.

Authentic Leadership, when analysed across age ranges, suggested that respondents who were younger than thirty generated an average Authentic Leadership score of 2.70 for their leaders. Respondents between the ages of 30 and 45 generated an average score of 2.64, and those over 45 generated an average score of 2.65. None of these differences were statistically significant, suggesting that different generational cohorts recognise Authentic Leadership behaviour in similar ways. This tends to support previous work by Exceleator on the way Generation X and Generation Y individuals in Australia and New Zealand view leadership.<sup>56</sup>

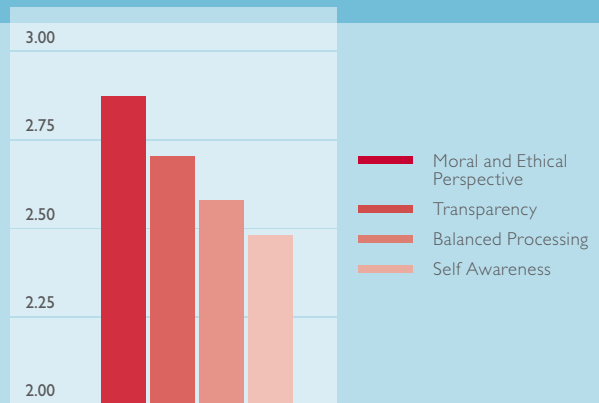
We then arranged the Authentic Leadership statements into the defined component scales of self awareness, relational transparency, balanced processing and moral and ethical perspective (**Figure 2**). The differences between the means of each of the four scales are statistically significant and, therefore, highly relevant. On a relative basis, the results reinforce that the behaviour of New Zealand leaders is guided more by core values and that they have moderately high levels of openness and trust. This is congruent with New Zealand being cited recently (along with Finland and Iceland) as being perceived to be the world's least corrupt country<sup>57</sup> and in a Wall Street Journal report this year as one of the world's most free economies.<sup>58</sup>



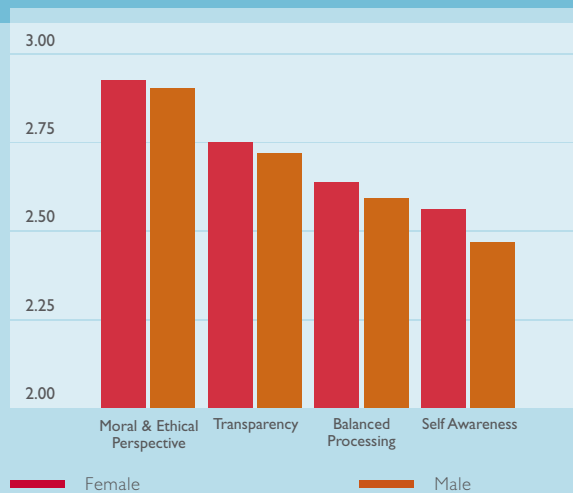
**LEADERS IN MY ORGANISATION:**

- Make decisions based on their core values
- Say exactly what they mean
- Analyse relevant data before deciding
- Make difficult decisions based on high standards of ethical conduct
- Admit mistakes when they are made
- Seek feedback to improve interactions with others
- Accurately describe how others view their capabilities
- Solicit views that challenge deeply held positions

**FIGURE 1:** Workforce perception of top four and bottom four scale items reflecting leaders' Authentic Leadership



**FIGURE 2:** Authentic Leadership arranged in the four component scales on a five-point (0-4) scale



**FIGURE 3:** Authentic Leadership arranged in the four component scales by respondent gender on a five-point (0-4) scale

However, New Zealand leaders' behaviours were less authentic with respect to their understanding and 'sense of self' and their commitment to unbiased collection and interpretation of self-related information.

When considering these component scales on a gender basis, female respondents rated their leaders as slightly more authentic in all four component scales (Figure 3). A similar gender trend has been recorded in Authentic Leadership survey activity in the United States.

## b) Psychological Capital

The overall mean for the workforce's rating of their own Psychological Capital was 4.75 on a six-point scale of 1 (strongly disagree) to 6 (strongly agree). Figure 4 represents an overview of average ratings for the top four and bottom four items of the Psychological Capital scale.

When taking the average across all Psychological Capital statements, 39.5% of respondents 'agreed' or 'strongly agreed' that they had high levels of confidence, optimism, hope and resilience (rating above 5 and above on 1 - 6 scale).

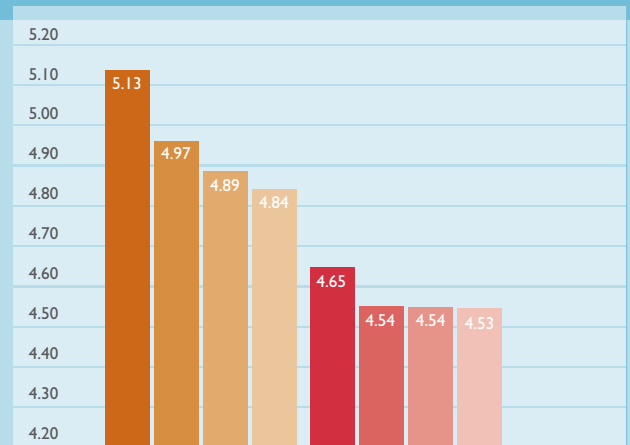
In general, the top ratings are weighted more towards the areas of confidence and resilience whilst the lower ratings are weighted more towards hope and optimism.

Whilst Psychological Capital did not show significant difference between genders, an analysis across the three age groups (under 30 years, 30-45 years, and over 45 years) revealed a statistically significant difference. Participants who were over 45 years of age scored the highest on the Psychological Capital scale, followed by participants in the 30-45 years group and participants who were less than 30 years of age respectively (Figure 5). This would at the very least suggest that Psychological Capital as a learned capacity increases with age. This phenomenon has also been described as occurring with emotional intelligence<sup>59</sup> (although EI is less open to definition and validation than Psychological Capital).

## c) The Relationship between Authentic Leadership and Psychological Capital

Contemporary researchers have identified "an important input and outcome" relationship between Authentic Leadership and Psychological Capital.<sup>60</sup> Our data reinforces this link, with those in the workforce identifying their leaders as the most authentic leaders, having the highest levels of Psychological Capital. The top quartile of Authentic Leadership provided a corresponding mean Psychological Capital score of 5.14 as compared to the bottom quartile which recorded a mean Psychological Capital score of 4.42.

When we consider the differences in the Psychological Capital scale items between top quartile and bottom quartile authentic leaders, the mean differences create an interesting and revealing pattern. While each Psychological Capital item is affected to a statistically significant degree, optimism and confidence are more sensitive to variation in authenticity than resilience. The top four items show



### PARTICIPANTS SAY:

- I can be "on my own" so to speak at work if I have to
- I can get through difficult times at work because I've experienced difficulty before
- I feel confident in representing my work area in meetings with management
- Right now I see myself as being pretty successful at work
- I always look on the bright side of things regarding my job
- I usually take stressful things at work in stride
- I feel confident contributing to discussions about the company's strategy
- I'm optimistic about what will happen to me in the future as it pertains to work

FIGURE 4: Workforce perceptions of their Psychological Capital on a six-point (1-6) scale

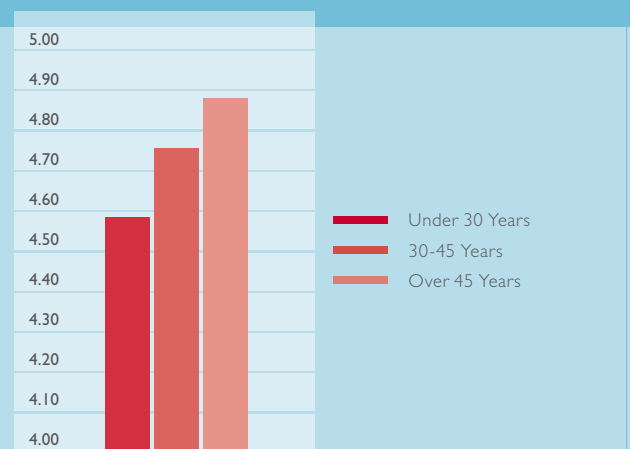


FIGURE 5: Perceptions of their Psychological Capital by age group on a six-point (1-6) scale

a concerning lack of confidence and optimism about the future when Authentic Leadership is less present (Figure 6).

The Psychological Capital items that are affected the least when Authentic Leadership drops (Figure 7) tend to relate to primarily to resilience and independence.

### d) The Relationship between Authentic Leadership and Leadership Impact

The impact of Authentic Leadership and Psychological Capital on overall leadership outcomes was assessed using the 5 items on the five-point Leadership Impact scale of 1 (strongly disagree) to 5 (strongly agree).

The leadership impact of leaders whose scores were in the top quartile on Authentic Leadership was compared to those with scores in the bottom quartile. As shown in Figure 8, the workforce whose leaders had the highest levels of recorded Authentic Leadership had both very consistent and higher ratings in all areas of leadership impact. In contrast the workforce whose leaders had the lowest levels of Authentic Leadership had much lower ratings for leadership impact with far less consistency.

The mean differences between the top and bottom quartiles of Authentic Leadership scores were at a statistically significant level. These results indicate a strong correlation between Authentic Leadership and leadership impact. With declining authenticity there is greater disengagement of the workforce, particularly with respect to their contribution of ideas, preparedness to speak up and commitment to the organisation's purpose (Figure 9). In an environment of diminished Authentic Leadership, people appear less willing to take the necessary risks so essential to sustaining high performance.

“In an environment of diminished Authentic Leadership, people appear less willing to take the necessary risks so essential to sustaining high performance.”

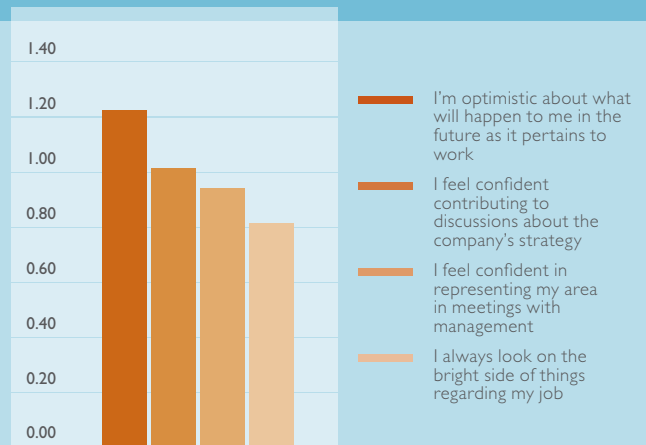


FIGURE 6: Top four Psychological Capital items by mean positive difference between Authentic Leadership top and bottom quartiles scores

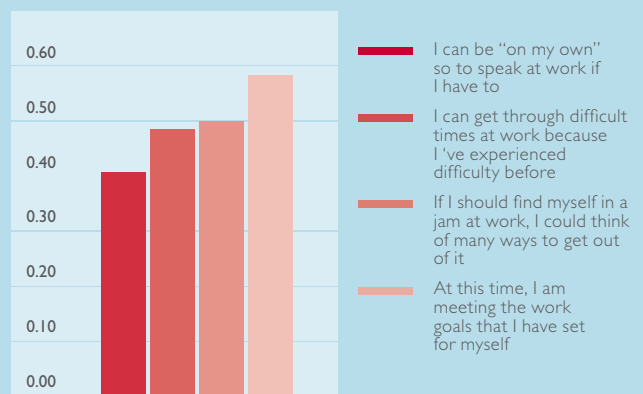
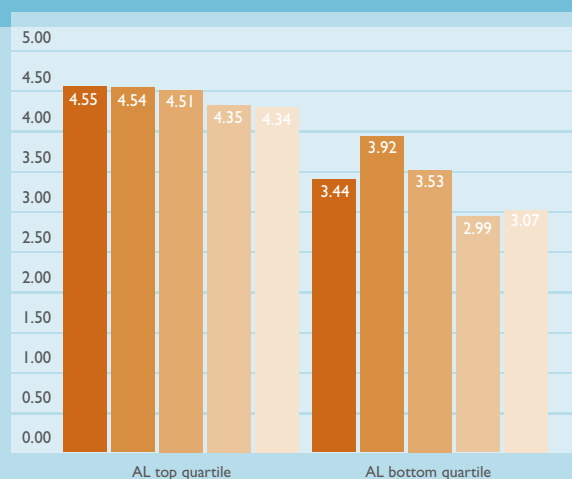


FIGURE 7: Bottom four Psychological Capital items by mean positive difference between Authentic Leadership top and bottom quartile scores



**PARTICIPANTS SAY:**

- I am very positive about the overall prospects of my organisation
- I feel my work makes an important contribution to my organisation
- I am confident in my organisation's financial future
- I am encouraged to be entrepreneurial at work
- I can tell people what I really think in my organisation

FIGURE 8: Mean Leadership Impact scores for top and bottom Authentic Leadership quartiles

### e) The Relationship Between Psychological Capital and Leadership Impact

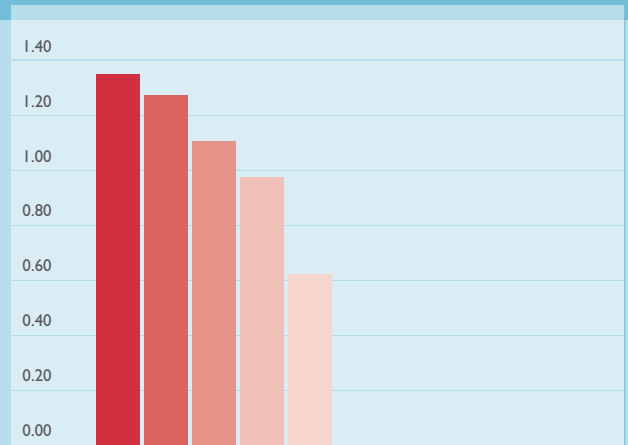
The leadership impact of the workforce with Psychological Capital scores in the top quartile were compared to those with scores in the bottom quartile. As shown in **Figure 10**, those with the highest levels of Psychological Capital had consistent and high ratings in all areas of leadership impact (closely mirroring the relationship between Authentic Leadership and leadership impact). Those with the lowest levels of Psychological Capital similarly had much lower ratings for leadership impact and less consistency.

The mean differences between the top and bottom quartiles of Psychological Capital ratings indicate a strong correlation between Psychological Capital and leadership impact (**Figure 11 overleaf**). The rank order of these mean differences is almost identical to that seen with Authentic Leadership, reinforcing the relationship between Authentic Leadership and Psychological Capital.

### f) International Comparison

The rising interest in Authentic Leadership has resulted in a number of studies being initiated across the globe. Two comparable studies have recently been conducted in the United States and Russia, giving us an opportunity to identify international trends and differences. When comparing mean Authentic Leadership scores, New Zealand recorded the highest level followed by the USA and then Russia as illustrated in **Figure 12 overleaf**. The differences, however, are small, but the USA study in particular included 30.4% of companies with over 1000 employees whilst New Zealand respondents came predominantly from smaller organisations. Avolio has identified that followers in smaller organisations are more likely to provide a higher Authentic Leadership rating.<sup>61</sup> This type of international comparison would have much more relevance if the sample characteristics were more closely matched.

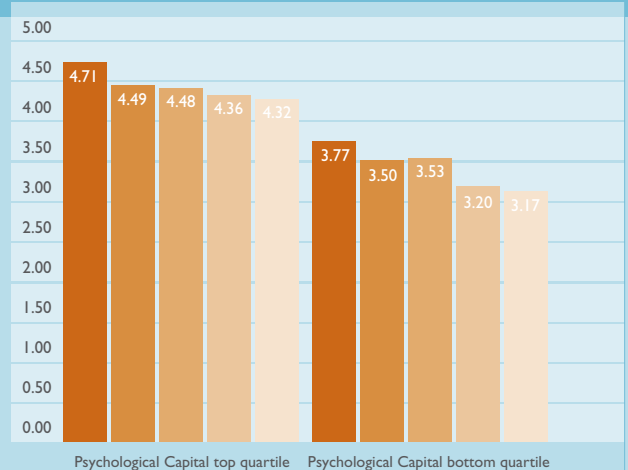
A clear pattern can be seen (**Figure 13 overleaf**) when examining the clusters of Moral and Ethical Perspective and Relational Transparency in an international context with all countries rating the moral and ethical perspective of their leaders higher. However, the country scores cannot be compared with confidence for the same sample reasons as above. Over time, as more Authentic Leadership surveys are conducted internationally, closer sample matching will reveal more reliable comparative data.



**PARTICIPANTS SAY:**

- I am encouraged to be entrepreneurial at work
- I can tell people what I really think in my organisation
- I am very positive about the overall prospects of my organisation
- I am confident in my organisation's financial future
- I feel my work makes an important contribution to my organisation

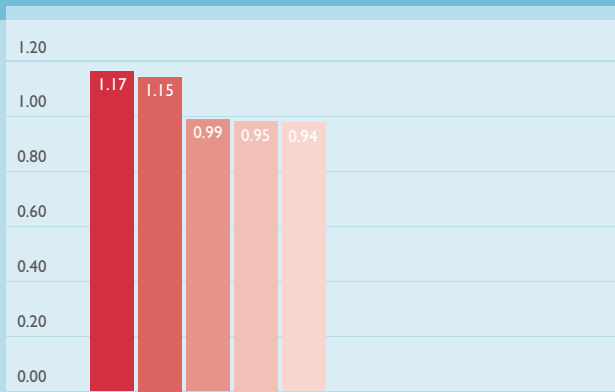
**FIGURE 9:** Mean positive difference on Leadership Impact scores between top and bottom Authentic Leadership quartiles



**PARTICIPANTS SAY:**

- I feel my work makes an important contribution organisation
- I am very positive about the overall prospects organisation
- I am confident in my organisation's financial
- I can tell people what I really think in my organisation
- I am encouraged to be entrepreneurial at work

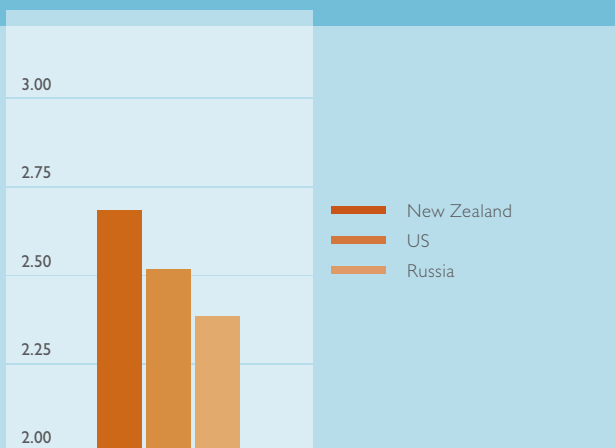
**FIGURE 10:** Leadership Impact items for top and bottom quartile of Psychological Capital score



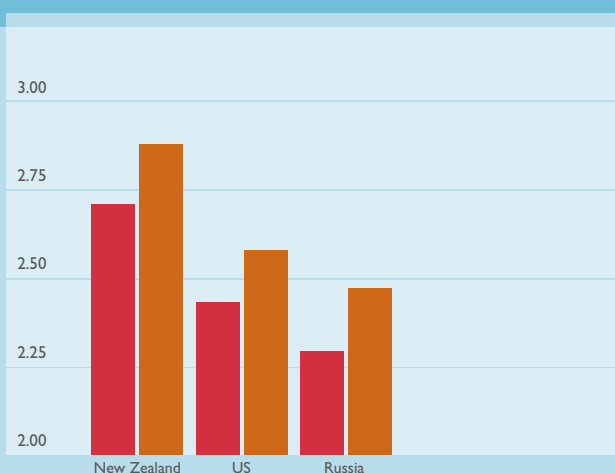
**PARTICIPANTS SAY:**

- I can tell people what I really think in my organisation
- I am encouraged to be entrepreneurial at work
- I am very positive about the overall prospects of my organisation
- I am confident in my organisation's financial future
- I feel my work makes an important contribution to my organisation

**FIGURE 11:** Mean positive difference on Leadership Impact scores between top and bottom Psychological Capital quartiles



**FIGURE 12:** International Authentic Leadership comparison



**PARTICIPANTS SAY:**

- Relational Transparency
- Moral Perspective

**FIGURE 13:** International Authentic Leadership cluster comparison

## g) Qualitative Results

Through the three qualitative questions included in the survey (shown below), respondents identified leadership challenges and priorities for their organisations from their own perspective. These were then categorised into the following four leadership domains:

1. **Strategic** - forward looking with a contextual focus
2. **Relational** - interaction (primarily within the organisation) focus
3. **Personal** - focus on the character of the leader
4. **Execution** - focus on operational improvement

We examined the top and bottom quartiles of Authentic Leadership as determined by the workforce ratings. Since we were asking for comments about enhancements, improvements and challenge it is perhaps not surprising, that whilst only 63.8% of the top quartile felt the need to make suggestions as to how to improve leadership in their organisation, 82.9% of the bottom quartile did have suggestions.

### QUESTION 1:

#### IF YOU COULD IMPROVE ONE ASPECT OF LEADERSHIP THAT YOU HAVE EXPERIENCED AT WORK WHAT WOULD THAT BE?

	STRATEGIC	RELATIONAL	PERSONAL	EXECUTION
Top Quartile AL	3.9%	38.3%	6.5%	51.3%
Bottom Quartile AL	8.0%	30.7%	42.4%	18.9%

If it were up to the workforce, the emphasis that they would place on improving the leadership they had experienced at work changed markedly depending on whether they regarded their leader as being authentic or not. For those who rated their leader in the top quartile for authenticity, the emphasis was on the leadership domain of execution (e.g. *“to raise the management team’s performance in achieving agreed performance levels over time”, “speedier implementation of recommendations”, “clarity of roles”* and *“more training for staff”*).

However, for those who rated their leader in the bottom quartile for authenticity, the emphasis tended to be on the leadership domain of personal primarily referring to the character of the leader (e.g. *“improve honesty and transparency”, “I want my manager to lead by example”, “avoid mixed messages”, “follow up on promises made”, “reduced nit-picking as it drains away the morale of the staff”, “don’t play favourites”* and *“sack the boss!”*).

The importance of the relational leadership domain was highlighted in both quartiles (e.g. “effective communications through all staffing levels”, “less use of email system for communication”, “involve all staff in decision making” and “talk and listen versus instruct”).

focus (e.g. “continue to be at the forefront of technological development and innovation”, “succession planning - very good key seniors but not many below”, “predicting market trends” and “creating a shared understanding of the organisation’s direction”).

### QUESTION 2:

#### WHAT COULD THE LEADERSHIP IN YOUR ORGANISATION DO TOMORROW TO SIGNIFICANTLY ENHANCE YOUR LEVEL OF PERFORMANCE AT WORK?

	STRATEGIC	RELATIONAL	PERSONAL	EXECUTION
Top Quartile AL	12.9%	8.7%	10.1%	63.3%
Bottom Quartile AL	15.4%	10.8%	39.4%	18.9%

The notable difference came again with the emphasis on the personal domain demonstrated by those who identified their leaders in the bottom quartile for authenticity (e.g. “honesty at the very top”, “many staff members have no respect for their managers”, “top management not interested in staff job satisfaction” and “the big people make it very hard for the little people”).

This qualitative dimension of the survey was included to provide support information and to determine other potential research directions. The complete qualitative data set is currently being subjected to a more detailed discourse analysis which will be reported on in the future.

The emphasis that the workforce would place on what leadership could do tomorrow to enhance their level of performance was again significant, depending on the extent to which they regarded their leader as being authentic. For those who rated their leader in the top quartile for authenticity, the emphasis was again on the leadership domain of execution (e.g. “discuss timelines for meeting agreed outcomes”, “streamline workloads to flow from one job to another where possible”, “reduce time wasting activity, especially meetings” and “give specific key performance indicators”).

Those who rated their leaders in the bottom quartile for authenticity also gave significant attention to the execution domain, but again primarily emphasised the personal domain (e.g. “realise they are not as good as they think”, “set and example for staff to aspire to”, “stop backstabbing”, “be more cheerful” and “show more respect - value my ideas more”).

### QUESTION 3:

#### WHAT DO YOU THINK IS THE MOST IMPORTANT LEADERSHIP CHALLENGE FACING YOUR ORGANISATION AT THIS POINT IN TIME?

	STRATEGIC	RELATIONAL	PERSONAL	EXECUTION
Top Quartile AL	57.7%	14.3%	9.5%	18.5%
Bottom Quartile AL	33.2%	22.8%	25.4%	18.6%

This question deliberately invites people to give more consideration to their context and its future and, therefore, brought more responses with a strategic



## What does it all Mean?

Professor Bruce Avolio reminds us that “being seen as an authentic leader is a pretty high standard”.<sup>62</sup> In fact, many might feel that, when taking an average across all 16 Authentic Leadership statements, 37.5% of respondents judging that their leaders displayed Authentic Leadership behaviours more than ‘fairly often’ (rating above 3 on 0 - 4 scale) would be acceptable. However, we feel that a figure suggesting that more than 60% of our leadership is not yet at acceptable levels of authenticity is disappointing. New Zealand has relatively unique cultural and economic challenges. As a nation, we argue that integrity, openness and transparency are of great importance to us. We are geographically remote, we have a lack of wealth-producing natural resources (other than tourism and an agricultural-friendly climate), we lack scale and we have a well-documented problem with low productivity. For these reasons, we believe that New Zealand needs Authentic Leadership more than most.

As a country, New Zealand needs to lift its sights in terms of the leadership it is prepared to accept. This is a shared responsibility for all of us.

Our results suggest a dogmatic disposition in the typical New Zealand leader, an inner need to be “right” that overwhelms their ability to be “real”. Whilst New Zealand leaders appeared to have a relatively strong moral and ethical perspective, this appeared to manifest as a determination to be frank and direct rather than a willingness to admit their mistakes or consider other perspectives that might challenge their own paradigms.

“Authenticity is about being yourself and to do that you need to know yourself.”

The New Zealand leader has a tendency to rely on tangible data perhaps to the exclusion of personal and diverse insights of their workforce. Whether they are afraid to ask the question “what do you think?” or whether they are afraid to get the answer, the consequence is a resistance to creating the conditions where people are prepared to volunteer their real opinions, feelings and ideas. To create these conditions requires an accurate self image as the essential basis for the development of such leadership and followership capacity. As Warren Bennis states, “if you are a stranger to yourself you will be a stranger to your context”,<sup>63</sup> both relationally and strategically. Our survey results suggests that the areas where New Zealand leaders are strongest are not highly relational. This poses a very real problem for both leaders and followers as the currency of leadership lies in relationships.

The Psychological Capital of the workforce was relatively low, which was in line with the lower levels of Authentic Leadership reported in the current survey findings. With only four out of ten of those in the workforce rating themselves with high levels of confidence, optimism, hope and resilience, there is a concerted need to develop leadership that can develop the Psychological Capital capacity of both leaders and followers. If we do not tackle this need, the outlook for improved New Zealand productivity, in particular, looks bleak. Interestingly, hope and optimism, the two factors which relate most closely

to a sense of possibility, significance and excitement were the factors that ranked the lowest. We know that, while authentic leaders develop a deep sense of purpose and engage people fully, inauthentic leaders appear to create the opposite situation due to, for example, their unbalanced over-emphasis on budgets and metrics.

At first glance, the higher levels of resilience that we found in the New Zealand workforce could be seen as encouraging, but equally they could be interpreted as representing the 'survival instinct' of a disengaged worker who puts in the time but not the effort or passion. When we critically consider the relationship between Authentic Leadership and Psychological Capital, we find that resilience levels are the least impacted when Authentic Leadership is least present further supporting the concept of the dogged, yet disengaged, Kiwi worker.

In an environment of low Authentic Leadership, it appears that optimism and confidence may suffer the most, and consequently will have significant detrimental effects on workforce motivation and performance. Research shows that confidence is very strongly linked to motivation and work performance, but it is clearly a very fragile capacity. When we consider optimism we find that optimistic people react differently to pessimists when faced with ambiguous and challenging environments. They are more receptive to workplace change and new ideas and therefore, much more constructive and valuable in the fast-moving modern world.

Our leadership impact results provide the final piece of a consistent picture. With low Authentic Leadership and corresponding low Psychological Capital in the workforce, we see the emergence of greater workforce disengagement manifested by a lower number of new ideas being offered, a lack of alignment and a lack of commitment.

The qualitative results support these core findings. Where higher levels of Authentic Leadership are present, the improvements suggested are mainly focussed on 'how we can do things better and move things forward more quickly'. In low Authentic Leadership environments the workforce becomes preoccupied with the leader's behaviour, which becomes a demotivating distraction leading to lack of purposefulness.

When respondents were asked to identify the most important leadership challenge facing the organisation, those in an environment of higher Authentic Leadership were notably forward-focussed. Where Authentic Leadership was low the strategic orientation is disturbingly diluted by concerns around the leader's character. When you have low Authentic Leadership you may very well lose critical forward momentum.

“Research shows that confidence is very strongly linked to motivation and work performance, but it is clearly a very fragile capacity.”

### What is holding us back?

Whilst this study has enabled us to 'step into the mind' of the New Zealand workforce and see the direct and debilitating effects of low Authentic Leadership, we need to determine what it is that holds people back from being authentic leaders, if we are to lift our levels of national performance.

When we reflect on the critical elements that hold people back most from Authentic Leadership, in our view there are three that stand out in particular. These are low levels of self awareness, the way in which we learn leadership and rising public concern about declining ethical and moral standards.

**Self awareness** is critical to leadership and requires a profound, evocative and penetratingly honest understanding of one's own emotions, moods, talents, limitations, principles, needs and aspirations. The fundamental platform for leadership is the development of an accurate self-image, something that too few recognise the importance of developing. Even those who recognise the need may often lack the understanding of how to achieve this awareness.

Developing an accurate self-image and self awareness requires the insight, courage and patience to undertake the most daunting and challenging human resource analysis and evaluation you will ever face - yourself. Important elements to developing self awareness include soliciting a diverse array of honest feedback (processed in an unbiased and non-defensive way) and developing a patient and thoughtful reflective practice. Authenticity is about being yourself and to do that you need to know yourself.

**The way we learn leadership** is different to the way we learn management. *"There is nothing new about connecting leadership to the brain. It is a connection that is natural, historical, and inescapable. What is new, however, is a dramatic advancement in knowledge about the nature of the human brain and the intelligence it enables".*<sup>64</sup> Yet, despite everything we have learned about the brain and how it works, there is a pervasive application of management learning techniques to leadership learning situations, with unsurprisingly disappointing results.



Whilst the 'training model' is perfectly aligned to learning management, it has limited relevance to leadership development where the reflective, experiential and longer-term learning model, framed in a real context is required. Generally speaking people have highly unrealistic expectations around timeframe for the learning of leadership - they should throw away the clock and put up the calendar, as the longer the development process is, the more enduring and sustained the impact will be.

Another paradigm holding back our leadership learning is the competency model. There is a groundswell of research and opinion from an impressive number of highly respected thinkers and researchers in the field of leadership that challenge the current use of competencies in the domain of leadership development. Some have suggested that "the competency approach to leadership offers an illusory promise" and that "*the current zeal for competency frameworks is misleading us because it implies followers and contexts are irrelevant*".<sup>65</sup>

Competencies are, in effect, derived from analysing and then defining what are perceived to be the most important and effective qualities of successful leaders and then shaping the workforce around those competencies.

Leadership is not about surrendering your uniqueness and indeed, many international experts believe competency models or frameworks are impediments to successful leadership development since "*at best a competency framework will only ever be a simple representation of a highly complex and changing landscape*".<sup>66</sup>

**Declining ethical and moral standards** in organisations across the globe, and in New Zealand, have been highlighted many times by the media. These ethical and moral dilemmas did not occur spontaneously within these organisations. They resulted from leaders that could not see the insidious drift across the ethical divide or simply chose to look the other way. When leadership has lost its moral compass, we are all lost. It is an important part of your leadership to develop a strong ethical and moral perspective and embed that into the culture. Whilst it is important to generate and maintain energy, passion and desire for success, examples like Enron have shown us how highly charismatic leaders can develop followers so blinkered as they march to success that they choose not to pause, reflect and question.

We are all subject to the challenge to perform financially, and this call for year-on-year profit growth is not going to abate. The reality of the contemporary organisation is that the demand to perform financially in both the short and long term is now a way of life. To be able to respond consistently to this refrain, we need leadership that is capable of generating new ideas and new pathways of thinking, without stretching or breaching the limits of ethics.



## Leadership Imperatives

“You have to have a proactive and positive approach to developing relationships which enable and encourage your workforce to say what’s on their minds.”

### Leadership Imperative 1:

“To thine own self be true”<sup>67</sup>

As this quote suggests, authenticity has its roots in Ancient Greek philosophy. Whilst contexts may have changed dramatically, self awareness is as important now as it has ever been. The first step is to recognise that self awareness is important and the second is to commit the necessary time and patience to unearthing the real you through genuine leadership development, reflection and feedback.

### Leadership Imperative 2:

Create the conditions for ‘real’ feedback

It is no good saying “my door is open” or “you can approach me at any time” when the reality is the complete opposite (even if your intentions were well meant). You have to have a proactive and positive approach to developing relationships which enable and encourage your workforce to say what’s on their minds. You need to build trust and the credibility that goes with responding positively to the challenges that the workforce raises.

## Leadership Imperative 3:

### People commit to a purpose not a plan

Nineteenth Century US architect Daniel Burnham captured the essence of aspiration well when he said: *“Make no small plans. They have no magic to stir humanity’s blood and probably themselves will not be realised. Make big plans; aim high in hope and work”.*

Research shows that the workforce wants to feel significance and excitement.<sup>68</sup> Strategy is a ‘dream with a plan’ and whilst not wanting to diminish the importance of the plan, by itself it is not enough. Build purpose through wide participation and involvement and you will have a committed workforce who will move mountains to deliver the dream.

## Leadership Imperative 4:

### “Be the change you want to see in the world.”

As Mahatma Gandhi identified, being a good example develops the most engaged workforce. As a leader, who you are affects how people around you feel, develop and ultimately perform. This research has shown clearly that leadership with high levels of authenticity relates positively to high levels of Psychological Capital and engagement in the workforce.

## Leadership Imperative 5:

### Learn how to learn

Leadership needs a new way of learning that goes well beyond a traditional training model where we just focus on leaders out of the work context. The most authentic leadership development occurs in context and it includes both leaders and followers. It is a reflective and experiential model that needs to be embedded in a real context where you can experiment and then critically assess. We now need to reinforce not only what is to be learned, but what now must be unlearned.

## Leadership Imperative 6:

### Develop your ethical and moral base

You may well feel that you have established core moral and ethical values, but have you built a robust framework that can be used reliably to test challenging decisions in the toughest of crisis situations? When leadership is on the line, do you truly know how you will respond? Developing your framework requires constant inquiry, revision and renewal and is fundamental to your leadership if it is to truly be authentic.

**“You may well feel that you have moral and ethical values, but have you built a robust framework that can be used reliably to test challenging decisions in the toughest of crisis situations?”**



## Final Thoughts

Authentic Leadership is an important and timely concept and may represent a defining point in the development of leadership as both theory and practice.

“Authentic leaders demonstrate a passion for their purpose, practice their values consistently and lead with their hearts as well as their heads. They establish long-term, meaningful relationships and have the self-discipline to get results. They know who they are.”<sup>69</sup>

Do you?

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