**AREA III OVERVIEW  
The Leadership System**

Lessons 18. Leadership as a Social Exchange—Bases of Power

19. Vertical Dyad Linkage Theory

20. Situational Leadership

21. Transformational Leadership

22. Stress & Stress Management

23. Communications & Counseling Applications

**AREA OVERVIEW**

In the first two areas of the course, we worked toward a better understanding of individuals and groups. In addition to learning theories that explain why individuals or groups behave as they do and suggesting appropriate leader actions, we also learned the larger concept of how to use the model of an open system to understand how different factors influence individual, group, and even organizational outcomes.

We now add to our collection of knowledge and skills an area we can influence most—**The Leadership System**. Learning to be a more effective leader is, hopefully, the major reason you are attending this class and devoting the introspection and effort it requires. We will now begin to bring many of the pieces together.

The formal study of leadership began in earnest during the last half of the twentieth century. Initially, a leader’s influence was thought to be solely attributable to specific traits of the leader him – or herself. Traits like physical appearance, height, intelligence, and several others were investigated in the hopes of finding the ideal combination that led to successful leaders and leadership. These trait theories dominated early research but were displaced by theories featuring combinations of variables. This approach, called a *transactional approach* to leadership, focuses on combining various leader traits and behaviors with follower characteristics and situational variables, thereby yielding a greater predictability of leader success or failure.

First, we will focus on the elusive but compelling concept of influence. We will explore the **Bases of Social Power** that a leader may have, and what a follower’s likely reaction to them will be. The next two lessons build upon this concept by looking at slightly different ways of conceptualizing the interaction of a leader, his or her followers, and the situation.

We conclude the Leadership Theory portion of this area by exploring **Transformational Leadership.** This relatively new approach to leadership seeks to increase the intellectual and emotional commitment that employees invest in their work, thereby creating truly superior organizational performance. This theory is critical to your ability to develop (transform) your followers into high performing employees and leaders in their own right.

Finally, we will explore a collection of leader competencies, or skills, that will enhance your ability to implement the theories you have diligently studied over the past couple of weeks. The concepts of stress, stress management, communications, and counseling will add to your abilities and round out our study of the internal components of the Model of Organizational Leadership.

**LESSON 18: LEADERSHIP AS A SOCIAL EXCHANGE – BASES OF POWER**

**Introduction**

This lesson consists of:

1. Leadership as an Exchange

2. Student Journal Entry

**Assignment**

1. **Read Course Guide**, pages 2 - 19.

2. When you solve a case study or act as a leader in your organization:

I. ***Identify*** the **Areas of Interest**.

II. ***Analyze*** the situation using the Bases of Social Power.

A. ***Classify*** the leader’s bases of power.

B. ***Classify***the group’s reaction.

III. ***Explain*** how the leader-group exchange influences individual group members’ performance, satisfaction, and motivation; group performance; and organizational mission accomplishment.

3. **Complete a Student Journal entry** for Social Exchange Theory.

Think about a work group to which you have belonged as a police officer and discuss EITHER **Option 1 or Option 2**.

**Option 1 – Looking at You as the Work Group Leader**

Using the leadership position in the police work group you selected, what bases of power do (did) you have available for use with most of your employees? Which do (did) you use most often? How do (did) your employees react to this (these) base(s) of power? What is (was) the relationship between the bases of power you use(d) most frequently and individual satisfaction, motivation, and performance in your work group? What is (was) the relationship between your bases of power and the group’s performance? Lastly, what is (was) the relationship between your bases of power and your work group’s ability to contribute to the organization’s mission?

**OR**

**Option 2 – Looking at Your Work Group Leader**

If you selected a police work group where you are (were) a follower, what bases of power does (did) the group leader use with individuals in the group? Are (were) they the same for all members in the group? How does (did) the group react to the leader’s bases of power? How does (did) the leader’s use of his/her base(s) of power impact individual performance, motivation, and satisfaction; group performance; and the group’s ability to contribute to the organization’s mission?

**LEADERSHIP AS AN EXCHANGE**

Why does a leader encounter more difficulties with one follower compared to another? Why do some individuals within an organization require more supervision and control than others? While factors like individuality, motivation, and socialization have been discussed in previous lessons, it is also crucial to consider the quality and quantity of influence attempts between a leader and a follower.

So, what is an influence attempt? In the broadest sense, influence can be defined as the ability of one individual to alter the attitude or behavior of another. This typically involves an exchange of ideas, rewards, or punishments within a social context. In this lesson, we will utilize Social Exchange Theory to explain interpersonal influence, which will serve as the framework for our subsequent discussions on leader influence.

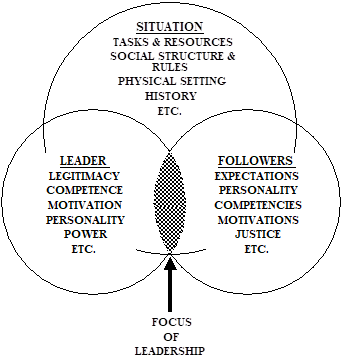
Before we delve into specific concepts within Social Exchange Theory and their applicability to the leadership process, let’s first examine the fundamental transaction between leader and follower.

Any influence attempt made by a leader will involve the leader, one or more followers, and a situational context. One way to illustrate the relationship among these three elements is through a diagram (Figure 25). Edwin P. Hollander, who originated this model, refers to the shaded area in the diagram as the "locus of leadership." The arrows in the diagram indicate the exchange process between the leader and the followers, emphasizing that each party contributes something essential, and neither can effectively function without the other.

Two key points in the diagram deserve emphasis. First, the leader-follower exchange relationship occurs within a situational framework, meaning that external forces will influence the interaction between the leader and the follower. Second, leaders do not exist in isolation from their followers. They are integral to the exchange process due to the nature of their roles. Numerous expectations accompany the leader's role; fulfilling these expectations allows leaders to offer specific benefits to their followers. These benefits are a vital component of the social exchange process, primarily influenced by factors highlighted under each of the three elements in the diagram.

Hollander identifies two essential components of the transactional process: mutual trust, the perception of fairness, and the leader's need to reduce uncertainty created by the situational context. It is important to remember that, as depicted in the Model of Organizational Leadership, unless the leader is positioned at the very top of the organization, he or she serves as a leader within one group while simultaneously being a follower in the broader organization. This dual role can complicate the exchange process significantly due to the multiple transactions involved for the focal leader.

**Figure 25. A Transactional View of Leadership**



**Social Exchange and Leadership**

The leadership process must take into account the nature of the interaction between individuals in the roles of leader and follower. In a purely economic sense, the willingness of group members to accept a leader's influence largely depends on what the leader has to offer them.

A leader who meets expectations and helps achieve group goals provides rewards that are reciprocated in the form of status, esteem, and increased influence. Because leadership is a two-way influence relationship, those receiving influence may respond by asserting their influence in return, which often involves making demands on the leader.

What is the nature of this exchange? Some social exchange activities incur costs, while others are essentially cost-free. For example, complimenting someone for a job well done is generally cost-free—the giver loses nothing. However, asking someone to watch the phone while you take a coffee break does incur costs. In this case, the asker may feel obligated to return the favor at a later date. Thus, the social exchange process involves both receiving rewards and providing rewards to others.

The concept of social exchange is fundamentally rooted in reinforcement. As discussed in "Motivation Through Consequences," reinforcement is typically defined as a specific consequence that follows a particular behavior. While reinforcement often involves tangible items like food, tokens, or money, in the leadership context, it also encompasses social aspects. Approval, recognition, and affection are all socially reinforcing behaviors. When a leader extends these forms of reinforcement to others, there is generally an expectation of reciprocity. Essentially, individuals tend to maximize their rewards and minimize their costs within an exchange relationship. Consequently, the resulting benefits (rewards minus costs) can be both psychological and material. It can even be argued that social exchange will not persist unless all parties involved are experiencing some form of profit.

One of the early researchers in social exchange put forward the following propositions regarding the impact of reinforcement on social exchange activities:

1. The more frequently a person’s actions are rewarded, the more likely they are to repeat those actions.

2. The more similar a current situation is to a past rewarding experience, the greater the chance a person will engage in the same behavior again.

3. The more valuable the reward associated with an action, the more likely the person is to perform that action.

4. The more often a person has received a particular reward in the recent past, the less valuable any additional instances of that reward become to them.

5. When an individual’s actions do not yield the anticipated reward or instead result in unexpected punishment, it may lead to frustration, which can trigger aggressive behavior that could ultimately be seen as rewarding.

This set of propositions highlights that the interaction and exchange between leaders and followers is characterized by interdependence. Sustaining these interdependent relationships requires both the availability of shared rewards and the trust that stems from open and accurate communication and cooperation.

Social exchange can occur in both competitive and cooperative environments. Since the quality of the exchange is influenced by the climate, leaders need to understand the fundamental differences between cooperation and competition. These concepts have been explored in detail through social exchange games. Game Theory provides valuable insights into the nature of the exchange process.

In essence, a game is a contest governed by specific rules, where the outcome is uncertain and depends on the actions of the participants. Deciding a game involves choosing from several alternatives, each with specified consequences. Typically, these games are centered around a two-person interaction that can be either cooperative or competitive. Successful resolution of the game requires an exchange process between the two individuals, allowing them to maximize their benefits, as each must give something in return.

The study of games is particularly interesting because it closely mirrors actual social exchanges between people. Variations in Game Theory research have yielded insights into the interdependent nature of the leader-follower exchange relationship. For example, it has been shown that individuals who perceive trust in others tend to be trustworthy themselves.

Additionally, increased communication fosters cooperation and trust, except in cases where players are suspicious of one another; in such cases, communication may reduce cooperation. Furthermore, research indicates that people perform best when they are highly interdependent and perceive that rewards are fairly distributed among participants.

As individuals make social comparisons of their efforts and contributions relative to those who are significant to them, they assess the fairness of their rewards. This observation supports the idea that leaders must distribute rewards equitably (not equally) among followers. Each of these findings provides leaders with strategies to facilitate the exchange process between themselves and their followers, as well as among the followers themselves.

**Idiosyncrasy Credits**

The findings from Game Theory and various research on social interactions demonstrate that face-to-face interactions foster reciprocal behavior. Each individual effectively generates outcomes that can be beneficial to the other. A similar dynamic exists in leadership; the mutual expectations that leaders and followers hold for one another establish an informal agreement that both parties view as binding. If an exchange fails to yield any benefits for either party, the leader-follower relationship is unlikely to remain satisfactory and may become severely strained. Even in moderately successful relationships, leaders typically provide group members with certain advantages that the members cannot achieve independently.

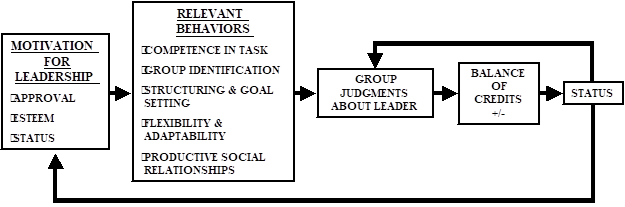
One way to understand this exchange process is to consider what leaders offer to their groups. One perspective suggests that, as part of the normal group dynamics, members earn credits with one another based on their contributions to achieving group goals. This view posits that a group member who has amassed a significant positive balance of credits through various contributions will be highly valued, attain high status, and be allowed greater freedom to deviate from group norms compared to a member with low credits. Conversely, group members may also incur negative credits for failing to meet group expectations. The balance of credits earned through interactions with other group members is referred to as Idiosyncrasy Credit.

According to Hollander, group members are continuously evaluating their leaders based on their expectations regarding goal achievement and the leaders’ ability to meet those expectations, both within and outside the organizational setting. This suggests that an appointed leader must eventually become the psychologically accepted leader for the influence process to be most effective.

Idiosyncrasy Credit Theory emphasizes competence as the primary means to obtain positive credits. This competence can encompass both technical skills related to tasks and social skills. To gain psychological acceptance, a leader must be perceived as identifying with the group and demonstrating loyalty to its members' needs. Additionally, a leader needs to provide structure and goal-setting for the group, be flexible in adapting to changing demands, and establish positive working relationships that cultivate a fair, stable, and dependable interpersonal climate.

Overall, the ultimate status of the leader is influenced by the balance of positive and negative idiosyncrasy credits conferred by the group (Figure 26).

**Figure 26. Idiosyncrasy Credits and Leadership**



Hollander cites three studies specifically designed to test Idiosyncrasy Credit Theory.

One study demonstrated that individuals with high competence who violate group norms are tolerated more than those with low competence. Additionally, the impact of such violations on a person's influence is diminished if the violation occurs after their competence has been established. In other words, a person with high competence has accrued more credits and, as a result, can deviate further from group expectations than someone with fewer credits.

A second study indicated that group members’ acceptance of a leader's influence is related to the length of time the leader has been part of the group; the longer the leader stays, the greater the acceptance.

A third study examined the evaluation of nonconformity to group norms in relation to the amount of perceived idiosyncrasy credits. As predicted, deviations from group norms were less serious when idiosyncrasy credits were high. Once again, a leader can deviate more from expectations when perceived as competent.

These findings, along with those from Game Theory research, clearly support the idea that leadership status develops beyond mere organizational appointments. They also highlight the transactional nature of the leadership process. The strength of an appointed leader’s position is largely determined by their contributions to achieving the group’s goals and maintaining group cohesion.

The ultimate goal of the leadership process is for the leader to successfully influence individuals to respond appropriately to their desires. Understanding leadership as an exchange or informal contract between the leader and followers helps clarify the dynamics of this process.

**The Acquisition of Interpersonal Power**

The exchange approach is useful for analyzing the reciprocal nature of the relationship between leaders and followers. However, social exchange suggests a relatively fluid relationship, where transactions can occur and the mutual needs of both leaders and followers are met. In an organizational context, this free exchange is rarely observed, especially in the early stages of a leadership relationship. What happens in an organization when the transaction between a leader and a follower has not evolved into a mutually beneficial exchange? How can a leader effectively motivate a follower to respond appropriately and accomplish their tasks?

Some researchers have examined the interpersonal influence process as a power relationship, in which one person exercises control over another. This analysis is particularly relevant in organizational settings. Remember that we define influence as the ability of one individual to change the attitude or behavior of another. Power can therefore be seen as potential influence—an influence that is readily available but not necessarily exercised. There are several sources of power from which organizational leaders can draw. Before discussing these sources, let’s take a closer look at the nature of the power relationship.

Contrary to popular belief, power is not a one-way relationship. For one person (A) to have power over another (B), person B must depend on person A. If person B does not rely on person A, then a power relationship cannot exist. Therefore, in assessing the extent of a leader’s power over a follower, we must consider three interdependent aspects of the power relationship: the resources available to the leader, the dependencies of the follower, and the alternatives available to the follower.

A resource is defined as a characteristic of a person—such as a possession, an appearance or personality trait, a position, a particular behavior, or knowledge—that allows one individual to influence the rewards and costs experienced by another. The value of these resources primarily depends on the level of dependency the other person has on them. When the power source possesses something that the other individual needs or can provide a reward that the other person desires, a power relationship exists. Additionally, this potential influence is affected by the alternative sources of reward available to the person with less power.

In summary, power is contingent upon the extent to which the dependent individual needs the resource and whether they can obtain it elsewhere (Figure 27).

**Figure 27. Properties that Determine the Degree of Power**



Another important aspect of power to consider is that, in most cases, exercising power comes at a cost to the source of that power. In other words, the power source must sacrifice something—such as material resources, time, or status—when power is exerted. Furthermore, once power is expended, many sources of power may completely dissipate, leaving the power source with no further potential for influence. Therefore, in some instances, power may exist only as a potential.

J.R.P. French and Bertram H. Raven, two notable researchers in the field of power dynamics, have identified six sources of power: reward, coercive, expert, information, referent, and legitimate. Collectively, these are referred to as the Bases of Social Power. We will examine each of these bases more closely, focusing on how leaders can acquire them and exploring some of the sources of power available to individuals in the follower role within leadership relationships.

Reward and Coercive Power

In discussing motivation through consequences, it is clear that a significant source of power for leaders stems from their ability to reward or punish their followers. A leader who offers a bonus for improved performance or threatens disciplinary action for failure to complete tasks wields power over the follower, as long as the follower desires the reward or seeks to avoid punishment. If the follower has no alternative sources for these rewards and cannot evade the consequences, they are likely to respond to the leader's influence.

Both reward power (the promise of reward) and coercive power (the threat of punishment) are highly dependent on their source. To effectively reward or punish, the leader must be aware of whether the follower has complied with expectations. Consequently, utilizing these forms of power can impose significant costs on the leader. Observing compliance for rewards is relatively straightforward, as individuals often make their adherence known to those in power. In contrast, coercive power can lead to more negative consequences, as the person with lesser power may attempt to hide their noncompliance. The leader must be consistently vigilant to ensure compliance through coercive means, which can breed distrust and undermine the social exchange process.

Leaders have access to both personal and impersonal rewards and punishments. Personal rewards include approval, acceptance, respect, and agreement, which can often have a more profound impact than impersonal rewards like medals, trophies, or pay increases. Similarly, punishments can also be categorized as personal or impersonal. A leader's disapproval or the anticipated loss of respect can significantly affect a follower's behavior unless the follower has alternative sources for respect and approval. Impersonal punishments, such as withholding pay, confinement, or threats of physical force, can also be powerful tools of influence.

Some authors argue that reward and coercive power are essentially the same basis of power because the absence of expected punishment can be seen as a reward while withholding an anticipated reward can serve as punishment. However, as mentioned earlier, their effects on influencing others are distinct.

At its worst, coercive power can drive individuals to leave a situation altogether or, at the very least, engender negative feelings toward both the person wielding the power and the setting in which it is exercised.

Expert and Information Power

Very often, we yield to the influence of others mainly because we perceive them as possessing superior knowledge or information that we find valuable. For instance, we may consult a lawyer to guide our decisions about a will, a stockbroker for investment advice, or a confidant regarding personal issues. Many of us can recall attending lectures or presentations where significant effort and time are devoted to outlining the speaker’s background and expertise. This is not merely for informative purposes; such introductions establish the speaker’s credibility and directly answer the question, “Why should I be listening to this person?” Imagine how you would feel if the only introduction to a speaker was, “Good evening, ladies and gentlemen. This is Mrs. John Dover, and she will be speaking tonight about nuclear power.”

When utilizing expert power, the interaction between a leader and a follower centers on offering specialized information that guides the follower toward making the right decision. Unlike reward and coercive power, expert power does not rely on constant supervision as long as the expertise is something that the group members need for their success. However, leaders must be cautious about negative expert influence. If people suspect that a leader is using their superior knowledge to manipulate them for personal gain, they may resist the influence attempt. This “boomerang effect” was demonstrated in a study where participants read an article asserting that the prevailing steel shortage was due to labor union demands rather than issues within the steel industry. When the article was attributed to an author known for a pro-industry and anti-union bias, the participants’ opinions shifted in the opposite direction of the article’s argument.

A related but subtler source of power comes from possessing critical information. The individual who holds vital information can exert influence over others to the extent that their information is necessary. Information power can refer to a crucial piece of information or a unique perspective on that information. The possessor of such information can wield influence simply by having the information required to resolve a problem. Unlike expert power, which tends to be enduring, information power is independent of the individual sharing the information. Once the information has been conveyed, the communicator loses their source of power, unless they retain other valuable information. As we will see later, information power is often utilized by individuals with less formal authority to balance power disparities. For example, leaders may become reliant on their subordinates solely because of the critical information those subordinates possess. A classic illustration of this dynamic is the role of the irreplaceable secretary; simply knowing where essential materials are located can render the leader dependent on that individual.

**Referent Power**

Individuals who are attracted to another person may model their behavior after that person and become influenced by them. Unlike reward and coercive power, referent power does not rely on observation or surveillance. A person can be influenced by referent power even if the person exerting that influence is unaware of it. This type of power can arise from a person's need to use others as a reference point for evaluating themselves and the world around them.

The term "referent" comes from the concept of reference groups, which includes peers, parents, teachers, movie stars, athletes, and others whom we look to for guidance in shaping our beliefs and actions. Therefore, when group members admire the characteristics of their leaders, these leaders tend to exert influence over the members' actions through referent power. Often, we hear the term “real leader” used to describe particularly charismatic individuals, and their power typically derives from a referent relationship with their followers.

**Legitimate Power**

Compliant relationships, characterized by factors such as age, social class, legal designation, and recognized hierarchical position, are a product of legitimate power. This power base extends across various social groups. Even in less formally organized settings, such as the family, established roles determine the legitimacy of influence processes. For instance, in a traditional family, the father typically decides where the family will live, while the mother often manages the home’s layout and the family’s meals.

Influence derived from legitimate power has notable variations. The authority of police officers, corporate executives, and government officials, for example, arises partly from the legitimacy associated with their formal positions within their organizations. Generally, individuals tend to follow the directives of on-duty police officers and workgroup supervisors without much question. However, the effectiveness of legitimate power is limited. If it is not supplemented or eventually replaced by other sources of power, legitimate power may diminish to a point where only coercive power will ensure compliance. This shift raises several negative consequences.

Moreover, the continued adherence to behaviors prompted by legitimate power depends on the stability and strength of the values and norms that granted the leader their authority. For example, after the American Civil War, many Confederate officers tried to maintain their influence over their unit members, but they were unsuccessful. The legitimacy of their authority disappeared as the Confederate government, military, and social structure disintegrated.

**Social Power Combinations**

The bases of power rarely function independently. When analyzing any attempt to exert influence within an organization, one will usually find elements of all six bases of power present. An influence attempt may sometimes enhance one base of power while diminishing another. For instance, using rewards to gain cooperation can lead to an increase in attraction and affection for the influencing agent, thus strengthening referent power. Conversely, if rewards are used too frequently, they may lose their value, which can reduce the referent power of the influencing agent.

Referent power also interacts uniquely with expert and legitimate power. A common challenge faced by organizational leaders is the conflict between referent power (which is based on identification and similarity) and legitimate and expert power (which is largely based on dissimilarity). For example, a military officer often considers how psychologically close they are to their unit members. Leaders typically grapple with the desire to build strong relationships while fearing that becoming too familiar may undermine their perceived superiority and legitimate authority. Consequently, factors that enhance referent power may simultaneously weaken the effectiveness of both expertise and legitimacy.

While power may remain constant in an absolute sense, the combinations of different power bases can change, leading to variations in follower reactions to the leader’s influence attempts.

**Power of the Follower**

If we consider the idea that influence is a reciprocal process, where both parties are involved in a social exchange aimed at maximizing rewards and minimizing costs, it raises the question of why one person may be seen as having more power than another. The answer lies in the potential lack of an equal exchange. For instance, a follower who exerts extra effort hoping for a single acknowledgment from a leader is not experiencing a balanced exchange.

Power is fundamentally tied to the dependency one individual has on another. Over time, however, such an unbalanced situation tends to prompt efforts to redress the imbalance. For example, as a follower gains access to important information or expertise that the leader requires, the power dynamic between them shifts significantly. This scenario can be seen with the previously mentioned indispensable secretary. The ongoing social exchange helps to regulate and balance power dynamics, reducing the risk of power abuse.

Additionally, a follower may derive power from connections outside the workplace. Relationships formed through social clubs, sports, churches, or other informal activities can, whether intentionally or unintentionally, be transferred to the work environment to help counterbalance a power discrepancy.

The recent influx of many women into the workforce has further complicated the issue of power imbalances for leaders of all genders. A fascinating exercise would be to analyze the challenges of fraternization in the context of the Bases of Social Power and the leader's ability—or inability—to effectively utilize available power resources in such situations.

**Leader Assumptions and the Social Influence Process**

A leader's perception of a particular follower can significantly influence that follower's subsequent performance. More broadly, it is suggested that leaders develop assumptions about human nature that shape how they treat people in general. These assumptions become an integral part of the interpersonal influence process.

For instance, imagine a leader who believes that people inherently tend to avoid work and responsibility. This leader may think that individuals need to be directed, guided, and even coerced to accomplish tasks. Given this set of assumptions, one could predict that the leader would adopt a more authoritarian approach to managing followers. The strategy employed would likely involve close supervision and strict oversight to ensure that tasks are completed.

Douglas McGregor, a prominent organizational theorist, proposed that every leader's decision or action is based on fundamental assumptions about human nature and behavior. He argued that these assumptions shape the nature and extent of interactions between leaders and followers in an organizational context.

McGregor identified two sets of assumptions: Theory X and Theory Y. Together, they encapsulate a modern interpretation of the age-old philosophical debate about whether people are inherently good or bad. Though the analogy is not perfect, Theory X mirrors the perspective that views human nature as "bad," whereas Theory Y aligns with the belief that humans are fundamentally "good." (Figure 28)

It's important to note that McGregor's concepts do not represent formal theories; rather, they are statements reflecting underlying assumptions about human nature that drive the interpersonal actions of leaders, impacting the quality of the influence process. McGregor's framework draws heavily from Maslow's work on the hierarchy of needs.

**Figure 28. Leader Assumptions of Human Nature**



A review of these two sets of assumptions suggests that a leader who holds Theory X assumptions believes that people are motivated by lower-order needs as described in Maslow's hierarchy of needs (physiological needs and safety/security). In contrast, a leader with Theory Y assumptions believes that people are motivated by higher-order needs, such as esteem and self-actualization.

Theory X assumptions lead to a leadership style focused primarily on directing and controlling. Under Theory X, coercive and legitimate power are the most significant bases for a leader to influence behavior, while rewards are viewed only as temporary motivators. From a motivational perspective, people are seen as waiting, needing beings striving to satisfy their basic needs. To the extent that an organization, and specifically the organizational leader, can assist in satisfying these needs, individuals are willing to work and achieve organizational goals. However, once needs are satisfied, they no longer serve as effective motivators.

This is an important consideration because, according to Maslow's hierarchy, needs exist in relative levels of importance. When one level is satisfied, behavior shifts toward meeting the next level. Unfortunately, since satisfied needs do not motivate, leaders who continue to offer rewards for already satisfied needs will find that their followers become less productive. Observing people in conditions where they are deprived of basic needs (physiological and security needs) reinforces the Theory X perspective.

Additionally, the rewards typically given for meeting one's needs can only be fully utilized when one leaves the work situation. For example, money is often not spent at work. Consequently, it is not surprising that work is frequently viewed by followers as a form of punishment; it is seen as a price paid to obtain things that satisfy needs outside of work.

Theory X assumptions seem to be validated once again. McGregor concludes that, as basic human needs have largely been satisfied in our society, a leadership philosophy based on direction and control (Theory X) is no longer adequate for motivating people. Individuals are now looking to satisfy higher needs and seek such fulfillment both on and off the job. In other words, while the exchange process may be satisfactory, the medium of exchange is not. Therefore, a leadership philosophy that views humans as positive, creative, and striving beings whose needs can be met in the workplace is necessary.

McGregor’s Theory Y captures the essence of these assumptions by describing people as being in a continuous state of growth and development, possessing enormous potential. The most significant difference between Theory X and Theory Y is that Theory Y does not place limits on people's achievements based on their basic nature but rather on leaders' ability to fully develop their people's potential through various methods of organization and control.

The fundamental principle of Theory Y is to integrate the goals of the individual with those of the organization. When followers are rewarded with the same benefits that organizational leaders find rewarding, the exchange becomes mutually beneficial, completing the influence process. In return for their effort and performance, followers seek opportunities for recognition, growth, and self-fulfillment within the work environment. This form of influence does not stem from authority or coercion but rather from facilitating the integration of individual and organizational needs.

In conclusion, a leader’s fundamental assumptions about people directly influence the interpersonal influence process between the leader and the follower. Keep this concept in mind as we explore other leadership experiences.

**Outcomes of Leader Influence Attempts**

There are four possible outcomes when a leader attempts to influence their followers: resistance, compliance, identification, and internalization. Each of these outcomes is discussed in detail below.

1. Resistance is the refusal or reluctance of a follower to carry out a leader's request. It happens when a follower actively avoids complying with the attempted influence. This may manifest in subtle ways, such as not enforcing an organizational policy or turning a blind eye to an issue. A leader's over-reliance on coercive power can lead to resistance if followers feel they are being treated unfairly or pressured. Although overt resistance is a risky approach for followers to take, they often find ways to resist that satisfy their need without drawing direct attention from the leader’s coercive power.

2. Compliance occurs when a follower accepts a leader's influence and changes their behavior without altering their attitudes. This particular outcome involves adapting to the leader's influence to gain social or material rewards or to avoid social or material punishments. Since leaders control the distribution of rewards and punishments, followers may show public agreement while remaining privately disengaged from the influence. Compliance is most likely when a leader relies on reward, coercive, or legitimate power. Followers may comply because they believe it is in their best interest to do so. Similarly, leaders who use their legitimate power expect to be obeyed simply because of their position or rank. However, it is less common for followers to act on their initiative without specific instructions. The quality of their work may reflect only the minimum effort needed to satisfy the leader. Additionally, relying on these forms of power necessitates direct supervision of followers; they are less inclined to meet expectations when they believe they won't be held accountable for their performance.

Coercive, reward and legitimate power are often classified as position power since they typically come with a leader's role, regardless of the individual qualities of the leader. In contrast, referent and expert power stem from how followers perceive a particular leader, regardless of the official position the leader holds. Followers' reactions to these forms of personal power tend to differ significantly from their reactions to position power.

3. Identification is the acceptance of influence due to the attractiveness or likability of the source, which is seen as worthy of emulation. Our change in attitude may closely resemble imitation because we want to be like the source, such as a group leader or other group members. When the attractive source is no longer present, we may revert to our original attitude, as a lasting change may not have occurred.

Officers are more likely to identify with leaders who use referent power to influence their followers. For instance, it's common to hear officers say they would follow their sergeant anywhere; they look up to her and have significant trust and respect for her. While they might not fully understand or care about the importance of realistic training, they often put in effort during training simply because the sergeant commands it. However, if that sergeant is reassigned, these officers may not maintain their commitment to training as diligently. Like compliance, the process of identification can be unstable because it depends on the presence of the person they identify with. Nevertheless, followers will strive to please their leader, and unlike compliance, they are more likely to continue with the mission even in the absence of supervision.

If followers perceive a leader as having expert power, they will fully trust the leader's judgment and competence, accepting the influence without question. Followers don't need to understand or agree with the leader’s instructions; they believe that the leader knows what they are doing and that any directives given serve a beneficial purpose. Thus, identification can also stem from expert power.

4. Internalization is the acceptance of influence and the resulting change in attitude due to the inherently rewarding nature of the influence attempt. We may integrate ideas or values from a trusted and credible source because we recognize the wisdom behind the influence. The new attitude becomes durable and deeply rooted because it is accepted as our own.

For example, consider a young woman who holds prejudices against a certain race and displays behaviors reflecting that prejudice, despite her older brother urging her to change. This reflects resistance. Upon joining the police department, she learns to suppress her prejudices to avoid repercussions. While her outward behavior changes, her underlying prejudices remain intact—this illustrates compliance.

Eventually, she observes her sergeant, who does not exhibit any prejudice. She respects and admires him, leading her to imitate his behavior. While she may still harbor some prejudices, her actions begin to shift because of the example set by the sergeant. This represents identification.

Finally, the sergeant assigns her to a unit that requires regular interactions with individuals from the race against which she holds prejudices. Through these experiences, she realizes that her prejudices are completely unfounded. As a result, not only does her behavior remain changed, but she also experiences a genuine shift in attitude—this is internalization.

Throughout this reading, efforts have been made to predict likely reactions from followers. However, it is always challenging to be entirely confident in predictions about how the human mind will function. For instance, psychological researchers have identified a somewhat counterintuitive phenomenon known as self-perception or cognitive dissonance. Under certain conditions, our behaviors may influence our attitudes.

For example, if we voluntarily participate in a harsh and demanding initiation into a group that primarily uses coercive power, we may struggle to reconcile our behavior (I chose to go through this) with our attitudes (I really dislike doing this). To resolve this inconsistency between what we think and what we do, we may find it easier to change our attitude to align with our behavior. Consequently, even when coercive power is applied, we may convince ourselves that we are allowing this treatment because it is the best decision. Over time, we may even internalize the belief that a coercive leader is acting in our best interest.

This lesson highlights that whether followers accept influence and whether that acceptance is permanent depends on the type of power relationship between the leader and the follower. A leader must first determine the desired outcome of their influence and then use the appropriate base of power to achieve that outcome. Figure 29 below summarizes the likely responses when each base of power is utilized.

**Figure 29. Outcomes of Influence Attempts**

| **Base of Power** | Likely Outcome of Influence Attempts | | | |
| --- | --- | --- | --- | --- |
| **Internalization** | **Identification** | **Compliance** | **Resistance** |
| **Referent** | Likely\* If request is believed to be important to leader and follower | Likely\* If request is believed to be important to leader | Possible If request is perceived to be unimportant to leader | Possible If request is for something that will bring harm to the leader |
| **Expert** | Likely\* If wisdom and positive outcome of leader’s actions is acknowledged | Likely\* If request is persuasive and followers share leader’s task goals | Possible If request is persuasive but followers are apathetic about task goals | Possible If leader is arrogant and insulting or followers oppose task goals |
| **Legitimate** | Unlikely | Possible If request is polite and very appropriate | Likely\* If request or order is seen as legitimate and appropriate | Possible If arrogant demands are made or request does not appear proper |
| **Reward** | Unlikely | Possible If used in a subtle, very personal way | Likely\* If used in an impersonal, non-manipulative manner | Possible If perceived by followers as manipulative or presented in arrogant manner |
| **Coercive** | Very Unlikely | Unlikely | Likely\* If used in a non-punitive way or if continued open resistance causes harm to self or peers | Likely\* If leader is perceived as hostile or manipulative or need for coercion not acknowledged |

\* Indicates most common outcomes.

It’s important to understand the distinction between bases of power and influence tactics. Power, which refers to the potential to influence, is different from influence tactics—often described as politics—which are the actual methods used by an individual to change the attitudes, opinions, or behaviors of someone else. There are several strategies that both leaders and followers can employ when attempting to influence others within organizations (Figure 30).

Additionally, it’s crucial to recognize the research on politics in organizations. While some tactics may yield short-term success in achieving promotions, they often lead to negative outcomes in terms of follower satisfaction, commitment, and overall performance. These findings should be considered when deciding which if any, tactics to use in your efforts to influence others.

**Figure 30. Influence Tactics Derived from Research**

****

**Summary**

This brief review of the fundamental concepts underlying the interpersonal influence process in leadership is not exhaustive, but it provides a foundational understanding of the interpersonal and transactional nature of leadership that extends beyond the leader's formal position.

As discussed, leadership can be viewed as an influence relationship among individuals who are interdependently working toward common goals. It involves a social exchange, where the leader and followers trade mutually rewarding benefits. Each party aims to maximize their benefits while minimizing their personal costs. The specific exchanges are framed within the general resources that leaders offer, including information, task direction, reduction of ambiguity, and fair and supportive interpersonal interactions, along with any other expectations followers may have. In return, group members provide leaders with status, recognition, and respect through their performance and compliance.

The nature of this exchange—whether cooperative or conflictual—largely depends on the leader’s assumptions about their followers. If a leader assumes that followers inherently dislike work (Theory X), the relationship will rely on coercive, manipulative, or legitimate power. Conversely, if a leader assumes that work is a natural part of human life (Theory Y), more supportive forms of power—such as expert, referent, or reward power—will become significantly more important.

In essence, a group must perform well for an appointed leader to be successful. The group's ability to satisfactorily complete tasks, which is greatly improved by stable social relationships between leaders and followers, along with the contributions of the leader, plays a major role in the efficient functioning of any organization. To effectively influence the group, leaders must engage in a continuous and dynamic exchange process that ensures followers' needs are communicated and ultimately met through this mutually beneficial transaction.

This discussion has primarily focused on the influence process concerning followers. However, the Model of Organizational Leadership shows us that leaders also engage in exchange processes simultaneously in multiple directions: with their followers, with their peers, and with their own superiors. Research indicates that the extent of influence supervisors perceive they have with their superiors affects the relationship between supervisory behavior and the attitudes and morale of followers.

To be effective, a leader must possess sufficient influence with their own leader to impact decisions that affect their work group. In other words, followers expect their leaders to exercise influence upwards, and to a lesser extent, laterally. If a leader fails to do so, group members may perceive the leader as incapable of engaging in a fair exchange, leading to a loss for the work group. Consequently, all aspects of the follower in the exchange relationships discussed in this lesson also apply to the leader's role as a follower. These multifaceted exchanges keep the influence process dynamic and significantly contribute to the effectiveness of individual work groups. In summary, a leader must be both an effective supervisor and a skilled follower.

References

Deutsch, M., “Trust and Suspicion,” *Journal of Conflict Resolution*, (1958), 2, pp. 265-279; Daniels, V., “Communication, Incentive, and Structural Variables in Interpersonal Exchange and Negotiation,” *Journal of Experimental Social Psychology*, (1967), 3, pp. 47-74.

French, J.R.P. and B.H. Raven, “The Basis of Social Power,” in *Studies in Social Power*, ed. D. Cartwright (Ann Arbor, Mich: University of Michigan Press, 1959).

Hollander, E.P. and J.W. Julian, “Contemporary Trends in the Analysis of Leadership Processes,” *Psychological Bulletin*, (1969), 71, p. 390.

Hollander, E.P., “Emergent Leadership and Social Influence,” in *Leadership and Interpersonal Behavior*, eds. L. Petrullo and B.M. Bass (New York: Holt, Rinehart and Winston, Inc., ©1961). Reprinted by permission of CBS College Publishing.

Hollander, E.P., *Leadership Dynamics: A Practical Guide to Effective Relationships* (New York: The Free Press, 1978).

Hollander, E.P., *Leaders, Groups, and Influence* (New York: Oxford University Press, 1964).

Hollander, E.P., *Principles and Method of Social Psychology*, 2nd Ed. (New York: Oxnard University Press, 1971), p. 250.

Homans, G.C., “Fundamental Social Processes,” *Sociology*, 2nd Ed., ed. N. Smelser (New York: John Wiley & Sons, 1973), pp. 552-558.

Homans, G.C., *Social Behavior: Its Elementary Forms* (New York: Harcourt, Brace, Jovanovich, 1974).

Hovland, C.I. and W. Weiss, “The Influence of Source Credibility of Communication Effectiveness,” *Public Opinion Quarterly*, (1952), 15, pp. 635-650.

Loomis, J.L., “Communication: The Development of Trust and Cooperative Behavior,” *Human Relations*, (1959), 12, pp. 305-315.

Luthans (1998), *Organizational Behavior* (8th ed.), Irwin/McGraw-Hill: New York, NY, pg. 370.

Maslow, A.H., *Motivation and Personality* (New York: Harper & Row, 1970).

McGregor, D., *The Human Side of Enterprise* (New York: McGraw-Hill Book Co., 1960).

Pelz, D.C., “Influence: A Key to Effective Leadership in the First-Line Supervisor,” *Personnel*, (1952), pp. 3-11.

Rave, B.H. and J.Z. Rubin, *Social Psychology: People in Groups* (New York: John Wiley & Sons, Inc., 1976, pp. 208-212.

Vinacke, W.E., “Variables in Experimental Games: Toward a Field Theory,” *Psychological Bulletin*, (1969), 71, p. 293.

Yukl (1989), *Leadership in Organizations*, Prentice-Hall: Englewood Cliffs, NJ, pg. 44.

Name:

**Complete a Student Journal entry** for Social Exchange Theory.

Think about a work group to which you have belonged as a police officer and discuss EITHER **Option 1 or Option 2**.

**Option 1 – Looking at You as the Work Group Leader**

Using the leadership position in the police work group you selected, what bases of power do (did) you have available for use with most of your employees? Which do (did) you use most often? How do (did) your employees react to this (these) base(s) of power? What is (was) the relationship between the bases of power you use(d) most frequently and individual satisfaction, motivation, and performance in your work group? What is (was) the relationship between your bases of power and the group’s performance? Lastly, what is (was) the relationship between your bases of power and your work group’s ability to contribute to the organization’s mission?

**OR**

**Option 2 – Looking at Your Work Group Leader**

If you selected a police work group where you are (were) a follower, what bases of power does (did) the group leader use with individuals in the group? Are (were) they the same for all members in the group? How does (did) the group react to the leader’s bases of power? How does (did) the leader’s use of his/her base(s) of power impact individual performance, motivation, and satisfaction; group performance; and the group’s ability to contribute to the organization’s mission?