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The business school that thinks
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Are leaders needed to improve team performance?

By **Murat Tarakci**

Businesses are always on the lookout for stronger leadership. But is it always better for a team to have a powerful boss? New research shows that the effect of power disparity on group performance affects the ability of groups and organisations to assign power according to competence, thus offering new and important insights for those tasked with getting the best results out of managerial hierarchies.

In a series of studies that my colleagues Patrick J. F. Groenen, Lindred L. Greer and I undertook, we believe we have come up with a persuasive and verifiable answer to this old question.

Our conclusion: the best plan is to put the most competent person in charge and when the task changes, choose a new leader who is good at the new task. If this isn't practical, operating as a group of equals will be better than to keep following the old leader. Let me explain.

as static and stable, something that can always be mapped on an organisational chart rather than something that ebbs and flows. Second, they assumed that the person at the top was always competent at the group's core task (an assumption that historians – not to mention political journalists – might dispute!). Third, most scholars assumed that equality is never really possible.

Our simulation program allowed us to experiment with these assump-

To confirm that our model was correct beyond the artificial reality of computer simulations, we conducted a laboratory experiment involving 294 university students. Each student was assigned to one of 83 teams, which were given a hypothetical task of surviving in the desert.

Each team was randomly assigned to a condition where we manipulated the distribution of power. In the low power disparity condition, there were no assigned team leaders. In the high and stable power disparity condition,

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*“Our research shows that a steep hierarchy can be both **a blessing and a curse.**”*

We began our research with a computer simulation. At this point, we realised that much of the reason this question had been difficult to answer was the way people thought about power. Three assumptions scholars have often made about the nature of power made the question harder to answer than it needed to be. The first was that they tended to treat power

tions. In addition, the program showed that a steep hierarchy helps team performance only if the person in charge is competent in the group's task. Our model suggested that a group with a powerful but less competent leader underperformed the group of equals, and the team with the most competent member assigned to be the strong leader performed best.



we randomly assigned a team member as the leader. And in the high and dynamic condition, we asked teams to select a person who would be in charge of managing group discussions. For the teams in this condition, we gave feedback on their performances and allowed them to pick a new captain before the second round if they chose.

The result: 41 per cent of teams that selected their own team leader dynamically switched captains. This result demonstrates that hierarchies are not necessarily static, as earlier organisational theoreticians had assumed. More importantly, this result suggests that teams do not need higher executives to assign a team leader – about which they do not usually get much say. In fact, teams are capable of selecting and changing their captains. There is a twist, however: when looking at the results we found that only 55 per cent had initially selected the most competent team member to be the central power holder. That is, teams are not that good in detecting competent team members and giving

them power. Perhaps higher executive intervention in monitoring competence can be of help here.

Overall, our findings confirmed the simulation results: high power disparity boosted team performance when the team had competent leadership but not when the leader was unskilled. If the leader is unskilled, a team with low power disparity will outperform.

Now we undertook a third study, this time in the field, at a 1,190-employee public organisation in the Netherlands. We asked a large group of fraud investigation teams to characterise their team leaders. Here too, we found the relationship between team performance and high power disparity teams only when the group saw its leader as highly skilled.

Taken all together, the results offer qualified support both for people who favour flatter hierarchies, such as proponents of holacracy or agile development, and people who favour an organisation with a steeper hierarchy, such as the executives of Google and GitHub. Our research suggests that

teams with flatter hierarchies tend to be outpaced by groups with steeper hierarchies when the leader is competent in the task at hand. At the same time, our results do not offer an unconditional endorsement of the Google view, as strong leadership without competence underperformed.

Our research further shows that a steep hierarchy can be both a blessing and a curse. Essentially, whether you are better off with a strong leader or a team of equals depends on the competence of the people in those respective roles. If the boss has no deeper insight than anybody else, our research suggests that a flatter organisation will be better because these bosses will derail the team from finding correct solutions to the problems they are trying to solve.

In the end, we have found that a dynamic response is best: keep the competent leader until the task at hand moves beyond his or her competence, and then move on to another strong leader who has expertise in the latest essential task. ■

This article draws its inspiration from the paper *When does power disparity help or hurt group performance?*, written by Tarakci, Murat; Greer, Lindred L.; Groenen, Patrick J. F., and published in the *Journal of Applied Psychology*, Vol 101(3), Mar 2016, 415-429. DOI: <http://dx.doi.org/10.1037/apl0000056>

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