A Grounded Theory Exploration of Informal Leadership Qualities as Perceived by Employees and Managers in Small Organizations

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Abstract
Leadership, the process of influencing individuals to work jointly toward common goals, is carried out by both formal and informal leaders within an organization. However, the specific roles and qualities of informal leaders are not well understood. Therefore, the study’s purpose was to discover and explore the qualities that characterize informal leadership in small organizations based on the perceptions and perspectives of individuals who have observed or experienced informal leadership. Twenty-eight employees and 13 managers who had experienced informal leadership were recruited from three small businesses in a large city in the Midwest United States to complete a questionnaire with nine open-ended questions regarding their perceptions and experiences of informal leadership. Responses were coded using NVivo, analyzed for themes, interpreted, reflected upon, and compared to the available literature. Analysis of the data identified individual competence, organizational culture, and situational requirements as three main themes related to the emergence of informal leadership. Sub-themes were identified that represent informal leadership qualities associated with each theme and are discussed in light of current research.

INTRODUCTION
The skills and qualities necessary for becoming a successful leader have been the focus of management theorists throughout history (Gordon, 2009). The increasing complexity of organizational environments requires that leaders involve individuals from diverse functional areas and a variety of management levels throughout the organization in achieving shared goals (Wilson, 2007). Doyle (2002) proposed that authoritative leaders are no longer exclusively responsible for leading the organization. Rather, employees at every level of the organization share in leadership both formally and informally. Although informal leadership within an organization is recognized, there is a lack of research regarding the qualities that characterize effective informal leadership and the influence that informal leadership has within the organization (Pielstick, 2000).

Throughout the history of management, theorists have struggled to identify the necessary skills and qualities that lead to becoming a successful leader (Gordon, 2009). Many leadership theories focus on the personal traits and behaviors of the leader in an attempt to identify leader characteristics. Leadership traits can be viewed as identifiable patterns in the personal characteristics of a leader but cannot be evaluated individually because each trait is only one part of a group of traits that are attributed to a particular leader. Values, motives, interpersonal skills, decision-making skills, and expertise must be considered in conjunction with the evaluation of leadership traits. Further, identifiable leadership traits may change based on specific situational requirements (Zaccaro, 2007).

Leadership is a social process that results in the attainment of shared goals and is often a function of the current situation (Van Vugt, 2006). Chan and Chan (2005) defined leadership as a social exchange based on the relationship between leader and follower. Although every individual possesses a degree of leadership ability, the tendency to lead varies by individual; however, research has focused primarily on...
formal leaders neglecting the role of informal leaders (Schreiber & Carley, 2006) even though both exist and are important for success (Loughead, Hardy, & Eys, 2006; Painter-Morriand, 2008). Unfortunately, while informal leaders have been found to be significant contributors to organizational leadership, formal leaders often fail to leverage the power of informal leadership (Pescosolido, 2001; Yukl & Becker, 2006). This could have deleterious implications, as contemporary organizations are decreasing the reliance on formal authority, and organizational success is becoming increasingly dependent upon the effective development of leadership skills throughout the organization (Dundon & Pattakos, 2001; Snipes, 2006).

For the purpose of this study, informal leadership was defined as leadership carried out by individuals who do not possess formal authority or power within an organization but can influence and guide others based on the respect and credibility they possess (Peters & O’Connor, 2001). The influence of informal leadership is often overlooked, yet it can provide an advantage to organizational leaders (Avolio, 2007; Pescosolido, 2001). For example, in certain circumstances, followers may exert a greater influence over the leadership process than formal leaders because they are respected and perceived as credible (Chan & Chan, 2005; Harris, 2005). This influence allows a follower to serve as an informal leader, and collaboration and knowledge sharing with formal leaders can occur if trusting relationships are developed and maintained (Miles, 2007). Leading from behind allows individuals to use their unique skills, talents, and experience, and a stimulating environment that encourages collective action among followers will emerge (Hill, 2004; Schreiber & Carley, 2006).

Informal leadership is achieved through an individual’s competence, the organization’s culture and the specific requirements of the situation (Avolio, 2007; Bolt & Hagemann, 2009; Dundon & Pattakos, 2001; Farrell et al., 2005; Howatson-Jones, 2004; Leonard, 2003; Lopez-Zafra, Garcia-Retamero, & Augusto Landa, 2009; Masood, Dani, Burns, & Backhouse, 2006; Popper, 2004; Sharma & Kaur, 2008; Xenikou & Simosi, 2006). However, although the studies conducted provide important recommendations, they have not identified clearly the qualities that characterize informal leadership based on the perceptions and perspectives of individuals who have observed or experienced informal leadership.

Without an understanding of informal leadership qualities, organizational leaders cannot fully utilize their informal leaders. Thus, a deeper understanding of informal leadership qualities may improve efficiency and contribute to a formal leader’s ability to capitalize on informal leadership within the organization. Therefore, the present study utilized grounded theory to investigate informal leadership qualities from the perspective of small business employees and managers by asking a series of open-ended questions related to their perceptions of informal leadership. Two research questions were posited:
R1: What are the qualities that characterize informal leadership as perceived by employees and managers of small organizations in the Midwest?
R2: What theory describes the qualities informal leadership of small organizations in the Midwest?

METHOD

Design Appropriateness
This study sought to discover the qualities that contribute to the emergence and effectiveness of informal leadership based on the perceptions and perspectives of individuals who have observed informal leadership in practice. A qualitative research method helps to develop a new understanding of phenomena from the perspective of participants and may lead to the discovery of new information that will contribute to the body of knowledge (Corbin & Strauss, 2008). Qualitative research provides an understanding of the environment surrounding the problem that can be overlooked by quantitative studies (Karami, Rowley, & Analoui, 2006). According to Vishnevsky and Beanlands (2004), qualitative research method is appropriate for the study of experiences and perspectives of participants.

Grounded theory creates meaning through the process of collecting data, analyzing the data, and modeling a theory based on the analysis (Ghezeljeh & Emami, 2009). This design permits the exploration of qualities that characterize informal leadership based on the experiences and perceptions of employees and managers of small businesses. It also serves as a means to develop new theory through gathering and analyzing data from different points of view (Corbin & Strauss, 2008; Creswell, 2008).
Participants
Three small businesses in a large Midwest city that employed less than 150 people participated. Between 15 and 20 employees and managers from each organization were invited to take part in the study based on organizational approval. Participants were those who cited that they had experienced or observed informal leadership as it was defined in an introductory letter. A total of 28 employees and 13 managers completed the questionnaire.

With respect to age (years), 9 were between 18 to 25, 14 between 30 to 39, 8 between 40 to 49, 6 between 50 to 59, and 4 indicated that they were 60 or over. Twelve participants were female and 29 were male. Nine listed their education level as high school or less, 13 had acquired an associate’s degree, 11 had a bachelor’s degree, 7 had completed a master’s degree, and 1 chose not to respond.

Instrument
Participants were asked to complete a questionnaire consisting of four demographic and nine open-ended questions. The study was designed to generate truthful opinions from participants for the development of a grounded theory about the perceptions of informal leadership qualities. Questions were piloted with four employees from a small organization not included in the main study who had observed or experienced informal leadership. These participants were asked to complete both the study questions and some additional questions inquiring about its readability, understandability, and appropriateness.

The refined questionnaire was prefaced with an explanation of the purpose of the study as well as a definition of informal leadership. Participants were asked to respond to nine questions regarding their perceptions of informal leadership including: (a) “How would you describe an informal leader?”, (b) “How would you define informal leadership?”, (c) “What are some of the personal characteristics that you have observed that contribute to the ability of an informal leader to influence others?”, (d) “In what type of situations might an informal leader emerge?”, (e) “Are there informal leadership skills that emerge based on these specific situations?”, (f) “From your perspective, how important is the role that informal leadership plays in organizations?”, (g) “When are informal leaders most effective?”, (h) “How would you compare the influence of formal leaders to that of informal leaders?”, and (i) “How can organizations encourage informal leaders to participate in the leadership of the organization?”

Procedure
Following IRB approval, participants in the study were asked to complete the survey. Three companies from three different industries were selected for participation. Signed approval was obtained from the appropriate individual from each organization to approach employees for participation in the study through company e-mail. An introductory letter which described the research study, process, and expectations associated with participation in the study was sent by e-mail to employees and managers of participating organizations. An informed consent request accompanied the introductory letter asking interested participants to sign and return it if they agreed to participate in the study. Once consent had been received, questionnaires were distributed through an e-mail containing a Survey Monkey link to consenting participants. A reminder e-mail was sent after three working days.

Data Validity and Analysis
Questionnaire responses were coded using NVivo, analyzed for themes, interpreted, reflected upon, and compared to the available literature (Neuman, 2003). Analysis of data requires questioning and comparing the data to develop concepts that can be used to identify context, determine process, and evaluate theoretical integration (Corbin & Strauss, 2008). Specifically, each question represented a node, and each node was explored and coded to identify emerging themes. Each node was also queried for word frequency, which allowed for query coded keywords from each node and identified themes. Themes were identified by reviewing the frequencies of the keywords that emerged from analysis of the questionnaire responses.

The nature of a grounded theory study allows data to be acquired that represents multiple perspectives of an experience (Corbin & Strauss, 2008). Analysis of the data was flexible to facilitate the interpretation of the perceptions of informal leadership and was grounded in the data acquired from participant responses to the questionnaire. The results from employee questionnaires and manager questionnaires were triangulated with a review of the available literature to identify informal leadership qualities.
RESULTS
Findings were based on responses to each question where each question represented a node, and nodes were explored and coded to identify emerging themes. Each node was queried for word frequency. The query coded keywords from each node and identified themes which were identified by reviewing the frequencies of the keywords that emerged from analysis of the questionnaire responses. Keywords from participant responses were separated by position (employee; manager) prior to analysis. Emerging themes were individual competence, organizational culture, and situational requirements. In addition, sub-themes emerged for each main theme. Individual competence sub-themes were: (a) confidence, (b) ability, (c) knowledge, (d) willingness, (e) example, and (f) influence. Organizational culture sub-themes were: (a) encouragement, (b) ideas, (c) asking, and (d) opportunities. Situational requirements sub-themes were: (a) ability, (b) organization, (c) skills, (d) goals, (e) effectiveness, (f) company, and (g) team.

Employees who participated in the study perceived qualities that characterize informal leadership as confidence, communication, willingness, positive attitude, knowledge, and organization. Furthermore, they emphasized the importance of ability, decisiveness, willingness to lead, the ability to prioritize, good communication, the ability to achieve goals, respect, situational requirements, every day involvement, trust, and being in touch with other employees.

Managers perceived qualities that characterize informal leadership to include the ability to motivate in a group setting, ability, example, and influence. Also emphasized were skill level, necessity, influence, and respect. Opportunity, encouragement, and organizational culture were perceived to contribute to the ability of informal leadership to be effective, but knowledge, skills, and ability were perceived as the key qualities of informal leaders.

The ability to influence was also found to be an important characteristic of informal leadership. Ability, knowledge, and confidence contribute to the influence an informal leader can exert on others. Analysis revealed that skills, knowledge, and working in a team environment encourage the emergence of informal leadership. However, the amount of influence informal leadership can exert within the organization was moderated by encouragement, organizational culture, opportunities, and influence. Furthermore, confidence, ability, knowledge, willingness to lead, being a good example, the ability to influence, offering encouragement, sharing ideas, asking for input, being offered opportunities, support from the organization, skills, goals, effectiveness, company culture, and team participation were qualities found to characterize informal leadership.

DISCUSSION
The purpose of this study was to identify the qualities that characterize informal leadership in small organizations and to develop a grounded theory regarding qualities that characterize informal leadership. Informal leadership is defined as members of a self-managed team who take responsibility for the work of the team and informally share in the leadership of the team (Carte, Chidambaram, & Becker, 2006). It develops as a group consensus and gains support as relationships develop (Howatson-Jones, 2004).

Results indicate that employees and managers of small organizations perceive confidence, ability, knowledge, willingness to lead, being a good example, the ability to influence, offering encouragement, sharing ideas, asking for input, being offered opportunities, support from the organization, skills, goals, effectiveness, company culture, and team participation as qualities that characterize informal leadership.

Findings support those of Peters and O’Connor (2001), who suggested that informal leaders can guide and influence others because of the credibility and respect they possess without formal authority. Furthermore, they are recognized as a leader by exhibiting authentic leadership and are able to build relationships (Howatson-Jones, 2004; Pielstick, 2001). Employees in the present study described an informal leader as one who does not hold a formal title, is a member of a group, and has a natural ability. Managers described an informal leader similarly as one who works in a group and does not hold a formal title, but considered an informal leader as one who leads by example.

Themes of individual competence, organizational culture, and situational requirements were derived from the data based on the general theoretical framework of leadership found through a review of the available peer-reviewed literature. Each theme is discussed in light of current research.
THEME OF INDIVIDUAL COMPETENCE

Commitment, communication, ability, knowledge, willingness, and influence were found to contribute to the emergence of informal leadership. Informal leaders possess the respect and credibility that allows them to influence and guide others within an organization without formal authority or power (Peters & O’Connor, 2001). Masood and colleagues (2006) explained that any individual in an organization can influence others regardless of position or authority. An employee’s commitment to the shared values and goals of the organization contributes to his or her willingness to collaborate with others in the organization. Commitment to shared values and goals results in motivating the employee to act based on the best interest of the organization (Collier & Esteban, 2007).

Our findings support the five factors that contribute to leadership as proposed by Bolt and Hagemann (2009). First, a proven record of strong performance and demonstrated results contributes to leadership ability. Second, leaders possess a strong interpersonal aptitude. Third, effective written and verbal communication skills are required, and fourth, leaders take on increasing responsibilities and accept new challenges. Finally, effective leaders are able to develop and implement a clear vision.

Popper (2004) emphasized the importance of building of trusting relationships as a means of influencing others. Charismatic leaders are able to develop relationships based on trust and commitment (Barbuto, 2005). Successful transformational leadership is based on the leader’s ability to develop positive and trusting relationships with followers (Boerner, Eisenbeiss, & Griesser, 2007).

Followers trust and respect transformational leaders who must possess self-confidence. However, respect is based on the behaviors, abilities, and attributes of an individual (Chan & Chan, 2005; Glover & Hannum, 2008). The present study noted that competence stems from an informal leader’s ability and knowledge, but also that knowledge and ability must be communicated in a committed way. Simply possessing the ability and knowledge to perform a specific task or tell others how to accomplish it is insufficient. Rather, a willingness to demonstrate that competence is necessary to be recognized as an informal leader.

THEME OF ORGANIZATIONAL CULTURE

Results from the study show encouragement, sharing ideas, and opportunity contribute to the amount of influence informal leadership can exert within the organizational culture. Xenikou and Simosi (2006) emphasized the human side of the organization which values cooperation, teamwork, self-actualization, empowerment, development of individual potential, participation, relationships, and social support. Furthermore, as supported by this study, an environment that encourages collaboration is one component of a high-performing culture. Individuals encouraged to participate can bring critical skills together from throughout the organization (Wriston, 2007). Dundon and Pattakos (2001) explained that the development of an organizational culture that respects employees and supports collaboration improves the innovative ability of the organization. Thus, the development of informal leadership within an organization can assist in this process.

Although an opportunity for informal leaders to contribute can yield positive results, it is important that formal leaders foster an environment where making mistakes are accepted if it eventually leads to progress. Motivating individuals to pursue continual growth must be permitted (Orme, 2009), and recognition that this might result in successes and failures needs to be recognized.

Hill (2004) emphasized the importance of developing an organizational culture that provides individuals the opportunity to use their unique skills, talents, and experience. According to Bass, Jung, Avolio, and Berson, (2003), employee empowerment demonstrates to followers that leaders view them as competent, that their work has an impact, and that their role has meaning. The present study found that both employees and managers understood the importance of informal leaders in accomplishing such goals, and informal leaders provided a link between formal leaders and employees in bringing people and ideas together toward the good of the company.
THEME OF SITUATIONAL REQUIREMENTS

Keywords associated with situational requirements included ability, skills, goals, and effective when discussing informal leadership. Zaccaro (2007) stated that current situational requirements of the organization are often linked to the emergence of a leader. Well-educated individuals in the workforce desire to participate in the leadership of the organization and in the decision-making process, but organizations must develop a less hierarchical structure in which leadership is shared throughout the organization. Shared leadership encourages all members to participate in the leadership process (Pearce, 2004). Organizations have begun replacing top down leadership structures with structures that place the responsibility for leading the organization on teams of individuals throughout the organization. Thus, informal leaders may have a greater influence over the process of leadership than individuals in formal leadership positions. This is important, as it was recognized that informal leaders were perceived to have the situational needs to accomplish tasks effectively.

Situational requirements often require a different type of leader who possesses specific skills, knowledge, and experience (Howatson-Jones, 2004). Two types of leadership emerge from situational requirements. One leader is characterized as an enabler and creates a stimulating environment that encourages collective action. The other leader, considered to be adaptive, achieves collective action through the harnessing of independent interactions (Schreiber & Carley, 2006). The informal leader, based on the present findings, would be considered an adaptive leader, as they were perceived to emerge throughout the organization and from anywhere within the informal network in order to meet the demands of a situation.

LIMITATIONS & FUTURE RESEARCH

According to Hearda-Rapp (1998), failing to recognize the impact of the informal aspect of leadership has resulted in a narrowly defined understanding of the true leadership process. The findings from the current study and literature review indicate the need for further research regarding the qualities that characterize informal leadership and the impact that informal leadership has on organizations. Our findings should be considered in light of several limitations. Exploring the responses of participants with the use of the software identified the frequency in which specific words were used, but does not analyze phrases or the context of statements. Thus, the lack of the ability of the software to deduce context may have led to the identification of some words out of context. In addition, participants completing the survey did so using a pre-designed online survey that, while open for extensive comments, may have been limiting in its online nature. Thus, a qualitative study that uses interviews or focus groups may elicit a richer, deeper content. Future research may wish to consider a phenomenological design that draws out themes using experts rather than software.

The current grounded theory study involved a small cross-section of participants from three small organizations in the Midwest. Results derived from a study of informal leadership may be influenced by many variables, and further research into how the results may vary based on type of business, mix of participant gender, and mix of white and blue-collar workers is recommended. Expanding the study to include participants from larger organizations and from other geographic areas is suggested, as obtaining additional perspectives from different organizational environments may provide an increased understanding of the qualities that characterize informal leadership. Further research may provide information to further refine the theory of informal leadership developed from the results of our study.

CONCLUSION

Findings from the study assist in understanding the perceived qualities of informal leadership in small organizations. The significance of the findings to leadership may lead to improvements in organizational culture that encourage the emergence of informal leadership and the contribution of informal leaders. Leaders’ knowledge of the perception of informal leadership from the perspective of employees and managers may benefit leaders, employees, and organizations. Further, an increased understanding of informal leadership and factors that influence informal leadership may contribute to determining ways to improve the contribution that informal leaders can make in organizations. Findings may also provide leaders with an outline for developing leaders, creating a culture, and recognizing situational requirements that might allow the organization to benefit from informal leadership. Many of the qualities identified in the study may apply to both formal and informal leadership. The significant difference between these two forms of leadership is that formal leadership often exerts influence through the use of authority while informal leadership influences others through the building of relationships and gaining of respect.
REFERENCES


