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The Transformation of Professionals into Self-Managing and Partially Self-Designing Contributors: Toward a Theory of Leadership-Making

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Abstract

Self-managing teams are rapidly approaching the popularity of Quality Circles in both the popular and organizational literature. However, before this promising notion becomes the next panacea for the ills of our declining international competitiveness, we must investigate the fundamental question of how superior managed professionals become transformed into self-managers. This paper presents a model of a leadership-making process which purports to produce the transformation of superior manager professionals into self-managing and partially self-designing units. The focus of this paper is on the upper end of the self- managing category of Hackman's (1986) authority matrix. A life cycle model of leadership-making is outlined, and emphasis is placed on the process by which teamwork is built from within and the activities which allow individuals to (a) outgrow their dependence on outside direction and control and (b) realize that a more effective strategy for accomplishing their own ("I'') needs is through satisfying learn ("We") needs (i.e., the "transformation"). This model for the process of becoming a self-managing team player provides a data-grounded rationale (covering over 20 years of programmatic research) in order to facilitate hypothesis-testing research.

The concept of self-management has created quite a stir recently in the management literature (Bandura, 1977; Trist, Susman, & Brown, 1977; Luthans & Davis, 1979; Kanfer, 1980; Manz & Sims, 1980; Mills, 1983; Hackman, 1986; Niklas, 1987; Cohen & Ledford, 1990; Novak, 1990). Hackman (1986), using an authority matrix, defines a self-managing unit (individual or group) as having responsibility for executing, monitoring, and managing its own performance and work processes. At the upper end of the authority matrix reside those self-managing units that, in addition to managing their own performance, have the authority to design some elements of the unit and its context. Those with full design authority are called "self-designing" units. Although most prior research and theory has focused on the lower reaches, in this paper we are concerned with the upper reaches of the self-managing category: self-managing units with some self-designing authority, which we will label a professional work unit (PWU).

The present paper extends our understanding of self-management processes by integrating self-management with a new leadership-making model, and then applying these concepts to both role-making (Graen, 1976) and team-making (Graen, 1989). Leadership-making focuses on the methods of earning incremental influence (influence over and above that contained within a role-specified situation) with another unit (individual or group). This identification excludes using rule compliance, subordination, bribery, coercion, and the like. Influence is conceptualized as the force on a target unit to comply with a request (not the actual compliance). Leadership-making methods consist of an entire toolbox of roles including: directing, transacting, visioning, and self-managing (Graen & Uhl-Bien, 1991).

In contrast to leadership-making, role-making and team-making are developmental processes which allow people to outgrow their formal role specifications of both tasks and relationships over time. Although the two are very similar, they differ in the focal unit which they address. In particular, role-making focuses on one person and his or her career situation and follows that "person-in-situation" as it develops throughout their career. Team-making, however, focuses on a group and its composition of people and their career situations, and follows that "team-in-situation" as it develops throughout its life cycle. Thus, role-making, follows one focal *person* and tracks changes in tasks performed and relationships with other people, while team-making addresses these same processes but for a focal *group*. Although (his change of focus may seem trivial, it is necessary because our understanding of role-making processes cannot be linearly extrapolated to team-making processes (Graen & Uhl-Bien, 1991).

One of the most useful benefits of role-making research has been a deep appreciation for the necessity to employ longitudinal, panel designs to understand and document developmental processes as they unfold over lime. People come to organizational positions as newcomers to both designated tasks and relationships. Over time they are transformed by events into established encumbents, and they transform their designated positions into personalized roles—this is the role-making process. During this transformation they change from naive automatons to competent and confident performers, and their tasks change from a set of ambiguous duties and responsibilities to sets of familiar behaviors and objectives. Similarly, their relationships change from stranger to acquaintances, and in some cases develop into even more mature relationships.

Though much of the research in management treats people in organizations as groups of strangers to one another, our role-making studies force us to acknowledge that, after a short period of time (months at most), people who work together every day do not and cannot treat each other as strangers. People are highly social beings and they form complicated relationships. Moreover, the behavior of a group of strangers is rather different than a group of people who have worked together for even a few months. This has implications for research on self-management. A unit (individual or group) cannot become self-managing the first day on a new job, but must go through some role-making (individual) or team-making (group) processes to actualize its authority and responsibility. These processes are the subject of this paper.

In the following paragraphs we will present the leadership-making model and discuss how it applies to role-making and team-making. First, however, we will turn to a brief discussion of several relevant aspects of the self-management literature.

Self-Management In Professional Work Units

Self-management tasks for professional work units can involve much richer opportunities than those available within shop-floor settings. Compared to manufacturing assembly units, tasks performed within professional work settings are typically more highly unstructured. In particular, for some PWUs, problems may not be well-defined and alternative solutions may not have been previously identified. To further complicate this problem, in some professional work groups, members may lack common technical backgrounds since they may be trained in separate disciplines. In these cases, not only are team members uncertain of their own task requirements, they may also be uncertain of the task requirements of their teammates. Because of the more unstructured nature of the tasks for PWUs, greater responsibility may be placed on the unit members for managing their performance. Thus, rather than simply having greater autonomy by participating in day-to-day decisions (as the shop-floor self-managers), self-managing individuals in PWU settings may truly act as "self-managers"—they take full responsibility for not only monitoring and managing their own performance, but also may play a significant role in determining the design of the task and how it will be accomplished. In terms of Hackman's (1986) authority matrix, PWUs are higher on the continuum of self-management than manufacturing work units. Although similar processes are occurring for both, within shop-floor settings the self-managing processes are more limited: restrictions within these settings inhibit the occurrence of self-management authority on the part of the members.

Until recently the literature on self-management processes has not focused on professional work units. Rather, most studies have taken place in industrial blue collar settings (Cohen & Ledford, 1990). The work units investigated in these studies have primarily been factory-floor teams—teams such as autonomous or semi-autonomous manufacturing assembly work groups (Manz, 1981; Manz & Sims, 1984; Manz & Sims, 1987; Trist, Susman, & Brown, 1977; Walton, 1977). The use of manufacturing assembly teams for

the study of self-managing processes may be problematic, however, in that self-management processes within these settings may be truncated as compared to self-management which may occur in PWUs.

For example, the basis of the empirical work conducted by Manz and Sims on self-managing teams was performed in a small-parts production/assembly plant (Manz & Sims, 1984,1987). Within this plant, the work was sequentially interdependent, and each work group was assigned to a system of closely related tasks, many of which were small assembly-line operations. The self-managing aspect of the work design was the assignment of responsibilities to the group including: preparation of an annual budget, keeping records of their hours worked, recording quality control statistics (subject to audit), making within-group job assignments, participating in assessment of the job performance of fellow group members, scheduling, handling equipment and process problems, and dealing with group-member problem behaviors such as absenteeism (p. 112)—all activities which comprise the lower end of the authority matrix as described by Hackman (1986).

These work groups were allowed some self-managing authority, in that they had authority over monitoring and managing work processes, however, they were not allowed self-designing authority as described by Hackman. Specifically, they were not given full authority for modifying the design of the unit itself or aspects of the organizational context in which the unit functions. According to Hackman (1986), in order for a unit to be self-designing, managers set the direction for the work group, but it is the group members who retain full authority over determining what is necessary to get the work accomplished. Clearly, with the sequential interdependence and highly defined nature of the tasks performed in the selected manufacturing assembly plant, the self-designing characteristics of the work teams (and even the self-managing nature of these work groups) were necessarily limited by the narrow boundaries of the work itself.

Thus, although self-managing processes do occur within these work group structures, the restrictions imposed by shop-floor settings appear to inhibit the occurrence of a full-blown model of self-management. Rather, investigation of self-management processes within these settings results in a more restricted model—one in which it is difficult to see what the benefits of a truly self-managing system may be. It was recognized by Manz (1986) himself that self-management as it has been investigated provides an incomplete view of self-influence, and that it is thus necessary to attempt an expanded view of self-management, which he labeled "self-leadership" (p. 585). Perhaps his conclusions resulted from the frustrations of investigating a system in which self-managing models could never reach their full potential. In the present paper, we posit that in order to gain a better understanding of self-managing processes it is necessary to study them in settings which are more conducive to their occurrence, and that professional work units provide such an avenue.

It appears, then, that although the self-management literature has developed models for self-management and leadership of self-managing units, because these models are based on shop-floor situations, they have only scratched the surface of the potential contributions of self-management approaches for organizations. In terms of organizational effectiveness, the significant contribution of self-managing models would come where true "self-management" processes occur: i.e., where individuals and groups have more unlimited boundaries for creative self-management of their work. These conditions exist for the PWUs described above. In order for professional individuals and groups to be effective, each must take responsibility for determining their own technical direction, how their technical specialty will be integrated into the problem-solving process, and technical evaluation of their own performance. In doing this, members take much greater responsibility for the creative components of their work than the shop-floor self-managers previously investigated.

Hence, by studying PWUs, substantial insight may be gained into more comprehensive self-management than has previously been possible. Similarly, by studying self-management processes of PWUs, theoretical models may be developed for more effectively managing these types of units. The purpose of the present paper is to develop a more richly articulated model of self-managing/self-designing processes, while at the same time contributing to a theoretical groundwork for investigating leadership effectiveness for PWUs. Specifically, the present paper will focus on self-management processes within the context of professional work units. In the following sections, self-management processes will be more fully discussed, and a leadership model for developing self-managing work units will be presented.

Self-Management Behaviors

Behaviors of self-managing units (individual or group) have been described in many ways. It is generally agreed, however, that these behaviors include activities such as taking personal responsibility for

work outcomes, continuously monitoring one's own performance, taking corrective action when necessary, actively seeking from the organization the guidance, help, or resources needed to perform, and taking the initiative to help others improve their performance (Hackman, 1986). Stated differently, basic self-managing skills include: problem assessment, self-goal setting, self-rehearsal, self-observation and evaluation, and self-reinforcement or punishment (Bandura, 1977; Manz & Sims, 1984).

But how are these activities promoted among PWUs? In other words, the behavioral signs of self-management—the end state—have been identified, but how is the transformation process from a non-self-managing to a self-managing unit achieved? The necessity to investigate this issue has been repeatedly stated in the self-management literature (Manz & Sims, 1986; Novak, 1990), but to date exploration of this issue has yet to be conducted. Understanding of this process is vital, however, if we intend to learn how to effectively manage these processes.

Leadership of Self-Managing Units

Literature on self-management has attempted to address leadership of self-managing units. For example, Manz and Sims (1987) identified leader behaviors which are most effective in facilitating individual and learn self-management. These behaviors involve those activities which encourage self-managers to engage in self-managing behaviors, such as self-observation, self-evaluation, self-reinforcement, self-goal-setting, etc.

With a similar intent, Hackman (1986) identified the critical leadership functions for a self-managing unit. According to Hackman, these functions are those activities that "contribute to the establishment and maintenance of favorable conditions'" (p. 114). Self-managing leadership in this model does not involve actively intervening to facilitate the development of self-managing skills, as does Manz and Sims' model (1987), but rather creating and maintaining favorable performance conditions. Using this approach, self-management leadership involves not back-up supervision, but rather resource provision—ensuring that self-managing units have all of the necessary ingredients to complete their work at each stage over the life of the project. This is accomplished by continually monitoring the ingredients, the processes, and the outcomes over time and taking corrective action selectively when and where required.

Neither of these models, however, fully addresses the process through which self-managers may be developed. Within professional work units, self-management requires intense commitment for adequate accomplishment of team goals. Since professional self-managers must integrate information from their technical area, the failure of a self-manager to fully contribute to the team means a lack of representation of that member's technical area in the final decision. This could be devastating if the inadequate input results in a loss of potentially vital information. More than commitment, however, effective self-management requires self-managers to accept additional responsibility for their performance—responsibility which goes beyond traditional work roles. Thus, effective self-management requires a *transformation* process—an outgrowing of jobs by expanding interests from a self-focus to a team-focus. But how is this "out-growing" of jobs by self-managers promoted?

Since the self-management literature has failed to adequately address this issue, we turn next to a discussion of the development of self-managers. Specifically, we will now present a leadership model for effective leadership of self-managing units.

A Model for Developing Self-Managers through Leadership-Making

Leadership Defined

Effective leadership involves an "influential increment" over and above that which is formally prescribed in the work unit (Katz & Kahn, 1978). By exerting this extra influence, effective leaders are able to develop additional resources within their units beyond those which are formally defined (Zalesny & Graen, 1986). Leadership influence may vary from extremely effective, where the leadership influence dominates the structural influences, to non-existent, where no additional increment of influence is exerted.

In a series of longitudinal studies investigating organizational role-making processes in ongoing organizations, Graen and colleagues (Graen, 1969; Graen, Orris, & Johnson, 1973; Graen & Cashman, 1975, Liden & Graen, 1980; Graen, Novak, & Sommerkamp, 1982; Graen, Scandura, & Graen, 1986; Graen & Scan-

dura, 1987; Graen, Wakabayashi, Graen, & Graen, 1990), through the development of a leadership-making model called the "Leader-Member Exchange" (LMX) model, have identified ways in which effective leadership processes may be attained as a by-product of role-making by organizational participants. In these studies it was found that truly effective leadership—the type of leadership in which leaders are able to exert considerable incremental influence with their people and they with their leader—occurs when leaders develop mature leadership relationships with their followers. Within mature leadership relationships (high LMX) dyads, leaders and members experience reciprocal influence, extracontractual behavior, mutual trust, respect, and liking, and internalization of common goals (Duchon, Green, & Taber, 1986; Crouch & Yetton, 1988; Zalesny & Graen, 1986), In contrast, working relationships of leaders and members who have not developed mature leadership relationships (low LMX) are characterized by unidirectional downward influence, contractual behavior exchange, role-defined relations, and loosely coupled goals (Graen & Schiemann, 1978; Dansereau, Graen, & Haga, 1975; Graen, 1976). Because of the transformation which occurs in mature leadership relationships when followers agree to take on additional responsibilities, therefore, leaders can rely on these followers to behave as trusted associates who will aid in the design and management of the work unit. These people are willing to exert extra effort in their work—to outgrow their formally defined work roles—by engaging in activities which are not specifically prescribed by the organization, such as taking personal initiative, exercising personal leadership to make their work unit more effective, taking career risks to accomplish assignments, etc. (Graen, 1989). In terms of our leadership definition provided above, these are the individuals with whom the leader is effectively able to earn incremental influence above that which is formally defined by the employment contract—with whom effective leadership processes are achieved.

Clearly leadership within organizations is not simply a leader's downward influence over a follower—leadership also involves upward influence, from a follower to a leader (Mowday, 1978; Porter, Allen, & Angle, 1981). In studies of the effect of follower behaviors on leader reactions (Farris & Lim, 1969; Fodor. 1974; Gardner & Martinko, 1988), it has been well documented that followers also influence their leaders—through a process of reverse causality (Lowin & Craig, 1968; Farris & Lim, 1969; Herold, 1977). This influence may be intentional, through the use of influence tactics (Kipnis, Schmidt, & Wilkinson, 1980; Porter, Allen, & Angle, 1981), or unintentional, such as the effect of performance level on managerial style (Lowin & Craig, 1968). Regardless of intent, however, the influence does occur.

Because this upward influence also occurs in leadership-making experiences, organizational leadership is not simply a leader exerting influence over a follower, it is also a follower influencing a leader—a process of reciprocal influence (Bandura, 1977; Sims & Manz, 1984). Thus, it appears that leadership does not lie simply with a leader, if involves both parties. What exactly are the roles of the leader and follower in the leadership process? In other words, if leadership is not only a downward influence but also an upward influence, where does the leadership process occur?

To address this question, an expanded model of leadership-making will be presented in the following paragraphs. This model incorporates the ideas developed in the role-making literature but progresses beyond the "contemporary" leader-member exchange ideas by addressing the methods through which leadership-making may be developed. Moreover, this model has implications not only for direct reporting relationships, but also for leadership relations which may occur between any two individuals. Thus, we now turn to a discussion of the "Leadership-Making" model and its implications for the development of leadership at both the individual and team level.

The Leadership-Making Model

The Leadership-Making model is based on the three component model of leadership illustrated in Figure 1. As demonstrated in the model, leadership may be considered to consist of three primary components: (1) the characteristics of the leader, (2) those of the follower, and (3) the maturity of the leadership relationship. By using this model, the leadership influence process described in the previous section is clarified. In particular, the three component model of leadership suggests that the leadership influence process occurs within the context of the *leadership relationship.* According to this model, leaders and followers may contribute to teamwork effectiveness outcomes independently, but these will only be *base contributions*—those motivated by the format work contract. Where leadership-motivated contributions to teamwork effectiveness, outcomes result—in the form of incremental influence (Katz & Kahn, 1978) -
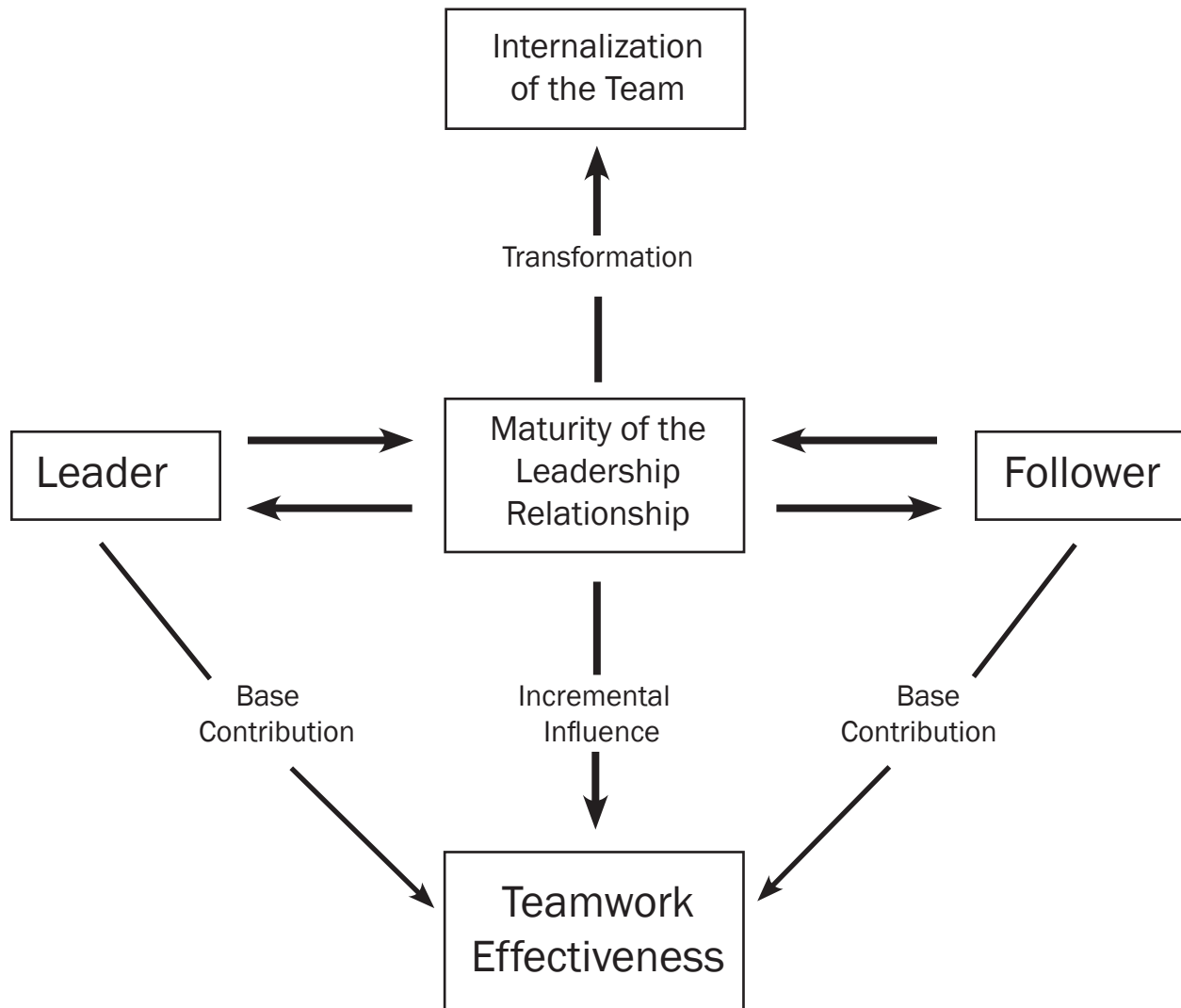
Figure 1. Three Component Model of Leadership

is through the leadership relationship. Specifically, those leadership relationships which are more highly mature will contribute more positively to teamwork effectiveness outcomes through incremental influence than those relationships which are not as mature. In addition, the maturity of the leadership relationship contributes to internalization of the team through its effect on the values adopted by the learn member. Through establishment of a highly mature leadership relationship, team members undergo a -transformation process - growing out of their jobs by expanding their interests from a self-focus to a team-focus.

Developing Mature Leadership Relationships

Development of mature leadership relationships is initiated through a process of reciprocal investments made between leaders and high potential members. These high potential members are identified by their ability to convince their leaders that they deserve to outgrow their present jobs. Through a process of reciprocal investments, leaders and selected members are able to successfully accomplish complicated and difficult tasks despite apparent obstacles and impediments (Graen, 1989).

To better understand this process, the leadership relationship may be conceived of as a dyadic psychological account, to which the leader and follower *give* investments and *take* withdrawals (Graen & Scan-

dura, 1987). Because the account is a social-emotional relationship, the units of measure are psychological, not material. Hence, each party interprets both investments and withdrawals subjectively and in terms of the history of the account. Moreover, these psychological accounts undergo a life cycle, beginning with two strangers and progressing to two acquaintances, and under certain circumstances transforming into mature relationships.

For example, when a leader attempts to influence a follower (or conversely when a follower attempts to influence a leader), the influence attempt is recognized and considered by the follower in terms of the relationship with the leader. This relationship may be just starting, in which case the influence attempts will occur within a process of role-making (team-making) (Graen & Scandura, 1987), or the relationship may be well established, such that the influence target considers the request in terms of past experiences with the influence sender (e.g., based on idiosyncratic credits described by Hollander, 1958; 1980). In either case, the follower will respond to the attempt based on the impression of the leader formed by the relationship—high quality relationships will result in greater mutual influence, and low quality relationships in contractual influence.

As it is developing, the reciprocal investment process between leaders and selected followers resembles an apprenticeship. The leader and the selected apprentices collaborate to capitalize on both the hidden opportunities and resources of the work units and the unique mix of abilities and motivations of people within and around the work unit. Thus, separate individual workers become integrated into cohesive, coordinated, and adaptable teams at the level of the work unit and into larger collaborative competence networks al the level of the organization.

Four Features of Leadership-Making

To provide a better explanation of the characteristics of Leadership-Making, four key features of this process may be identified (Graen, 1989):

1. **Growth.** Same people want to outgrow their present jobs and written job descriptions. In order to expand the total capability of a work unit, therefore, effective leaders will encourage these individuals to outgrow their formally defined roles by taking on extra responsibilities.

2. **Investment.** Leaders who want to encourage these individuals do so by investing resources in their careers. Leaders begin the investment process by tapping into followers' individual motivations to broaden their interests from their present job duties and responsibilities into the wider interests of their future careers and of the larger organization. Thus, if a leader wants to entice followers to outgrow their present job description, the leader must create and offer career advancement opportunities that are distinctly superior to those of the existing job.

3. **Focus.** Because leaders have limited resources, they target those resources more specifically toward those members who clearly communicate their interest in outgrowing their present job descriptions. Deciding whom to target should be based on unique sets of abilities and motivations of the available people, thereby capitalizing on the hidden opportunities and resources of the unit. This selective investment process may require some strategic planning, in which the expertise and resources of each person are evaluated against the context of the work unit.

4. **Integration.** To be maximally effective, the leader and the targeted member integrate to form cohesive teams within the work unit and collaborative networks of competent co-workers throughout the organization. Through this integration, leaders develop cohesive, coordinated, and adaptable teams available to provide assistance whenever necessary.

How Leadership-Making Works

As identified by Graen and colleagues (Graen, 1989; Graen & Scandura, 1987; Zalesny & Graen, 1986), this special relationship-building process is a product of role-making (or team-making) which consists

of three phases, from: (1) role-finding (team-finding) to (2) role-making (team-making) to (3) role-implementation (team-implementation) (see characteristic A in Figure 2). Role-finding involves the initial testing process through which leaders and followers evaluate each other's motivations and abilities. This is a "sampling" phase, wherein the leader attempts to discover the relevant talents and motivations of the member and the member probes to identify the resources the leader has to offer. This process unfolds through iterative testing sequences. By offering various opportunities to the follower, the leader can successively approximate the performance limitations of the follower, as well as other dimensions relevant to the relationship. Likewise, the subordinate, by demonstrating a desire to outgrow the present job through acceptance of additional responsibilities, can determine how much career investment and job autonomy could be expected from the leader. By engaging in these "testing" activities, in a very short period of time, leaders and followers may learn a great deal about each other. The results of this role-finding phase subsequently influence the next stage of relationship development—the role-making phase.

Based on the results of the evaluative tests conducted in the role-finding phase, leaders and members may remain at relatively low stages of relationship development (if the results of the testing process are negative), or they may progress to more advanced stages of relationship development (if the results of the testing process are positive). How this development will occur is determined in the role-making phase. During this phase, the leader and member evolve how each will behave in various situations and begin to define the nature of the dyadic relationship. This process is seldom explicitly discussed by the individuals. Rather, through working together, they test various dyadic interdependencies as alternative problem-solving approaches. Consequently, sets of interlocked behavior cycles that are mutually reinforcing emerge. In these role-making episodes, either the leader or the member may initiate a sequence. Hence, through a series of offers and counter-offers (i.e., offers to outgrow a job by a member and delegation of additional responsibilities by the leader), a set of understandings governing appropriate interaction behaviors is developed.

Role-making depends on the mutual investment of valued resources by both parties. Each party invests something the other party values, and each party sees the exchange as reasonable, Moreover, the rules governing the relationship must be compatible to result in a high level of mutual trust. Without adequate social exchange, the process grinds to a halt or is never initiated because the acceptance of collaboration becomes too risky for members. Without the collaboration of the leader, the member is typically in over his head and cannot proceed. For example, in terms of self-managing processes described above, this collaboration with the leader is essential for members to accept the risks inherent in becoming a self-manager.

After defining the characteristics of the relationship in the role-making phase, the behaviors of the superior and member become interlocked during the role-implementation phase. It is during this phase that the leader and member actually learn to collaborate effectively by refining the exchange arrangement negotiated in the role-making phase. As they work together, they make changes in their collaborative relationship—those coordinated behaviors that are judged effective tend to be strengthened, whereas those that are seen as ineffective tend to be weakened.

In this phase, effective dyadic relationships mature from acquaintances to established team players. Mutual trust, respect, loyalty, and understanding are developed. The relationship is transformed from simple exchange of self-interest outcomes to one of commitment, where each promotes the other's career through career-related learning and achievement of superordinate goals. In other words, something larger than immediate self-interest of both parties becomes the driving force of the team.

Hence, through a three-phase developmental process, mature leadership relationships may emerge. Those dyads in which leaders and followers are able to transform their self-interests to a team-oriented approach are those relationships which are built on trust, respect, and mutual understanding and support. Those dyads where implementation of mutual understanding are not incorporated into the collaborative arrangement of the leader and follower are not able to advance to the mature stage, and thus result in ineffective dyadic leadership relationships.

Life Cycle of Leadership Relationship Maturity

The development of mature leadership relationships in the Leadership-Making process may also be viewed in terms of a "life cycle" of leadership relationship maturity. In this life cycle, the relationship-building process between leaders and followers occurs over three stages (as shown in Figure 2). In

$$\xrightarrow{\hspace{2cm}} \text{Time} \xrightarrow{\hspace{3cm}}$$

Stage:	Stranger $\longrightarrow$	Acquaintance $\longrightarrow$	Mature
Characteristic:			
A. Relationship-Building Phase	Role-Finding	Role-Making	Role Implementation
B. Type of Reciprocity	Cash & Carry	Mixed	In-Kind
C. Time Span of Reciprocity	Immediate	Some Delay	Indefinite
D. Leader-Member Exchange	Low	Medium	High
E. Incremental Influence	None	Limited	Almost Unlimited
F. Type of Leadership:			
1) Transactional	Behavioral Management (Bass, 1985)	$\longrightarrow$	Reciprocal Favors (Burns, 1978)
2) Transformational	Self-Interest	$\longrightarrow$	Team-interest

Figure 2. Life Cycle of Leadership Making

the first stage of the leadership-making life cycle, leaders and followers come together as strangers occupying interdependent organizational roles. In this "stranger" stage, interactions between the leader and follower occur on a more formal basis—leaders and followers engage in an immediate and a "cash and carry" exchange (see characteristics B and C in Figure 2). Within this relationship, exchanges are purely contractual—leaders provide followers only with what they need to perform, and followers behave only as required. In the second "acquaintance" stage, leaders and followers progress from strangers to acquaintances. In this stage, increased exchanges occur between leaders and followers, and not all exchanges are contractual, Leaders and followers may begin to share greater information and resources, on both a personal and work level. These exchanges are still limited, however, and constitute a "testing" stage—with equitable return of favors within a limited time perspective. Finally, in the third stage, the "mature" stage, exchanges between the leader and followers are highly developed: they are exchanges in kind and may have a long time span of reciprocation (characteristics B and C in Figure 2). Leaders and followers can count on one another for loyalty and support. Exchanges are not only behavioral but also emotional. In this stage, the amount of incremental influence occurring between leaders and followers is extremely high.

Progression through the life cycle varies in real time according to leadership dyads. In some dyads, the relationship may not progress much beyond the stranger stage—the leader and member have limited interactions, and those which do occur are strictly contractual. These types of dyads have been documented in the LMX research (Graen & Scandura, 1987) as low LMX dyads (characteristic D in Figure 2). In these situations, the leadership process is essentially non-existent since incremental influence is not achieved. This is analogous to the Transactional Leadership model as defined by Bass (1985) (see F(l) in Figure 2), in that the exchange is based upon subordination by the leader. In this case, the leader makes requests based

upon his/her hierarchical status within the organization, and the follower complies because of their formal obligation to the leader and because of the rewards the leader controls. Similarly, the motivations of the follower are based upon satisfaction of his/her own self-interests, without consideration of the good of the group (characteristic F(2) in Figure 2). Rather than exchange of favors, this conception of transactional leadership is based more upon the fundamental ideas of behavior modification (Skinner, 1953).

In other dyads; leaders and followers may advance beyond the "stranger" stage into the "acquaintance" stage. In these cases (medium LMX dyads), leaders and members may develop a somewhat more involved relationship, however, the incremental influence (characteristic E in Figure 2) is still limited, Leadership processes in these dyads are more effective than in the stranger stage, but the high degree of trust and loyalty necessary for truly effective leadership still has not been fully developed. This is only possible for those who are able to progress to the third stage - the "mature" stage.

For those dyadic members who make it to the mature stage (high leadership-making experiences), the payoffs can be tremendous. In mature relationships, the potential for incremental influence is nearly unlimited, due to the enormous range of exchange of favors (transactions) which are possible as defined by Burns (1978). In Burns' conception of transactional leadership (in contrast to Bass's (1985) interpretation), transactions are exchanges of favors, which may or may not be influenced by hierarchical position within the organization. Instead, the transactions are based upon the history of the exchange relationship between the dyadic members. Thus, in this stage, the mature transactional relationship developed between the dyadic members results in a high degree of mutual trust, respect and admiration within the relationship (Characteristic F(1) in Figure 2), which subsequently leads the members to engage in activities they otherwise would not. Leaders can count on the followers to provide them with special assistance when needed—*e.g.*, they may rely on the follower to take on extra assignments without pay and provide honest, constructive criticism where others may feel intimidated. Conversely, followers may rely on the leaders to be available when needed for support, encouragement, or advice. It is this trust, respect, and confidence in the leader which promotes the follower to expand beyond the formalized work contract—to grow out of their jobs and help redesign the unit and its context (characteristic F(2) in Figure 2). In this "transformation" process (Burns, 1978), followers in mature relationships move beyond their own self-interests to a focus more on team interests. These individuals recognize that by satisfying team interests they are also able to fulfill their own interests. Moreover, because of their special relationship with the supervisor, they have the resources and support which allow them to take on the additional responsibilities that accompany this "transformation."

Thus, as demonstrated by this life cycle, of the three components identified in our leadership model, the most significant—and most often overlooked—component for understanding processes through which leadership-making occurs is the leadership relationship. By developing leadership relationships over time, leaders and followers, through a series of interaction episodes, determine the amount and type of influence which will be exchanged. In so doing, the leadership relationship which results subsequently determines the effectiveness of the leadership outcomes: if the leadership relationship results in an increase in incremental influence, the relationship can support self-managing/self-designing member behavior.

Leadership-Making Process

Based on the three component model of leadership and the maturity life cycle of leadership relationships, we propose a developmental process beginning with (a) stranger relationships involving no leadership increment, which may evolve into (b) a transactional relationship (acquaintance) characterized by and restricted to mutual self-interest, which under certain conditions may be transformed into (c) transformational relationships (mature) based on collective team interest. We believe that this construction is compatible with the distinctions proposed by Burns (1978).

Evidence supporting the Leadership-Making model was provided by Sridhar (1991). In two studies of professionals, an American and a sample of Indian managers, it was found that our measure of relationship maturity (Leader-Member Exchange) correlated significantly and positively with Bass' (1985) measures of transformational leadership (*e.g.*, $r = .68$), but was not significantly related to Bass' measures of transactional leadership (*e.g.*, $r = .35$). Thus, this study indicates that the variance of relationship maturity was related to collective team-interest and not to the narrow self-interest implied by the transactional model (Bass, 1985).

Table 1. Critical Activities that Indicate Maturity of Leadership Relationships

	Level of Relationship Maturity	
	High	Low
Actions of Immediate Superior		
Provide special information through which the subordinate can learn how the company really operates	75%	30%
Expose the subordinate to information regarding changes to be made	60%	20%
Give the subordinate challenging assignments	83%	44%
Talk about the subordinate's strengths with higher management	58%	20%
Prepare the subordinate for difficult assignments	60%	25%
Advise the subordinate on long-range career plans	47%	12%
Delegate to the subordinate enough authority to complete important assignments	83%	44%
Advise the subordinate on promotion opportunities	46%	14%
Confidentially advise the subordinate about career problems	45%	15%
Include the subordinate's input in decisions for which only the boss was responsible	78%	50%

Adapted from Graen, 1989
All differences are significant at the p < .001 level.
N = 100 professionals.

In addition, recent findings employing the Leadership-Making model have shown that leaders in mature relationships do more investing in the transformation of the relationship from self-interest to team-interest than those leaders involved in less mature relationships (Graen, 1989,1990). As shown in Table 1, those followers in mature relationships received more of the investments from leaders than followers in less mature relationships. Furthermore, followers in mature relationships with their leaders do more than their less fortunate colleagues of the following: (a) take the initiative, (b) attempt to exercise leadership to make the unit more effective, (c) take risks to accomplish missions, (d) build networks to extend capabilities, (e) influence others by doing something extra, and (f) work to get one's leader promoted. Clearly, team-oriented motivation and skill must be involved in these exchanges within more mature relationships. Moreover, this team orientation in a leader-member relationship can be expected to be generalized to relationships with other team members. Such teams are capable of extraordinary performance beyond expectations and strong commitment to their mission and their team.

The Leadership-Making process thus has critical implications for organizational operations. By developing mature leadership relationships, leaders and members increase the amount of incremental influence they exert over each other and hence expand the total amount of resources available within the work unit (expanding pie of influence). If these relationships are developed consistently between leaders and followers, the total capability of an organizational unit becomes greatly enhanced.

When considering professional work teams, the Leadership-Making model describes a process applicable to cultivation of more effective teamwork. As networks of interdependent dyadic relationships, teams

are also affected by the types of relationships developed among the members. Since the team is comprised of all possible combinations of dyadic relationships, how each of these interdependent relationships is developed and managed will influence the outcome of the team.

In addition, as mentioned previously, when applied within professional work teams, self-management has the potential to be more fully developed than in the manufacturing assembly teams previously investigated. Within self-managing professional work team designs, team leaders take on new challenges for providing leadership. One primary responsibility of these leaders becomes ensuring that group members develop into a team through a process we call team-making (Uhl-Bien & Graen, 1991).

The requirements presented by self-managing professional work team designs for leadership can thus be met by the Leadership-Making model. Through the development of mature relationships with their leaders, team members in highly mature relationships receive the resources, support, and guidance necessary for them to effectively engage in self-managing activities. Conversely, by establishing mature relationships with followers, leaders ensure that the team members will feel comfortable asking for direction when necessary and are willing to take the risks inherent in self-management because they feel confident that they have their leader's support. The outgrowing of roles that occurs within highly mature relationships — a factor vital for effective self-management functioning — thus indicates that the Leadership-Making model provides a useful vehicle for the development of professional work units.

Conclusion

Self-managing and partially self-designing units must be understood as part of a larger organizational process. This larger process provides the enabling conditions for individual and team survival and performance (Hackman, 1986). Unless such units can be integrated into this larger system in ways which meet both the maintenance requirements of the units and the productive criteria of the enterprise reliably over time, they are likely lo be aborted. In other words, self-managing units must not only please their clients by delivering quality products on time and on budget, they must improve their capability and the unit members' growth and well-being. This is a lot to require of this form of organization, but it appears nonetheless to be required. This may be due to the fact that the self-directing organizational system invented and refined by Toyota and adopted by all leading Japanese kaisha routinely achieves these performance outcomes (Womack, Jones, & Roos, 1990).

The focus of this paper was on the leadership-making process by which individuals and groups are built from within and the activities which allow individuals to (a) outgrow their dependence on outside direction and control and (b) realize that a more effective strategy for accomplishing their own ("I") needs is through satisfying team ("We") needs (i.e., the "transformation"). The key to activating both of these growth processes was called the "Life Cycle of Leadership-Making." This Life Cycle begins with strangers, moves to acquaintances, and finally reaches the stage of a mature relationship. This Leadership-Making model produces a number of outcomes that serve as useful indicators of effectiveness of leadership-making experiences: (a) *Relationship-Building Phase, i.e.,* activities evolving from role-finding to role-making to role-implementing; (b) *Type of Exchange, i.e.,* whether favors must be repaid materially (at the stranger end) or whether they must be repaid in kind; (c) *Time Span of Reciprocity, i.e.,* the time between when a favor is given and when its repayment is expected; (d) *Leader-Member Exchange, i.e.,* maturity of the leadership relationships between teammates or between teammates and outsiders; (e) *Amount of Incremental Influence, i.e.,* interpersonal influence that cannot be commanded or bought but must be earned personally; and (f) *Type of Leadership, i.e.,* the extent to which teammates accept the idea of exchange of favors as a legitimate team process (1. transactional), and in addition the extend to which teammates prefer strategies that reward individual ("I") needs through achieving team ("We") objectives (2. transformational).

Research on the Leadership-Making model should continue to develop and refine measures of these outcomes and use them to test the many hypotheses generated in this paper. Through research of this kind, we can understand more fully the leadership-making life cycle and be better able to monitor and facilitate it in organizations. Moreover, the Leadership-Making model has strong implications for the management of professional work teams (team-making). By developing mature leadership relationships, leaders and teammates are able to achieve conditions necessary for effective, long-term, self-management/self-designing processes to occur within their teams (Uhl-Bien & Graen, 1991). In particular, these mature leadership relationships allow teams to be transformed from selfish ("I") "me first" motives to team in-

terests first (with the realization that through achieving team interests first, individual interests may be more effectively fulfilled). Acceptance of team first and individuals second strategies make it easier for a team to obtain the necessary resources, support, assistance, and guidance that are so vital to the successful performance of self-managing teams. The Leadership-Making model, therefore, provides a theoretical groundwork through which effective management of self-managing teams may be more thoroughly investigated for teams at various points on Hackman's authority continuum. We welcome researchers to test our model's applicability for groups at various points, from the lowest self-managing to the highest self-designing.

Finally, we submit that any approach to developing self-managing units which does not monitor and facilitate leadership-making processes renders such organizing less effective. We are convinced that the magic of self-directed organization in both Japan and North America lies within the Leadership-Making process. Although leadership has been criticized recently, we find nothing wrong with the concept itself, but only that it has been applied incorrectly to autocratic and bureaucratic situations. We postulate that the leadership-making process as we have defined and described it in this paper can make its optimum contribution in management systems such as self-managing/self-designing organizations which attempt to capitalize on what people can do at their best. Unless we learn to more effectively implement self-managing/self-designing structures, the future competitiveness of American organizations with systems such as the Japanese is bleak, as recognized in the following quote:

> We will win and you will lose. You cannot do anything about it because your failure is an internal disease. Your companies are based on Taylor's principles. Worse, your heads are Taylorized too. You firmly believe that sound management means executives on the one side and workers on the other, on the one side men who think and on the other side men who can only work. For you, management is the art of smoothly transferring the executives' idea to the workers hands.
>
> We have passed the Taylor stage. We are aware that business has become terribly complex. Survival is very uncertain in an environment filled with risk, the unexpected, and competition … We know that the intelligence of a few technocrats—even very bright ones—has become totally inadequate to face these challenges. Only the intellects of all employees can permit a company to live with the ups and downs and the requirements of the new environment. Yes, we will win and you will lose. For you are not able to rid your minds of the obsolete Taylorisms that we never had.

-Konosuke Matsushita, 1988

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