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# **The Role of Inter-Organizational Leadership in Agri-Food Value Chains**

**Lawrence B. Dooley and E. Luca**

Department of Management, Monash University, Australia

[lawrence.dooley@buseco.monash.edu.au](mailto:lawrence.dooley@buseco.monash.edu.au)



**Paper prepared for presentation at the 110<sup>th</sup> EAAE Seminar ‘System Dynamics and Innovation in Food Networks’ Innsbruck-Igls, Austria  
February 18-22, 2008**

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# The Role of Inter-Organizational Leadership in Agri-Food Value Chains

*Lawrence B. Dooley and E. Luca*

*Department of Management, Monash University, Australia  
lawrence.dooley@buseco.monash.edu.au*

## 1. Introduction

For many years research on marketing channel behaviour was focused on power and conflict between channel members. More recently, as a result of globalisation, firms have become more dependent on each other and more collaborative models of channel behaviour have developed to meet the demands of the global marketplace.

Research suggests that closer relationships involving trust, commitment, co-operation, co-ordination, and collaboration are needed between chain members to ensure the success of their value chains. The major challenge is to identify and develop leadership styles that foster efficient and collaborative value chains.

Generally, the literature suggests that supply chain effectiveness and survival is linked to leadership behaviour. Leader behaviour has needed to adapt to the competitive global environment, which tends to focus on fostering inter-organisational co-operation rather than competing in an adversarial way. In this climate, leaders need to possess supply chain management skills and, perhaps more critically, the ability to establish and maintain effective inter-organisational networks. Early exploratory research in manufacturing suggested that a participatory leadership style is most effective in fostering co-operation and increased supply chain performance.

To date little research has been conducted to determine the leadership styles, skills and capabilities required by inter-organisational leaders, particularly in the agri-food sector.

Most research on business leadership has focused on intra-organisational leadership, mainly the relationship between the leader and followers within a single business entity. This research has produced a rich typology of leadership styles including transactional, transformational, visionary, charismatic, participative, directive and supportive leadership styles.

By contrast the number of studies of inter-organisational leadership is limited, despite the growing evidence that collaboration between firms in integrated value chains is a powerful source of competitive advantage in globalised markets.

This paper will discuss the intersection of classical intra-organisational leadership styles with the emerging leadership styles in the inter-organisational context of agri-food value chains.

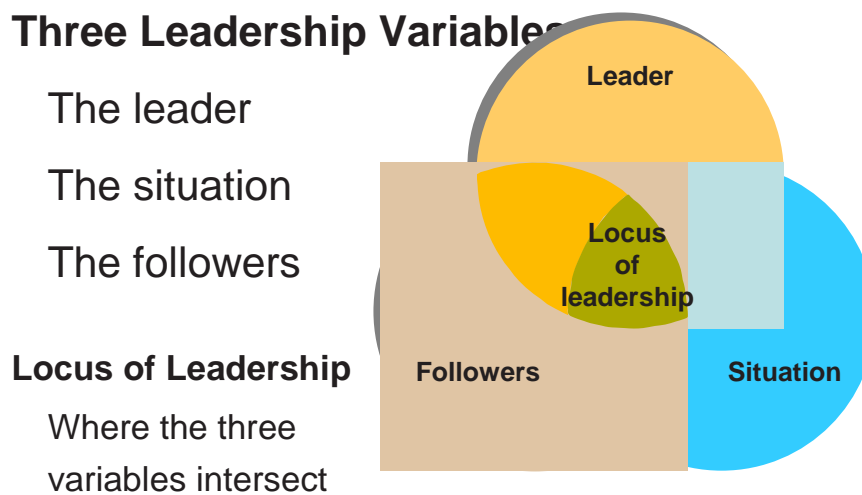
## 2. Leadership - a managerial perspective

Theories of leadership have progressed through four major eras (Daft 2008). Era 1 is a pre-industrial pre-bureaucratic era which emphasised the personal qualities of leaders with trait theories and 'Great Man' theories. Era 2 emerged with the development of bureaucracies

involving vertical hierarchies and involved rational management explained by behaviour and contingency theories of leadership. Era 3 started in the 1970s when the international business environment entered into a more turbulent period and new skills in team leadership, empowerment and open communication were key attributes in new influence theories of leadership. Era 4 was the learning leader in the rapidly changing digital age and emphasised relationships, networks, vision and values rather than power and control of previous eras.

The lessons from this historical perspective on leadership is that leadership reflects the historical context of the organisation and society. More specifically leadership involves an interaction between the leader, followers and the situation, often called the leadership locus (Hollander 1978, Hitt et al. 2007).

## Locus of Leadership



The identification of successful leadership styles and behavioural traits has been of ongoing interest to both researchers and practitioners who have developed a number of psychometric tests such as the widely used Multifactor Leadership Questionnaire MLQ (Bass 1985).

Many leadership styles have been identified (Bartol et al. 2007) including:

- Autocratic – unilateral decision makers
- Democratic – involve the group in the decision making
- Laissez-faire – let the group make the decision
- Task orientation- focus on efficiency of operations
- People orientation – focus on satisfying needs of people
- Directive – followers told of expectations, standards and outcomes
- Supportive – followers given emotional support
- Participative – consults followers before deciding
- Achievement-oriented – sets challenging goals for followers

Transactional – motivates followers through linking rewards to goal achievement

Transformational - motivates followers through high level goals of achievement, self actualisation and transcending self interest.

Recent leadership research has focused on the contrast of transactional and transformational leadership styles.

## Transactional Leadership

- Transactional leadership:
  - More passive
  - Emphasises exchange or rewards or benefits for compliance with leader's requests
  - Appeals to followers' self-interests to motivate their performance

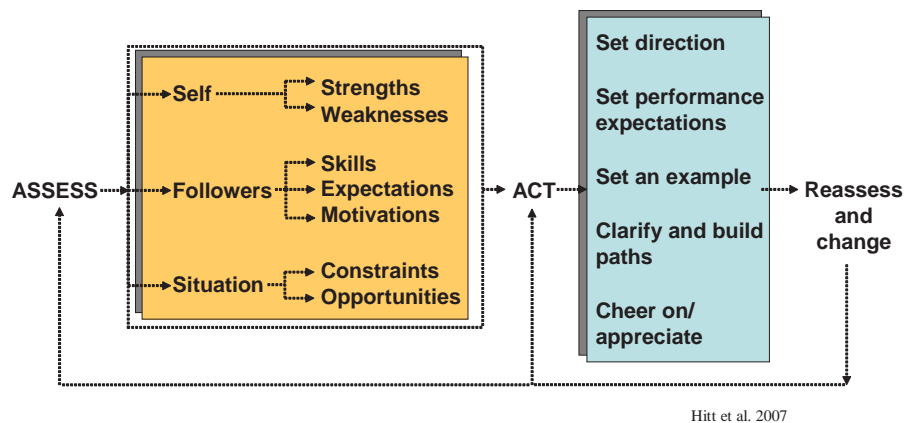
## Transformational Leadership

- Transformational leaders:
  - Leaders empower and coach followers
  - Followers identify with the leader
  - Motivate followers (to):
    - Ignore self-interest
    - Work for the larger good of the organisation
    - Achieve significant accomplishments
    - Make major changes

The most appropriate leadership style will depend upon the critical interactions of the leader, follower and situation in the leadership locus. Transformational leadership that develops a shared vision throughout the chain may be more appropriate for many modern agri-food supply

chains that are facing turbulent change. Research suggests that closer relationships involving trust, commitment, co-operation, co-ordination, and collaboration are needed between chain members to ensure the success of their value chains (Spekman et al., 1998). The major challenge is to identify and develop leadership capabilities that foster efficient and collaborative value chains.

## Developing Leadership Capabilities



Much of the research on transformational leadership has focused on its relationship to individual and organizational outcomes. Research suggests that transformational leadership can lead to improved organizational performance (Avolio et al., 1999) employee satisfaction, motivation, and performance (Lowe, Kroeck, and Sivasubramaniam, 1996), trust in the leader (Dirks and Ferrin, 2002) team effectiveness (Dionne, Yammarino, Atwater, and Spangler, 2003) and supports a learning environment (Coad and Berry, 1998).

Transformational leadership can be summarised by six behaviours, i.e., identifying and articulating a vision, providing an appropriate model, fostering the acceptance of group goals, high performance expectations, providing individualised support to staff and intellectual stimulation (Podsakoff, McKenzie, Moorman, and Fetter, 1990). Carless, Wearing and Mann (2000) distinguished between the leader behaviours of providing support to staff and encouraging their individual development, and proposed seven behaviours by including a broad concept of charisma. Consequently, they proposed that the following behaviours encompass the concept of transformational leadership: (1) communicates a vision, (2) develops staff, (3) provides support, (4) empowers staff, (5) is innovative, (6) leads by example, and (7) is charismatic. Based on the research some practical guidelines can be suggested for those who want to develop transformational leadership styles.

# Guidelines for Transformational Leadership

## Those who want to be transformational leaders should:

- Develop a clear and appealing vision
- Develop a strategy for attaining the vision
- Articulate and promote the vision
- Be confident and optimistic
- Express confidence in followers
- Use early success in small steps to build confidence
- Celebrate successes
- Use dramatic, symbolic actions to emphasise key values
- Lead by example

### 3. Leadership - from power to co-operation in the supply chain

For many years marketing channel research focused on power and conflict between channel participants (Gaski 1984). Power is defined as the capacity to influence the behaviour of others (Mintzberg 1983).

Six major sources of power have been identified (Raven 1993):

- Legitimate power- from position of authority in a hierarchy
- Reward power – based on ability to provide valued rewards
- Coercive power – based on ability to punish
- Expert power – from possession of expertise valued by others
- Information power – from access and control over valuable information
- Referent power – from being admired and liked by others

Many agri-food value chains still involve coercive power particularly when critical parts of the chain are consolidated through mergers and acquisitions,

More recently, particularly under the challenges of globalisation, firms have investigated more co-operative interfirm relationships. Leadership behaviour may be an important determinant of co-operation in supply chains.

For example, Mehta, Larsen, and Rosenbloom (1996) investigated the influence of leadership in an automotive distribution channel. The study found that leadership behaviour by the channel leader influenced the degree of cooperation among channel members. The study used the path-goal theory of leadership, in which the typical leadership styles are participative, supportive, and directive. The study found that the participative style of leadership was the most influential and effective in attaining cooperation and higher levels of performance. However, channel lea-

ders prefer to use a directive style of leadership, demonstrated by codified rules and procedures, and routinization, because it is more efficient. The challenge for leaders is to adopt a more cooperative or partnership approach with greater emphasis on participation if they wish to achieve sustainable, high performance.

Hult, Ketchen, and Chabowski (2007) investigated supply chain performance and the leadership style(s) of the corporate buying centre, the major node in the supply chain system. The study found that transformational leadership positively moderated the relationship between the value of the corporate buying centre and performance, while a transactional leadership style had a negative moderating effect. As noted by the authors, ‘the ability of leaders to energise subordinates is paramount to achieve greater goals through teamwork rather than relying on individual self-interest’ (Hult, Ketchen, and Chabowski, 2007:400). The study found that appropriate leadership is critical to achieving success. Transformational leadership is more appropriate for turbulent environments, while transactional leadership is considered more favourable in stable environments. Transformational leadership was also found to be the most appropriate style to guide behaviours and endeavours in the overall supply chain, and not just in simple dyadic relationships.

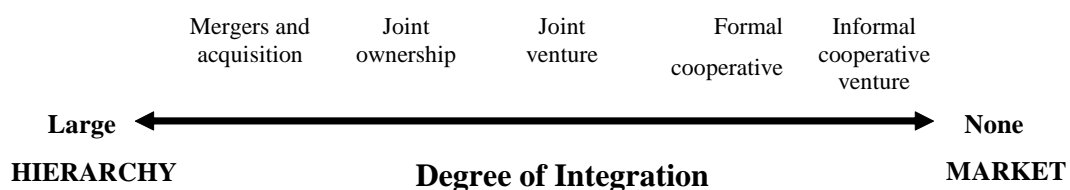
#### 4. Leadership and linkages in supply chains

Supply chains often involve a variety of inter-firm linkages in the one chain and this diversity could provide leadership challenges for the sustained development of the chains.

For example, Yoshino and Rangan (1995) developed a detailed typology of inter-firm linkages based on the alliance literature. This included contractual agreements, both traditional contracts such as arm’s length buy/sell contracts, franchising, licensing, cross-licensing and non-traditional contracts such as joint research and development, joint product development, long-term sourcing agreements, joint manufacturing, joint marketing and shared distribution/service. They also recognised equity arrangements where no new entity was created (minority equity investments, equity swaps) and equity arrangements where a new entity was created (nonsubsidiary joint ventures such as fifty-fifty joint ventures and unequal equity joint ventures, and joint venture subsidiaries of multinational corporations). A final category was the dissolution of an entity through mergers and acquisitions.

Some inter-firm links require greater degrees of integration between the firms and there is a need to identify leadership styles that are more successful in these very different linkages along this integration continuum. Degree of Integration with Partner Firm (Adapted from Lorange and Roos 1992)

Degree of Integration with Partner Firm (Adapted from Lorange and Roos 1992)





## 5. Linkages in the agri-food supply chain - the need for a new leadership approach

Many of the studies of agri-food chains use a transaction cost approach to explain the strategic choice of inter-organisational linkages in the chains (Hobbs 1996, Hobbs and Young 2000, Peterson et al. 2001).

Peterson et al (2001) identified five distinct strategic linkages in a vertical agri-food coordination continuum- spot markets, specification contracts, relation-based alliances, equity-based alliances and vertical integration and developed decision making framework that could be used by firms to determine which place on the continuum may be optimal for a particular transaction.

Beyond the transaction cost approach there is a growing interest in the importance of trust in interorganisational relationships (Vlaar et al. 2007).

We propose that a new focus should be established on interorganisational leadership styles in agri-food chains to complement these two established approaches and suggest that it will be a key factor in developing interfirm trust and in the successful implementation of new strategic linkages in modern agri-food chains.

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