



Leadership in a Turnaround Situation and a Multicultural Environment

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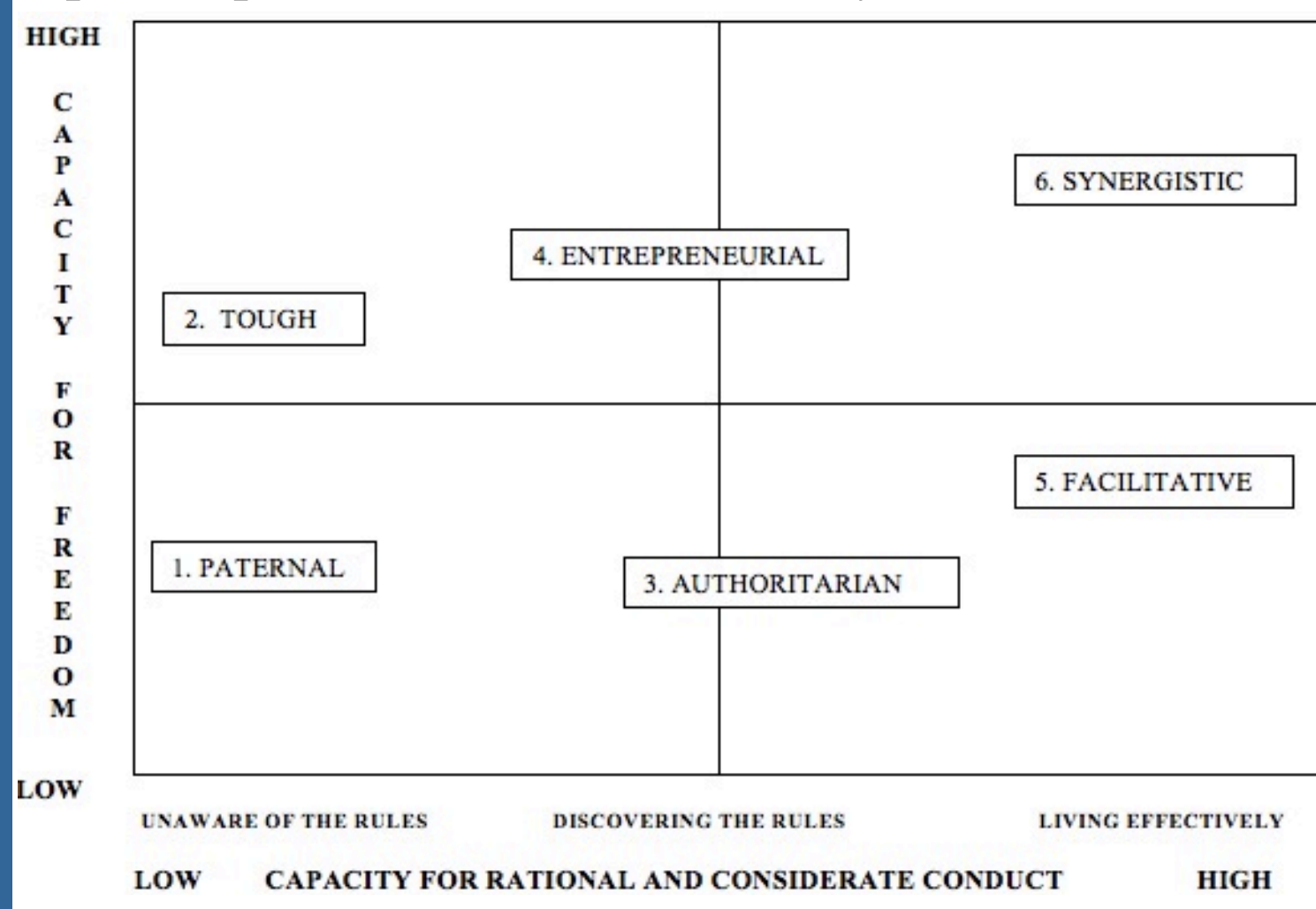
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Abstract

Leadership style in a turnaround situation, especially in a multicultural environment, is very important to the success of the organization. As the organization is transformed to a successful one, the leader may have to adapt his or her style. This case focuses on the leadership of a new CEO recruited to overcome a crisis situation in a small community bank. The CEO also faced the additional challenges of being from a different culture than most of his employees and of interacting with the founder and previous CEO who had quite a different leadership style. In the process of turning the bank around and implementing a new strategy, the new CEO also transformed his leadership style in order to reduce anxiety and gain the respect and confidence of the employees, the board of directors, and the community.

Figure 1
SIX LEADERSHIP STYLES FROM
THE VALUES JOURNEY CHART CONSEQUENCES

This model charts the changes in leadership style of a new leader in a multicultural environment. According to this model, the accumulated experience and knowledge of the new leader results in progress along the values journey, and movement along the chart results in a type of “creative tension” (Senge, 1990, p. 9). As shown in a simplified version of the Values Journey Chart in **Figure 1**, creative tensions result in six leadership styles or stages which may be plotted at specific points on the Values Journey Chart.



Conclusions

Discussion Questions

1. Evaluate the board’s decision to bring in a CEO from outside the company, outside the area, and from a different culture. When is it appropriate for boards to hire CEOs from outside and what should they look for considering that making a wrong choice can have far reaching consequences.
2. Using **Figure 1** and **Table 1** as a reference, describe the leadership styles of the founder and the new CEO.
3. If a board of directors hired you to turn a company with a culture different than yours around, what would be the first three things you would do to address the situation?
4. What valuable lessons can you learn from the new CEO and how he helped change the bank, manage the change process, and make the bank successful?
5. In a technical sense, style describes a person’s approach to relating to others. Some experts would say that the new CEO had a consistent leadership style but was changing his leadership approach with different situations. Was the new CEO actually changing his style or his approach and how would you respond to a leader who changes styles in different situations?

Key Leadership Lessons

1. It is very important for leaders to understand their leadership style and its consequences as the implications can be far reaching.
2. In a multicultural environment, and especially in a turnaround situation, leaders are key to improving communication and confidence in the organization. It is very important for leaders to take the time to study and learn to effectively work with cultures that may be different from their own.
3. A turnaround situation can result in high stress levels for everyone involved. The wrong leadership style can result in even more anxiety which may affect morale and performance. The leader must always be aware of the impact of his/her leadership style and be willing to adapt to new situations.

TABLE 1
SUMMARY OF LEADERSHIP STAGES

SUMMARY OF LEADERSHIP STAGES

LEADERSHIP STAGES	APPROACH	REINFORCEMENT	CULTURE	MOTIVATING NEED
1. PATERNAL	Provide safety	Survival	Submissive	Security
2. TOUGH	Force	Self-reliance	Egocentric	Independence
3. AUTHORITARIAN	Instruct	Conformity	Duty-compliant	Stability
4. ENTREPRENEURIAL	Delegate	Affluence	Success-striving	Achievement
5. FACILITATIVE	Facilitate	Peace	Harmony-seeking	Sustainability
6. SYNERGISTIC	Integrate	Flexibility	Synergy-seeking	Sustainability

First Stages of New CEO Leadership

The new President and CEO could not officially start work until the Board obtained approval from the regulatory agencies, both state and federal. The regulators included the state banking agency, the Federal Reserve, and the FDIC.

The new President came in as an observer during these two weeks without pay. During this time the new leader identified and prioritized the problems that had to be addressed.

Four of these problems had already been identified by the regulators and were included in the written agreement between the bank and regulatory agencies: (1) lack of appropriate governance by the board of directors, (2) non-compliance with regulations, (3) poor asset quality, and (4) poor asset/liability management.

During this process the new leader also had to create a team where one had not existed in order to address all of the problems identified.

The Changing Leadership Style Of The New CEO

The new CEO entered the situation that was previously described with the goal of turning the company around as he had done with another community bank several years earlier.

He exhibited a tough leadership style the first day he walked into the bank by negotiating an agreement with the regulators to allow the bank at least 90 days to address existing problems by gaining their initial trust and confidence and quickly laying out a plan as to how these problems would be addressed. He then developed a plan with goals and milestones for addressing the most pressing problems facing the bank.

The new leader quickly developed a reputation as being highly intelligent and knowledgeable in banking and gained respect within the bank. At this point he used a combination of tough and authoritarian leadership styles as he established himself in what was a crisis situation. As part of this approach, he had to negotiate with outside consultants, businesses with problem loans, and the banking regulators. He also had to create a new management team in order to successfully implement the turnaround plan. All of this had to be accomplished while restoring the community’s confidence in the bank.

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