



TECHNISCHE UNIVERSITÄT MÜNCHEN

Fakultät für Wirtschaftswissenschaften

Lehrstuhl für Strategie und Organisation

**Leadership in the 21st Century: The Digital Transformation,
Organizational Hierarchies and Networks**

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Vollständiger Abdruck der von der Fakultät für Wirtschaftswissenschaften der Technischen Universität München zur Erlangung des akademischen Grades eines Doktors der Wirtschaftswissenschaften (Dr. rer. pol.) genehmigten Dissertation.

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Die Dissertation wurde am 15.12.2016 bei der Technischen Universität München eingereicht und durch die Fakultät für Wirtschaftswissenschaften am 15.04.2017 angenommen.

Acknowledgments

Over the course of writing this dissertation many people have supported me and I would like to take the opportunity to thank them in the following lines. First of all, I want to express my sincerest gratitude to Prof. Dr. Isabell M. Welpé, my supervisor on this thesis. I am highly grateful for her academic and personal support, her enthusiasm about a wide range of topics, for giving me the freedom to do research on topics that I care about, and for providing me with great opportunities that I would not have gotten elsewhere. Moreover, I would like to thank Prof. Dr. Matthias Spörrle for his wise comments on my work as well as for providing me with his tremendous methodological expertise (and keen-witted jokes). I am also extremely grateful to Dr. Prisca Brosi—for her endless patience, for supporting me in all steps of the research process, for her valuable comments on my manuscripts and for her genuine consideration.

I would also like to thank Prof. Dr. Alwine Mohnen and Prof. Dr. Stephan Kaiser for serving as my second and third advisors as well as Prof. Dr. Nicola Breugst for acting as chairperson of the examination board for this thesis.

I am likewise grateful to my colleagues at the Chair for Strategy and Organization for allowing me to work in such a dynamic and engaged team. Particularly, I would like to thank Lisa Ritzenhöfer, Gesche Drescher, Stefanie Ringelhan, Wiebke Wendler and Laura Graf—it was a pleasure to collaborate, travel and chat with you.

Words can't tell how grateful I am for my wonderful family and friends. I would like to especially thank my parents—for their continuous, loving care, for encouraging me countless times, for constantly stressing the value of a good education and for providing me with the opportunity to achieve my goals. Despite being grateful to all of my friends, I would like to say thank you to some of them in person: To Denise, for remaining on my side since our earliest days of childhood and for constantly encouraging me; to Christine, for cheering

me up with her entertaining company and smart humor; to Tobi, for being such a great person and enriching my spare time with brilliant concerts and conversations; and to Verena, for inspiring my thinking and broadening the way in which I look upon my life.

Finally, I can hardly put into words how grateful I am to you, Andreas: Thank you for your love, your patience, for widening my horizon, for encouraging and for calming me, for sharing my goals and values in life, for travelling with me to the most magnificent places and for simply being yourself. I am so glad to be with you.

Danksagung

Eine Vielzahl von Personen haben mich während des Verfassens meiner Dissertation unterstützt, und ich möchte die Gelegenheit nutzen, diesen hiermit meinen Dank auszudrücken. Zunächst einmal gilt mein aufrichtiger Dank meiner Dissertationsbetreuerin, Prof. Dr. Isabell M. Welp. Ich bin ihr überaus dankbar für ihre Unterstützung in akademischer wie persönlicher Hinsicht, für ihre Begeisterung im Hinblick auf eine Vielzahl von Themen, dafür, dass sie mir die Freiheit gegeben hat, Themen zu beforschen, die mir persönlich wichtig sind, und dafür, dass sie mir großartige Möglichkeiten eröffnet hat, die ich an anderer Stelle nicht bekommen hätte. Darüber hinaus möchte ich Prof. Dr. Matthias Spörrle für seine klugen Anmerkungen zu meiner Arbeit danken sowie dafür, dass er seine enorme methodische Expertise mit mir geteilt (und mich mit seinen scharfsinnigen Witzen unterhalten) hat. Besonders dankbar bin ich auch Dr. Prisca Brosi – für ihre grenzenlose Geduld, für ihre Unterstützung in allen Schritten des Forschungsprozesses, für ihre wertvollen Anmerkungen zu meinen Manuskripten und für ihr aufrichtiges Interesse an meiner Person.

Ich möchte auch Prof. Dr. Alwine Mohnen und Prof. Dr. Stephan Kaiser danken, dass sie als Zweit- und Drittgutachter dieser Arbeit fungieren, ebenso wie Prof. Dr. Nicola Breugst für die Übernahme des Vorsitzes meiner Prüfungskommission.

Ich bin auch meinen KollegInnen am Lehrstuhl für Strategie und Organisation dankbar, dass sie es mir ermöglicht haben, in einem so dynamischen und engagierten Team zu arbeiten. Besonders möchte ich hierbei Lisa Ritzenhöfer, Gesche Drescher, Stefanie Ringelhan, Wiebke Wendler und Laura Graf danken – es war mir ein Vergnügen, mich Euch zu arbeiten, zu reisen und mich mit Euch auszutauschen.

Es ist schwer in Worte zu fassen, wie dankbar ich für meine wunderbare Familie und meine Freunde bin. Ich möchte hierbei besonders meinen Eltern danken – für ihre ununterbrochene, liebevolle Unterstützung, dafür, dass sie mich unzählige Male ermutigt, von

jeher den Wert einer guten Ausbildung betont und mir die Möglichkeit gegeben haben, meine Ziele zu erreichen. Natürlich bin ich all meinen Freunden dankbar, einigen von ihnen möchte ich jedoch persönlich danken: Denise, dafür dass sie mir seit frühesten Kindheitstagen treu zur Seite steht und mich immer wieder ermutigt hat; Christine, die mich mit ihrer unterhaltsamen Gesellschaft und ihrem klugen Witz erheitert; Tobi, dafür dass er eine so tolle Person ist und meine Freizeit mit hervorragenden Konzerten und Gesprächen bereichert; und Verena, dafür dass sie mich inspiriert und meine Perspektive auf mein Leben erweitert.

Zu guter Letzt kann ich Dir, Andreas, gar nicht oft genug sagen, wie dankbar ich Dir bin: Danke für Deine Liebe und Deine Geduld, dafür, dass Du meinen Horizont erweitert, mich ermutigt und beruhigt hast, meine Ziele und Werte im Leben teilst, mit mir an die wundervollsten Orte reist, und dafür, dass Du bist, wie Du bist. Ich bin so froh, dass ich Dich habe.

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Abstract

This thesis contributes to our understanding of leadership in the 21st century by analyzing three central developments that leaders are currently facing: The digital transformation, changes in organizational hierarchies as well as an increased importance of organizational networks. It sheds further light on these topics in four empirical chapters.

Employing a qualitative expert survey, the *first empirical chapter* integrates the so far fragmented literature by developing an overarching model of the changes in work design and leadership resulting from digital transformation. Results suggest that these changes can be categorized into six different domains: Work-life and health, information and communication technology, performance and talent management, organizational hierarchies, macro-level work structure and relationship-oriented leadership. Moreover, the identified changes in work design and leadership seem to be interrelated and act together in forming the digital workplace.

The next chapters address organizational hierarchies by analyzing the consequences of leaders' anger displays—i.e., of leaders showing influence behaviors that are more congruent with the hierarchical leadership styles of the past. Specifically, the *second empirical chapter* focuses on the effects of leaders' anger vs. sadness displays on leaders' perceived power bases and, thereby, its effects on leadership outcomes. By means of three experimental studies, the findings show that more position power is ascribed to angry than to sad leaders, while sad leaders are viewed as possessing more personal power than angry leaders. As position power bases are mostly unrelated or negatively related to leadership outcomes, whereas personal power bases relate positively to them, this chapter explains why previous research has shown that angry leaders achieve worse outcomes than sad leaders despite their higher overall level of power. *The third empirical chapter* assesses the effects of leaders' anger intensity on followers' affective and behavioral reactions. In two critical incident studies, this chapter

shows that leaders' anger intensity positively relates to followers' anger, which in turn increases followers' dysfunctional reactions. In addition, leaders' anger intensity also positively affects followers' anxiety, which increases followers' functional reactions. Thus, these results provide evidence that both dysfunctional and functional follower reactions may increase when leaders' anger displays intensify and, therefore, point to followers' affective reactions as an explanatory mechanism for these seemingly contradictory findings.

The fourth empirical chapter analyzes the leadership of organizational networks by focusing on the effects of stakeholder management on (potential) investors' investment intentions in a company. The experimental vignette study shows that investors consider the assumed costs of fulfilling non-shareholding stakeholders' interests and the perceived sustainability of doing so for corporate success when making investment decisions. In cases of low costs or high sustainability, participants are more willing to invest in a company that favors non-shareholding over shareholding stakeholders, while the opposite is true in cases of high costs or low sustainability. Analyzing stakeholder management from individual investors' point of view, this chapter hence provides a new perspective on the so far largely manager-focused stakeholder theory.

Taken together, this thesis contributes to contemporary leadership theories by providing a systematic framework for the changes resulting from digital transformation, by demonstrating the effects of leaders' anger displays on organizational hierarchies and by pointing to the importance of leading organizational networks via stakeholder management.

Kurzfassung (German abstract)

Diese Dissertation trägt zu einem besseren Verständnis von Führung im 21. Jahrhundert bei, indem sie drei zentrale Entwicklungen analysiert, mit denen Führungskräfte aktuell konfrontiert sind: Die digitale Transformation, Veränderungen in organisationalen Hierarchien sowie die zunehmende Bedeutung von organisationalen Netzwerken. Diese Entwicklungen werden im Rahmen von vier empirischen Kapiteln näher beleuchtet.

Mittels einer qualitativen Expertenbefragung integriert das *erste empirische Kapitel* die aktuell noch fragmentierte Literatur, indem sie ein übergeordnetes Modell für die Veränderungen von Arbeit und Führung durch die digitale Transformation entwickelt. Die Ergebnisse der in diesem Kapitel dargestellten Studie zeigen, dass diese Veränderungen in sechs verschiedene Kategorien eingeordnet werden können: Verhältnis zwischen Privat- und Berufsleben sowie Gesundheit, Informations- und Kommunikationstechnologien, Leistungs- und Talentmanagement, organisationale Hierarchien, übergeordnete Struktur der Arbeit sowie beziehungsorientierte Führung. Darüber hinaus scheinen die identifizierten Veränderungen von Arbeit und Führung miteinander in Beziehung zu stehen, so dass sie bei der Gestaltung der digitalen Arbeitswelt zusammenwirken.

Die folgenden Kapitel beschäftigen sich mit organisationalen Hierarchien, indem sie näher beleuchten, welche Konsequenzen es mit sich bringt, wenn Führungskräfte Ärger zeigen – also Einflussverhalten, das eher zu den hierarchischen Führungsstilen der Vergangenheit passt. Das zweite empirische Kapitel fokussiert dabei darauf, wie sich Ärger- / Trauerausdrücke von Führungskräften auf deren wahrgenommene Machtarten und dadurch auf Führungsergebnisse auswirken. Anhand von drei experimentellen Studien zeigt dieses Kapitel, dass man ärgerlichen Führungskräften mehr Positionsmacht zuschreibt als traurigen Führungskräften, während man traurigen Führungskräften mehr persönliche Macht beimisst als ärgerlichen. Da Positionsmacht sich in der Regel nicht oder sogar negativ auf

Führungsergebnisse auswirkt, während persönliche Macht diese positiv beeinflusst, liefert dieses Kapitel eine Erklärung dafür, warum ärgerliche Führungskräfte schlechtere Ergebnisse erzielen als traurige, obwohl sie insgesamt mehr Macht besitzen. Das *dritte empirische Kapitel* beschäftigt sich damit, wie sich die Stärke des Ärgerausdrucks der Führungskraft auf die affektiven und verhaltensbezogenen Reaktionen der Mitarbeiter auswirkt. Im Rahmen von zwei Studien, die auf kritischen Ereignissen am Arbeitsplatz basieren, zeigt dieses Kapitel, dass mit dem Ärger der Führungskraft auch der Ärger der Mitarbeiter ansteigt, was wiederum dysfunktionales Verhalten auf Seiten der Mitarbeiter verstärkt. Darüber hinaus steigt mit dem Ärger der Führungskraft auch die Angst der Mitarbeiter an, was zu mehr funktionalem Mitarbeiterverhalten führt. Diese Ergebnisse liefern somit Evidenz dafür, dass starke Ärgerausdrücke von Führungskräften sowohl zu mehr dysfunktionalem als auch mehr funktionalem Mitarbeiterverhalten führen. Zudem zeigen die Ergebnisse auf, dass die affektiven Reaktionen der Mitarbeiter eine Erklärung für diese scheinbar widersprüchlichen Ergebnisse darstellen können.

Das *vierte empirische Kapitel* analysiert schließlich die Führung von organisationalen Netzwerken, indem es untersucht, wie sich das Stakeholder Management eines Unternehmens auf die Investmentabsichten von (potentiellen) Investoren auswirkt. Die experimentelle Vignettenstudie zeigt, dass Investoren bei Investmententscheidungen Wert darauf legen, mit welchen Kosten es verbunden und wie nachhaltig es ist, sich um die Interessen von Stakeholdern zu kümmern, die keine Aktionäre sind. Bei niedrigen Kosten oder hoher Nachhaltigkeit sind Investoren eher bereit, in ein Unternehmen zu investieren, das die Interessen von Stakeholdern, die keine Aktionäre sind, höher priorisiert als die Interessen von Aktionären; genau das umgekehrte Muster ergibt sich, wenn die Kosten hoch sind oder die Nachhaltigkeit gering ist. Indem das vierte Kapitel Stakeholder Management aus der Perspektive individueller Investoren betrachtet, zeigt es eine neue Perspektive für die

Stakeholder-Theorie auf, die sich bislang vor allem auf den Blickwinkel der Unternehmensführung konzentriert hat.

Insgesamt betrachtet leistet diese Dissertation einen Beitrag zu zeitgenössischen Führungstheorien, indem sie ein systematisches theoretisches Modell für die durch Digitalisierung entstehenden Veränderungen entwickelt, aufzeigt, wie sich der Ärgerausdruck von Führungskräften auf organisationale Hierarchien auswirkt, und demonstriert, welche Bedeutung die Führung organisationaler Netzwerke durch Stakeholder Management hat.

1 Introduction¹

1.1 Motivation and research questions

Digital technologies cause fundamental transformations in organizations. Not only do they disrupt business models and value creation—they also profoundly change the way in which organizational members work, communicate and collaborate: Applications such as cloud and mobile computing, big data analytics, knowledge-sharing platforms and corporate social networks have by now become reality in the majority of organizations (Cascio & Montealegre, 2016; Colbert, Yee, & George, 2016).

While around a decade ago, research has already recognized technology use as an important work characteristic (Morgeson & Humphrey, 2006), it has so far only seldomly considered *how exactly digital technologies affect the design of work*, i.e., the way in which employees work in organizations as well as the conditions under which they do so (Parker, Wall, & Cordery, 2001). Moreover, while a wide stream of research has concentrated on the leadership of virtual teams (Malhotra, Machjrzak, & Rosen, 2007), it has largely ignored the question *how digital technologies affect leadership in general* (Avolio, Sosak, Kahai, & Baker, 2014). Taken together, one can consider the literature on digital transformation, work design and leadership as highly fragmented and lacking a comprehensive, overarching framework (Avolio, Walumbwa, & Weber, 2009; Oldham & Hackman, 2010).

This lack of an overarching framework is unfortunate, taking into account that the effects of digital transformation on work design and leadership are assumed to be pervasive (Colbert et al., 2016) and likely to not only affect crucial organizational outcomes, such as employees' job satisfaction, job performance or innovative behavior (Humphrey, Nahrgang,

¹ This chapter is partly based on Schwarzmüller, Brosi, Duman, & Welp (2016), Schwarzmüller, Brosi, Spörrle, & Welp (2016), Schwarzmüller, Brosi, & Welp (2016) and Schwarzmüller, Brosi, Stelkens, Spörrle, & Welp (2016); see Appendix for full references

& Morgeson, 2007; Parker & Wall, 1998), but also the productivity and well-being of whole economies (Sinha & Van de Ven, 2005). Hence, the first goal of this thesis was to develop an overarching model of the changes in work design and, thereby, leadership due to digital transformation. By doing so, this thesis integrates the fragmented existing literature, provides a systematic framework for future research and answers the following research question:

Research question 1: How does digital transformation change work design and leadership?

Despite this dearth of research on the consequences of digital transformation (Cascio & Montealegre, 2016; Avolio et al., 2014), two developments presumably resulting for leadership from digital transformation are already discussed and shall therefore be analyzed in more detail throughout this thesis. The first development concerns *organizational hierarchies*. Research generally assumes that digital transformation will contribute to organizations becoming more knowledge-based (Sinha & Van de Ven, 2005), as especially jobs of low and middle complexity are likely to be automated (Cascio & Montealegre, 2016). This also means that employees, even those on lower hierarchical levels, will have to solve more problems on their own and take autonomous decisions (Morgeson & Campion, 2003; Parker et al., 2001), expanding their current roles in the organization (Dewett & Jones, 2001) and enhancing organizational democracy (Welp, Tumasjan, & Theurer, 2015). In reaction to this necessary empowerment of employees, leaders are generally expected to lead their followers in a more participatory (Avolio, Kahai, & Dodge, 2001) and less hierarchical way (Pfeffer, 2013).

However, what happens when leaders show *influence behaviors that are more congruent with the leader-centric and hierarchical leadership styles of the past*? In line with emergent theoretical perspectives on emotions as a means of interpersonal influence (Keltner & Haidt, 1999; Van Kleef, 2009, 2014; Van Knippenberg & Van Kleef, 2016), this thesis tries to answer this question by focusing on the effects of leaders' anger displays on leadership

outcomes. Being more in line with classical, hierarchical approaches to leadership (Clark, Pataki, & Carver, 1996; Knutson, 2000), anger displays have generally been considered as an effective tool to increase leaders' perceived power in the eyes of others, especially compared to displays of sadness (Tiedens, 2001; Tiedens, Ellsworth, & Mesquita, 2000). Interestingly, however, leaders seem to achieve better outcomes, such as higher perceived effectiveness and better relationships with their followers, when they display sadness instead of anger (Madera & Smith, 2009; Schaubroeck & Shao, 2012). This thesis aims to solve this apparent contradiction in the literature by considering the *specific power bases* (French & Raven, 1959) ascribed to angry vs. sad leaders as a potential mediating mechanism in this relationship. Next to reconciling previously inconsistent findings, it thereby elucidates the foundation on which angry vs. sad leaders' influence over followers is built and answers the following research question:

Research question 2: How do leaders' anger vs. sadness displays affect leaders' perceived power bases and thereby leadership outcomes?

Still focusing on hierarchies in organizations, this thesis continues to analyze the influence of leaders' anger displays in more detail. While anger displays obviously constitute a mechanism of social influence (Fitness, 2000; Parrott, 1993), the success of anger displays seems to depend crucially on the intensity with which they are expressed (Geddes & Callister, 2007). On the one hand, research suggests that dysfunctional reactions, such as deviant behaviors, by followers increase with the intensity of leaders' anger displays (Geddes & Stickney, 2011; Gibson, Schweitzer, Callister, & Gray, 2009). On the other hand, research has recently started to question the assumption that intense anger displays only lead to dysfunctional consequences for leaders (Gibson & Callister, 2010) and suggested that high-intensity anger displays may also increase functional follower reactions, such as higher work effort (Lindebaum, Jordan, & Morris, 2016). Striving to reconcile this inconsistency in the

literature, this thesis draws on the theoretical concepts of reciprocal and complementary emotions (Hatfield, Cacioppo, & Rapson, 1994; Morris & Keltner, 2000) and suggests followers' affective reactions of anger and anxiety as potential explanatory mechanisms in the relationship between the intensity of leaders' anger displays and followers' (dys)functional reactions. By doing so, this thesis contributes to our knowledge on the interpersonal consequences of anger displays and outlines why leaders might be tempted to use intense anger displays as a strategic influence behavior (Lindebaum & Fielden, 2011; Lindebaum et al., 2016) despite their likewise resulting negative consequences. Moreover, this thesis answers the following research question:

Research question 3: How does the intensity of leaders' anger displays affect followers' functional and dysfunctional behavior?

So far, this thesis has concentrated on digital transformation and hierarchical influence processes in organizations. Yet, digital transformation does not only affect organizational hierarchies. Instead, the literature suggests that it also leads to an *increased importance of managing organizational networks*: Digital transformation seems to increase environmental pressures on organizations as it causes a higher volatility of markets, a stronger globalization of business and more uncertainty, with constantly new competitors and completely new business models emerging (Barkema, Baum, & Mannix, 2002; Bharadwaj, El Sawy, Pavlou, & Venkatraman, 2013; Schmidt & Cohen, 2013). Therefore, it has been argued that organizations need strong networks, i.e., a strong integration of all of their stakeholders (such as customers, suppliers, etc.), to be able to still create sufficient innovation (Harrison, Bosse, & Philipps, 2010), deal with unexpected events (Bridoux & Stoelhorst, 2014; Barringer & Harrison 2000) and, ultimately, to remain competitive (Freeman, Harrison, Wicks, Parmar, & de Colle, 2010; Parmigiani & Rivera-Santos, 2011; Sinha & Van de Ven, 2005; Zott, Amit, & Massa, 2011).

Stakeholder theory (Freeman, 1984; Laplume, Sonpar & Litz, 2008) suggests that organizations can create strong networks by managing the interests of all of their stakeholders, i.e., of “any group or individual who can affect or is affected by the achievement of the organization’s objectives” (Freeman, 1984, p. 46). Yet, stakeholder management is a rather challenging task for leaders since the interests and goals of different stakeholder groups are often in conflict with each other (Provan, Fish, & Sydow, 2007). Conflicts especially arise between shareholding and non-shareholding stakeholders (Donaldson & Preston, 1995). A wealth of research has already analyzed how managers deal with such competing stakeholder demands (e.g., Adams, Licht, & Sagiv, 2011; Mitchell, Agle, & Wood, 1997). In contrast, there is a decisive research gap regarding the question of how (potential) investors react to companies’ decisions in favor of non-shareholding or shareholding stakeholders’ interests (Hillenbrand, Money, & Ghobadian, 2013). Therefore, this thesis analyzes (potential) investors’ reactions to corporate stakeholder management by focusing on boundary conditions (i.e., assumed costs and perceived sustainability) that might influence whether investors prefer decisions in favor of shareholding or non-shareholding stakeholders. By doing so, this thesis contributes to developing a more inclusive stakeholder theory, provides leaders with evidence on how to effectively manage corporate stakeholder networks and gives an answer to the following research question:

Research question 4: How does companies’ stakeholder management affect (potential) investors’ investment intentions?

Taken together, this thesis makes several important contributions to the literature on leadership in the 21st century. It is one of the first to engage in *theory-building with regard to the implications of digital transformation on leadership in contemporary organizations* (Avolio et al., 2014; Cascio & Montealegre, 2016), providing a systematic basis for future research in this domain. Also taking changes in work design into account, it identifies central

challenges for employees that require actions on part of leaders and thereby helps to uncover the interrelations between work design and leadership, a domain that has been insufficiently covered by previous research (Oldham & Hackman, 2010).

In addition, this thesis adds to the literature on *organizational hierarchies* (Pfeffer, 2013; Sturm & Antonakis, 2015) by outlining how leaders' anger displays can shape interpersonal influence processes in organizations. Analyzing both followers' inferential (perceptions of leaders' power bases) and affective reactions (anger and anxiety) to leaders' anger displays, this thesis also extends the Emotions as Social Information model (Van Kleef, 2009, 2014) by showing that not all affective reactions lead to dysfunctional, and all inferential reactions lead to functional outcomes, as so far assumed in this model.

Finally, this thesis broadens the literature on the *leadership of organizational networks* by adding an important, yet so far largely neglected perspective to stakeholder theory (Freeman, 1984; Laplume et al., 2008)—that of organizations' (potential) investors (Aguinis & Glavas, 2012; Hillenbrand et al., 2013). Moreover, it provides evidence for Enlightened Stakeholder Theory (Jensen, 2002), which has proclaimed that leaders should make trade-offs between different stakeholders' interests based on long-term firm value enhancement, but also extends this theory by pointing to the additional importance of stakeholder management's assumed costs.

1.2 Theoretical background and core concepts

To answer the research questions outlined above, this thesis draws on different perspectives and concepts, which will be outlined in the following. Providing a theoretical background for this thesis, I will review the most important implications of digital transformation for work design and leadership before introducing theoretical perspectives that define emotions as a mechanism of interpersonal influence, and, thereby, of organizational

hierarchy formation. Finally, I will present the concept of stakeholder management as a way of leading organizational networks.

1.2.1 Digital transformation and its effect on work design and leadership

Digital technologies have a profound effect on work design and leadership in organizations (Grant & Parker, 2009; Avolio et al., 2009). Employees and leaders nowadays frequently communicate via new media, such as instant messaging, social networks and videoconferencing, while collaborative work management tools and shared documents allow considerably altered forms of cooperation, both within and between organizations (Bailey, Leonardi, & Barley, 2012; Colbert et al., 2016). The existence of mobile devices and cloud computing allows employees to access their work from anywhere and at any time, and a range of occupational groups (e.g., surgeons, architects and engineers) are already assisted by augmented reality tools (Cascio & Montealegre, 2016). Decision making in organizations is likewise more and more supported by digital technologies, for example by big data analytics as well as the use of simulations and management information systems, all of which oftentimes lead to the development of completely new business models (Van Knippenberg, Dahlander, Haas, & George, 2016). The application of these technological developments in organizations is usually captured under the umbrella term *digital transformation*, which is defined as “the use of new digital technologies (social media, mobile, analytics or embedded devices) to enable major business improvements” (Fitzgerald, Kruschwitz, Bonnet, & Welch, 2014, p. 2).

The research so far conducted in the domain of digital transformation has typically focused on analyzing separate aspects of digital work design and leadership. A wealth of studies has for example studied the implications of teleworking (Gajendran & Harrison, 2007; Golden, Veiga, & Dino, 2008; Golden, Veiga, & Simsek, 2006) and of being digitally connected to work when at home (Boswell & Olson-Buchanan, 2007; Reyt & Wiesenfeld,

2015). Research in the domain of digital transformation and leadership has focused mainly on e-leadership, which is defined as leading via information technologies (Avolio et al., 2009, 2014), and the related domain of leading virtual teams, i.e., teams that are globally dispersed, but working on related tasks via virtual media (Malhotra et al., 2007; Hoch & Kozlowski, 2014). Chapter 2 of this thesis will try to integrate these diverse research streams by developing an overarching model of the changes in work design and leadership due to digital transformation.

1.2.2 Leader emotion displays and organizational hierarchies

Chapters 3 and 4 of this thesis assess how leaders' emotion displays shape organizational hierarchies. Emotions are generally considered to be omnipresent in organizations (Barsade & Gibson, 2007). Organizational members are constantly confronted with "affective events" triggering emotions in them (Weiss & Cropanzano, 1996), such as when feeling pride in the face of success (Frijda, 1988) or anger when own goals are thwarted by competitors (Clore & Ortony, 1991). For a long time, research has focused solely on emotions' *intrapersonal* effects (Keltner & Haidt, 1999), i.e., their effects on the thoughts, feelings and behavior of the emotion experiencing person him- or herself. More recently, however, research has realized that emotions also come with *interpersonal* effects, i.e., that they affect the cognition, affect and behavior of other persons (Hareli & Rafaeli, 2008; Van Kleef, 2009). Via these interpersonal effects, emotions are assumed to regulate social interactions in organizations (Niedenthal & Brauer, 2012; Van Kleef, Homan, & Cheshin, 2012).

This thesis draws extensively on the Emotions as Social Information (EASI) model (Van Kleef, 2009, 2014), which proclaims that emotion displays provide valuable information about the emotion displaying person and the current situation to observers. This information, in turn, is assumed to influence observers' behavior. Effects on observers' behavior are

mediated via two different information pathways: Observers' inferential and affective reactions. *Inferential reactions* refer to the fact that observers may reflect on the reasons that caused the other person to feel certain emotions. In line with appraisal theories of emotion (Clore & Ortony, 2000; Frijda, Kuipers, & ter Schure, 1989; Smith & Ellsworth, 1985), followers confronted with an angry leader may for example conclude that the leader is angry because of their own insufficient performance (Fitness, 2000), which may then influence followers' behavior by causing them to apologize (Van Kleef, 2009). On the other hand, emotion displays may also inform observers' behavior via influencing their *affective reactions*, that is, by causing reciprocal (i.e., the same) or complementary (i.e., different, but directly responding) emotions in them (Keltner & Kring, 1998). Followers confronted with leaders' anger may for example come to feel the complementary emotion of anxiety, which may then lead them to work harder (see Chapter 4 of this thesis for empirical evidence on this notion).

Taken together, one can hence consider emotion displays as “powerful tools of social influence” (Koning & Van Kleef, 2015, p. 2), and indeed, a lot of empirical studies have provided evidence for the effects of *leaders' emotion displays on followers' behavior* (e.g., Chi & Ho, 2014; George & Bettenhausen, 1990; Johnson & Connelly, 2014; Sy, Coté, & Saavedra, 2005; Van Kleef, Homan, Beersma, Van Knippenberg, Van Knippenberg, & Damen, 2009; Van Kleef, Homan, Beersma, & Van Knippenberg, 2010). In addition, emotion displays also seem to directly affect a person's *hierarchical position within the organization*, with those individuals displaying anger or pride being seen as consistently more powerful and also being provided with higher status positions than those individuals displaying sadness or guilt (Shariff & Tracy, 2009; Tiedens, 2001; Tiedens et al., 2000). Finally, leaders may even *use emotion displays strategically to exert influence* over their followers, e.g., by displaying anger to intimidate them (Fitness, 2000; Parrott, 1993).

This thesis analyzes the effects of leaders' emotion displays on organizational hierarchies by taking both the inferential and the affective pathways of the Emotions as Social Information model (Van Kleef, 2009, 2014) into account: Chapter 3 focuses on the inferential pathway by considering the specific *power bases* (French & Raven, 1959; Hinkin & Schriesheim, 1989) that followers ascribe to leaders displaying anger vs. sadness and the effects that these ascriptions exert on various leadership outcomes. Chapter 4 further examines the affective pathway by looking into *followers' affective and behavioral reactions* to the intensity of leaders' anger displays.

1.2.3 Leading organizational networks via stakeholder management

Chapter 5 of this thesis sheds further light on the leadership of organizational networks by concentrating on stakeholder management. Stakeholder management has been suggested as a powerful approach to successfully lead organizations through turbulent times (Freeman, 1984). In order to be able to adequately react to environmental change, stakeholder theory asks organizational leaders to pay "simultaneous attention to the legitimate interests of all appropriate stakeholders" (Donaldson & Preston, 1995, p. 67) instead of only those of their shareholding ones (Friedman, 1970; Jensen, 2002). Hence, by considering the organization as a network of stakeholders (Barringer & Harrison, 2000), stakeholder theory has suggested a more comprehensive definition of the organization than previous approaches to strategic management.

While stakeholders are generally defined as those individuals or groups that can affect or are affected by an organization's activities (Freeman, 1984), different categorizations of stakeholders exist (Laplume et al., 2008). The literature (Freeman, 1984; Freeman & McVea, 2001) differentiates between *internal* stakeholders (i.e., stakeholders within the classic boundaries of the organization, such as shareholders and employees) and *external* stakeholders (i.e., stakeholders in the organization's external environment, such as

governments, customers, suppliers or competitors). Another categorization (Clarkson, 1995; Freeman, Harrison, & Wicks, 2007) revolves around *primary* stakeholders (i.e., stakeholders that are crucial for the organization's survival, such as shareholders, employees, suppliers and customers) and *secondary* stakeholders (i.e., stakeholders that affect the organization or are affected by it, but are not crucial for its survival, such as the media or special interest groups).

This thesis will focus on the distinction between *shareholding* stakeholders (i.e., stockholders) and *non-shareholding* stakeholders (e.g., customers, employees, and the communities in which organizations operate), as these are the groups between which conflicts are most likely to arise (Donaldson & Preston, 1995; Mitchell, Van Buren, Greenwood, & Freeman, 2015). While stakeholder management ultimately benefits both shareholders and stakeholders due to its usually positive effects on firm performance (Hillman & Keim, 2001; Ogden & Watson, 1999; Waddock & Graves, 1997), in the moment of decision making, managers are required to confront shareholders with immediately lower returns for the sake of fulfilling non-shareholding stakeholders' interests (Garcia-Castro, Ariño, & Canela, 2010; Stevens, Moray, Bruneel, & Clarysse, 2015). Stakeholder theory has argued that such conflicts between different stakeholder groups ought to be resolved (Freeman, Wicks, & Parmar, 2004), yet has been criticized for not giving specific guidance on how to do so (Crane, Graham, & Himick, 2015). In order to provide managers with guidelines on how to solve stakeholder interest conflicts, Enlightened Stakeholder Theory (Jensen, 2002) has emerged. According to this perspective, leaders should make trade-offs between the interests of different stakeholder groups based on the ultimate principle of enhancing the long-term value of the firm.

However, it still remains to be examined how (potential) investors react to these stakeholder-related trade-offs on part of managers (Hillenbrand, Money, & Ghobadian, 2013) and whether investors actually react positively to financially sustainable stakeholder-related decisions. Being able to anticipate investors' reactions to such trade-offs is important, as

investors' reactions exert a crucial influence on an organization's future market capitalization (Clark-Murphy & Soutar, 2005; Schijven & Hitt, 2012). This thesis thus provides a new perspective to solving interest conflicts between shareholding and non-shareholding stakeholders by analyzing (potential) investors' reactions to leaders' stakeholder management decisions. Taking both the perceived sustainability and the assumed costs of stakeholder management into account, this thesis thereby substantiates and extends Enlightened Stakeholder Theory (Jensen, 2002).

1.3 Research methods and data analysis

To answer the research questions outlined above, this thesis applies different methodological approaches. Chapter 2 relies on a qualitative approach to develop a model of the changes in work design and leadership resulting from digital transformation. Chapters 3, 4 and 5 use a quantitative approach to examine the effects of leaders' emotion displays on followers' reactions and the effects of stakeholder management on investment behavior. The advantages and disadvantages of these respective methodologies will be outlined in the following.

1.3.1 Qualitative approaches to leadership research

Qualitative approaches are considered as the method of choice when knowledge about the topic of interest is still scarce and definitions have not yet been agreed upon (Bachiochi & Weiner, 2002). Hence, when research is more exploratory in nature and has the ultimate goal of theory building, qualitative approaches are especially well-suited because they allow an in-depth understanding of the researched phenomenon (Bansal & Corley, 2011). As research examining the consequences of digital transformation "is still in its infancy" (Cascio & Montealegre, 2016, p. 365) and the goal of Chapter 2 was to develop an overarching theoretical model on digital work design and leadership, a qualitative approach (interviews with experts on the digital transformation) was employed.

Of course, qualitative methods also have disadvantages, such as that the conclusions drawn from them may depend to a certain extent on researchers' interpretation of the provided information (Gioia, Corley, & Hamilton, 2012). To overcome this potential issue, this thesis employed several data analytic measures suggested by other researchers (Gioia et al., 2012; Pratt, 2008): In line with the content analytic coding procedure outlined by Weber (1990), data analysis was carried out in multiple steps. Proceeding from first-order codes (that very closely reflected the interviewed respondents' perspectives), second-order categories (which aggregated first-order codes onto a higher conceptual level) were derived and then combined to overarching theoretical dimensions (which related the empirical categories to existing concepts in the literature). Moreover, quantitative indices for interrater reliability were reported to provide evidence for sufficient agreement between the two independent coders (Krippendorff, 2013; Landis & Koch, 1977). Finally, a lot of the original data material was displayed throughout the chapter in order to allow readers to judge the validity of the conclusions drawn.

1.3.2 Quantitative approaches to leadership research

In contrast to qualitative approaches, quantitative approaches are typically used when the concepts in a specific research domain are already clearly defined and can be reliably measured, e.g., by means of close-ended questionnaires (Bachiochi & Weiner, 2002).

1.3.2.1 Experiments

The quantitative parts of this thesis predominantly employ an experimental approach, in which the independent variables were manipulated by the researcher, participants were randomly assigned to the resulting experimental conditions and their answers on the dependent variables were statistically compared. This methodological approach is especially valuable for making causal inferences: "Randomized experiments are the most potent research design for determining whether or not x causes y" (Highhouse, 2009, p. 554), as they allow

for ensuring confidence about the temporal order of an observed relationship and provide evidence of simultaneous variation in independent and dependent variables while holding all other variables constant (Spector, 1981).

Although experiments possess a high degree of internal validity, they may have lower external validity than other research approaches (Argyris, 1975; Scandura & Williams, 2000). To ensure both types of validity, the design of the experiments in this thesis followed the recommendations of previous research (Aguinis & Bradley, 2014; Highhouse, 2009): Ensuring internal validity, experimental manipulations were theoretically well founded and followed those manipulations used in previous research. Moreover, manipulation checks were employed to ensure the successful manipulation of the intended constructs. To increase external validity, both Chapters 3 and 5 applied experimental vignette studies which made use of carefully designed and realistic videos and scenarios. In Chapter 3, videos of professional actors and scenarios accompanied by pictures were used to manipulate leaders' emotion displays, as this approach increases participants' immersion in the scenario and thereby creates experimental realism (Aguinis & Bradley, 2014). In Chapter 5, company scenarios were employed to assess the effects of an airport operator's stakeholder-related decisions on potential investors' investment intentions. To increase realism, these scenarios were developed together with an airport operator and revolved around its core stakeholders. A final measure to increase external validity was the careful sampling, which targeted participants having sufficient experience with the subject of the study. In Chapter 3, both students and working adults having a leader themselves were employed to assess the robustness of the findings across different samples. In Chapter 5, a sample of shareholders representative for German investors with regard to age, sex and monthly net household income was recruited (Statista, 2015).

In Chapter 3, data were analyzed through analyses of variance and parallel multiple mediation analyses with bias-corrected bootstrapped confidence intervals (Hayes, 2013;

Preacher & Hayes, 2008). Moreover, overall model fit was analyzed by means of confirmatory factor analysis (Bentler & Bonett, 1980; Browne & Cudeck, 1992). The hypotheses in Chapter 5 were tested via regression analysis with clustered robust standard errors to account for within-subjects variance resulting from each participant judging four company scenarios (Cameron & Miller, 2011). Significant interaction effects were further analyzed by calculating simple slopes tests for high (+ 1 *SD*) and low (- 1 *SD*) levels of the moderating variables (i.e., assumed costs and perceived sustainability; Aiken & West, 1991; Cohen J., Cohen P., West, & Aiken, 2003).

1.3.2.2 Critical incident studies

Chapter 4 relies on a critical incident approach to assess the effects of leaders' anger intensity on followers' affective and behavioral reactions. Critical incident studies ask participants to recall and describe certain situations from their working live (e.g., situations in which their leader displayed anger to them) and to report their own reactions to these situations (Aquino, Tripp, & Bies, 2001, 2006). This approach is characterized by a high degree of ecological validity as it allows participants to report actual encounters that come to their mind and that are personally meaningful to them (Wallace, Exline, & Baumeister, 2008; Zheng, Van Dijke, Leunissen, Giurge, & De Cremer, 2016). Moreover, it is common in anger research (Averill, 1982; Gibson et al., 2009; Shaver, Schwarz, Kirson, & O'Connor, 1987) as it allows addressing anger incidents, which are hard to grasp via other methods such as correlational field studies (Averill, 1983), in their natural setting, i.e., in temporary episodes (Beal, Trougakos, Weiss, & Green, 2006).

Despite its high degree of ecological validity, one may criticize this approach's reliance on participants' memory of past events. To reduce memory demands, therefore, this thesis followed the recommendations of previous research (Aquino et al., 2001, 2006) by instructing participants to recall a recent situation. The data of the second study in this chapter

show that participants followed this instruction and had a high confidence in their answers. Moreover, as leaders' anger displays constitute strong interpersonal events, they are generally considered as rather easy to remember (Fitness, 2000; Lindebaum & Fielden, 2011).

The data in Chapter 4 were analyzed via ordinary least squares regressions and parallel multiple mediation analyses with bias-corrected bootstrapped confidence intervals (Hayes, 2013; Preacher & Hayes, 2008). Model fit was again tested by conducting a confirmatory factor analysis (Bentler & Bonett, 1980; Browne & Cudeck, 1992).

1.4 Thesis structure and main results

In the following, a brief overview of the empirical chapters in this thesis will be provided. *Chapter 2* develops a comprehensive framework which depicts the changes in work design and leadership in the digital age. Making use of a qualitative expert survey ($N = 49$), this chapter shows that changes of work design and leadership due to digital transformation can be categorized in four overarching dimensions: Work-life and health (comprising changes in work-life setups, job demands and health management), information and communication technology (including increased technologization, changed communication and collaboration), performance and talent management (comprising increased competency requirements as well as changes in performance measurement and management) and organizational hierarchy (including increased employee influence and changed leader influence behavior). In addition, two changes emerged that seem to concern work and leadership on a higher level: The first concerns structural changes in the work environment (changes in job profiles, increased atypical employment relationships and lower social embeddedness), the second stresses the importance of relationship-oriented leadership (coaching and enabling, individualized consideration, networking and teambuilding). In addition, the results of Chapter 2 show that the changes in work design and leadership are often interrelated with each other: For some changes, this interrelation seems to be reciprocal,

as changes in work design (e.g., changes in work-life setups) seem to trigger changes in leadership (e.g., increased health-oriented leadership), which then again affect the design of work (e.g., less work-family conflict). For other changes, the relationship seems to be unidirectional, as for example changes in work design (e.g., changes in performance measurement) seem to imply changes in leadership (e.g., changes in performance management). Finally, there also seem to be spurious interrelations (e.g., regarding increased competency requirements for both employees and leaders), with digitalization affecting both work design and leadership without any direct interaction between these two domains.

Chapter 3 analyzes the topic of organizational hierarchies by focusing on leader emotion displays' capacity to influence followers at work (Van Kleef et al., 2012; Van Knippenberg & Van Kleef, 2016). Drawing from the Emotions as Social Information model (Van Kleef, 2009, 2014), this chapter analyzes the power-related inferences that followers make when confronted with leaders' anger vs. sadness displays during negative work situations. Throughout three experimental studies with different induction methods and samples ($N = 418$), this paper demonstrates that angry leaders are ascribed more of those power bases that result from leaders' formal position within the organization, namely legitimate power (i.e., legitimate right to prescribe behavior for others), reward power (i.e., ability to administer rewards) and coercive power (i.e., ability to distribute punishments). In contrast, sad leaders are seen as possessing more power that results from their personal characteristics, namely referent power (i.e., ability to make others identify and sympathize with oneself). Position power bases in turn predominantly exert a negative influence on the examined leadership outcomes, meaning that they negatively affect leaders' perceived effectiveness and followers' loyalty toward leaders, but positively affect followers' leader-directed deviance. In contrast, personal power leads to higher perceived effectiveness, more loyalty and less deviance. While angry leaders might thus be perceived as more powerful in

general, leaders displaying sadness can be expected to achieve better results due to these power-related inferences.

Chapter 4 sheds further light on leaders' anger displays as a means of social influence by taking followers' affective reactions to the intensity of leaders' anger displays into account. Combining predictions from the Emotions as Social Information model (Van Kleef, 2009, 2014) and the Dual Threshold Model of Anger (Geddes & Callister, 2007), two critical incident studies with working adults ($N = 505$) were conducted. Results show that both followers' reciprocal affective reaction of anger and complementary affective reaction of anxiety increase with the intensity of leaders' anger displays. Followers' reciprocal anger seems to explain why high intensity anger is associated with dysfunctional consequences, as it increases followers' supervisor-directed deviance. Followers' complementary anxiety in contrast triggers functional follower reactions, as it increases followers' work effort. While followers hence do not only react dysfunctionally, but also functionally to increases in leaders' anger intensity, this functional behavior is grounded in followers' anxiety, making intense anger displays a hardly sustainable influence strategy.

Chapter 5 addresses the topic of organizational networks by considering the effects of stakeholder management on intentions to invest in a company when the interests of shareholding and non-shareholding stakeholders are at odds with each other (Donaldson & Preston, 1995). In an experimental scenario study with German investors ($N = 997$), this chapter shows that investors' reactions to companies' stakeholder-related decisions in such conflict situations depend on the assumed costs and perceived sustainability of fulfilling non-shareholding stakeholders' demands. In cases of low costs or high sustainability, investors were more willing to invest in a company that favored non-shareholding over shareholding stakeholders, thereby deciding against their own immediate financial interests. The opposite was true in cases of high costs or low sustainability, as investors then preferred decisions in favor of shareholding stakeholders. Considering the assumed costs when making stakeholder-

related decisions thus seems to constitute a valuable way to make trade-offs between competing stakeholder claims.

Taken together, this thesis thus analyses the topic of leadership in the 21st century from different angles. An overview of its structure is provided in Figure 1.1. The empirical studies will be described in the subsequent chapters.

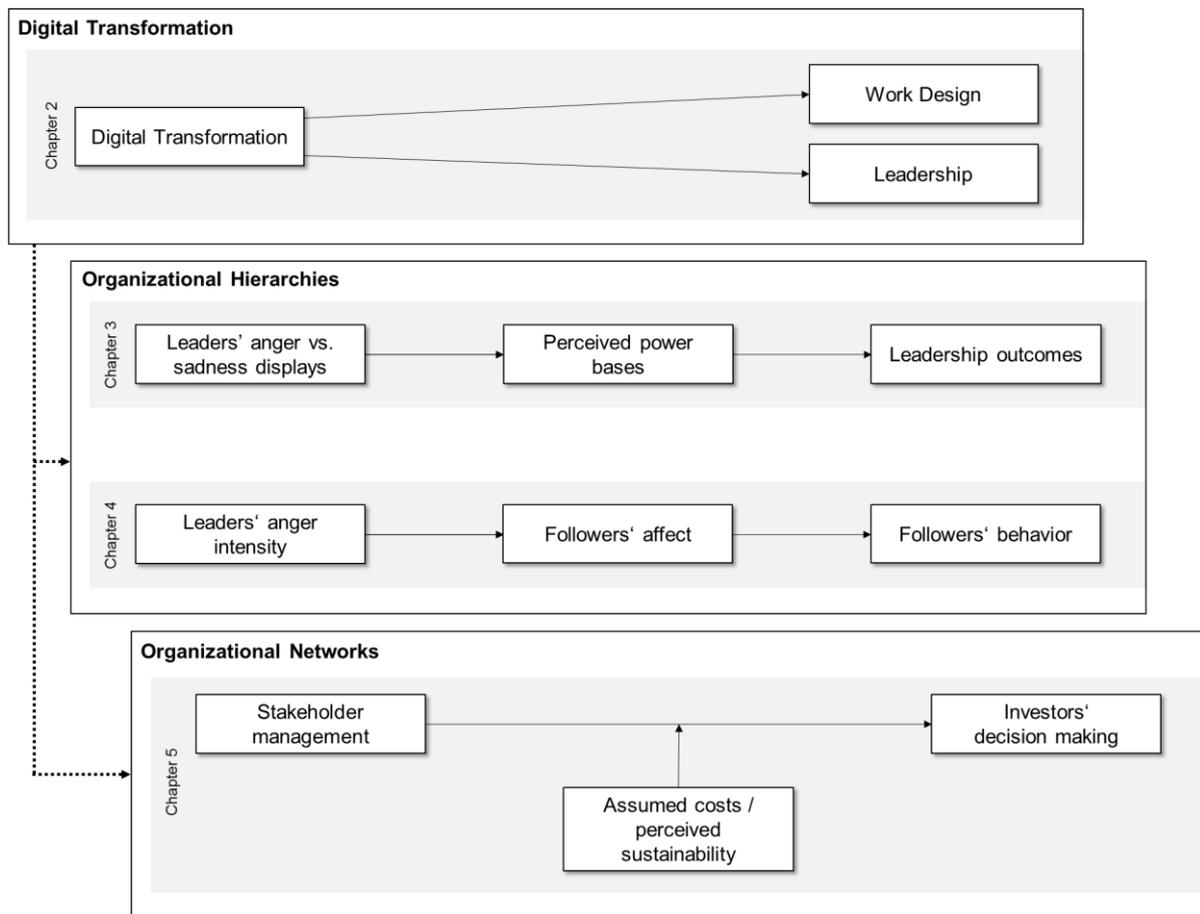


Figure 1.1 Thesis overview.

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2 How does digital transformation change organizations? A comprehensive framework on expected changes in work design and leadership

Abstract

While researchers agree that digital transformation fundamentally transforms work design and leadership in organizations, the literature on this topic is still fragmented and lacks a comprehensive framework. The purpose of this paper, therefore, is to develop an overarching theoretical model of the changes in work design and leadership in response to digital transformation. To do so, we conducted a qualitative interview study with 49 experts from research, business, societies and politics. Results suggest that numerous changes in work design and leadership will occur; these can be categorized into changes in work-life and health, information and communication technologies, performance and talent management, organizational hierarchies, macro-level work structure and relationship-oriented leadership. Moreover, changes in work design and leadership seem to be interrelated and act together in forming the digital workplace. With these results, our paper confirms, extends and integrates existing literature on changes in work design and leadership due to the digital transformation. Moreover, our paper has valuable practical implications, as it may help organizations to strategically select and train their personnel for the digital age and to design work and leadership in a beneficial way.

Keywords: Digital transformation, information technology, work design, leadership

Note:

The full version of this chapter was included in the examiner copy of this dissertation. In order to avoid any kind of plagiarism or dual publication, it is not included in the freely accessible version of this dissertation, but can be requested from the author.

Current status:

Schwarz Müller, T., Brosi, P., Duman, D., & Welp, I. M. (revised version under review for publication). How does digital transformation change organizations? A comprehensive framework on expected changes in work design and leadership.

(Conference) Presentations of previous versions:

Schwarz Müller, T. (2016, November). *Zwischenergebnisse im Projekt Digital work design – Turning risks into chances*. Presented at the ITAFORUM 2016, Berlin, Germany.

Schwarz Müller, T., Brosi, P., & Welp, I. M. (2016, September). *Digital Work Design – Wie die Digitalisierung Arbeit und Führung verändert*. Presented at the 50. Kongress der Deutschen Gesellschaft für Psychologie, Leipzig, Germany.

Schwarz Müller, T., Brosi, P., & Welp, I. M. (2016, August). *Designing meaningful work, leadership and organizations in a digitized world: A research incubator*. Presented at the 2016 Annual Meeting of the Academy of Management, Anaheim, USA.

Schwarz Müller, T., Brosi, P., & Welp, I. M. (2016, May). *Digital work design – How digitization transforms work and leadership*. Presented at the 28th Annual Convention of the Association for Psychological Science, Chicago, USA.

3 It's the base: Why displaying anger instead of sadness might increase leaders' perceived power but worsen their leadership outcomes

Abstract

Purpose – Although research has shown that anger displays lead to more perceived power than sadness displays, sadness displays often result in more positive leadership outcomes than anger displays. Aiming to explain this discrepancy, we examine the specific power bases that are inferred from leaders' anger vs. sadness displays as potential explanatory mechanisms.

Design/methodology/approach – We conducted three experimental studies, replicating results with students and working adults and with different induction methods.

Findings – Our results indicate that the discrepancy between the effects of anger and sadness displays on power ascriptions and leadership outcomes can be explained by divergent power bases ascribed to angry vs. sad leaders. Whereas more position (i.e., legitimate, reward and coercive) power was ascribed to angry leaders than to sad leaders, sad leaders were viewed as possessing more personal (i.e., referent) power than angry leaders. Moreover, while angry leaders' higher legitimate power was positively related to leaders' perceived effectiveness and follower loyalty, both enhanced coercive and reduced referent power were negatively related to these outcomes and positively related to leader-directed deviance.

Implications – Although previous literature suggests that displaying anger instead of sadness might be functional for leaders' power, our findings aim to make leaders aware of the specific types of power they gain in followers' eyes when displaying anger vs. sadness.

Originality/value – By examining the power bases ascribed to angry vs. sad leaders, our study reconciles inconsistent findings and elucidates the foundation on which angry vs. sad leaders' capacity to influence followers is built.

Keywords: Leader anger, leader sadness, power bases, emotions as social information, follower inferences

Note:

The full version of this chapter was included in the examiner copy of this dissertation. In order to avoid any kind of plagiarism or dual publication, it is not included in the freely accessible version of this dissertation, but can be requested from the author.

Current status:

Schwarz Müller, T., Brosi, P., Spörrle, M., & Welppe, I. M. (2016). It's the base: Why displaying anger instead of sadness might increase leaders' perceived power but worsen their leadership outcomes. *Journal of Business and Psychology*. doi: 10.1007/s10869-016-9467-4

(Conference) Presentations of previous versions:

Schwarz Müller, T., Brosi, P., Spörrle, M., & Welppe, I. M. (2014, September). *More than just power: Differential effects of anger displays on the bases of power*. Presented at the 49. Kongress der Deutschen Gesellschaft für Psychologie, Bochum, Germany.

Schwarz Müller, T., Brosi, P., Spörrle, M., & Welppe, I. M. (2014, August). *More than just power: Differential effects of anger displays on the bases of power*. Presented at the 2014 Annual Meeting of the Academy of Management, Philadelphia, PA, USA.

Schwarz Müller, T., Brosi, P., Spörrle, M., & Welppe, I. M. (2014, June). *More than just power: Differential effects of anger on the bases of power*. Presented at the 76. Jahrestagung des Verbands der Hochschullehrer für Betriebswirtschaft e.V., Leipzig, Germany.

Schwarz Müller, T., Brosi, P., Spörrle, M., & Welppe, I. M. (2014, April). *Mehr als nur Macht: Differenzielle Effekte von Ärger auf die wahrgenommenen Machtdimensionen von*

Führungskräften. Presented at the 11. Tagung der Österreichischen Gesellschaft für Psychologie, Vienna, Austria.

Schwarz Müller, T., Brosi, P., Spörrle, M. & Welppe, I. M. (2013, June). *Costs and benefits of anger: Leader use of negative emotion displays and power perceptions*. Presented at the So Doc-2013 Workshop, Cologne, Germany.

(Conference) Proceedings on a previous version:

Schwarz Müller, T., Brosi, P., Spörrle, M., & Welppe, I. M. (2014). More than just power: Differential effects of anger displays via the bases of power. *Academy of Management Best Paper Proceedings*. doi:10.5465/AMBPP.2014.191

4 Sparking anger and anxiety: Why intense leader anger displays trigger both more deviance and higher work effort in followers

Abstract

Purpose – While previous research has assumed that intense leader anger displays result in dysfunctional consequences, researchers have recently started to outline their potential for prompting functional follower reactions. We explain these conflicting positions by demonstrating that leaders' anger intensity positively affects dysfunctional and functional follower behaviors through the affective reactions triggered in followers.

Design / methodology / approach – We conducted two critical incident studies ($N_{Total} = 505$), replicating our results with different methodologies and controlling for potential alternative explanations.

Findings – In line with theories on reciprocal emotions, supervisor-directed deviance became more likely with higher leader anger intensity because followers reacted with correspondingly more anger. However, in line with theories on complementary emotions, leaders' anger intensity was also positively related to followers' work effort due to followers' experienced anxiety. These results were replicated when taking leaders' anger appropriateness into account as a potential moderator of our dysfunctional path and when controlling for followers' feelings of guilt (an alternative explanation for followers' functional reactions).

Implications – Our paper provides evidence for the functionality of intense anger displays but also cautions leaders to display these, as the functional outcomes resulting from them are based on followers' intimidation and likely to be accompanied by dysfunctional reactions.

Originality / value – By considering the affective reactions triggered in followers, our paper integrates diverging theoretical perspectives on followers' dysfunctional and functional

reactions. Moreover, it is one of the first to disentangle the interpersonal effects that different expressions of the same emotion may have.

Keywords: Leader anger, anger intensity, leadership, anger, anxiety, critical incidents

Note:

The full version of this chapter was included in the examiner copy of this dissertation. In order to avoid any kind of plagiarism or dual publication, it is not included in the freely accessible version of this dissertation, but can be requested from the author.

Current status:

Schwarz Müller, T., Brosi, P., & Welpel, I. M. (revised version under review for publication).

Sparking anger and anxiety: Why intense leader anger displays trigger both more deviance and higher work effort in followers.

(Conference) Presentations of previous versions:

Schwarz Müller, T., Brosi, P., & Welpel, I. M. (2016, December). *Sparking anger and anxiety: Why intense leader anger displays trigger both more supervisor-directed deviance and higher work effort in followers*. Invited talk at the London School of Economics, London, UK.

Schwarz Müller, T., Brosi, P., & Welpel, I. M. (2016, August). *Sparking anger and anxiety: How leader anger displays enhance (dys)functional follower behaviors*. Presented at the 2016 Annual Meeting of the Academy of Management, Anaheim, USA.

Schwarz Müller, T., Brosi, P., & Welp, I. M. (2016, May). *Sparking anger and anxiety: How the intensity of leader anger displays enhances both dysfunctional and functional follower behaviors*. Presented at the 78. Jahrestagung des VHB, Munich, Germany.

Schwarz Müller, T., Brosi, P., & Welp, I. M. (2015, September). *Ärger bei Führungskräften und funktionales sowie dysfunktionales Mitarbeiterverhalten*. Presented at the 9. Fachgruppentagung Arbeits-, Organisations- und Wirtschaftspsychologie, Mainz, Germany.

5 Investors' reactions to companies' stakeholder management: The crucial role of assumed costs and perceived sustainability

Abstract

Companies regularly have to address opposing interests from their shareholding and non-shareholding stakeholder groups. Consequently, a wealth of previous research has focused on how CEOs decide which stakeholder management activities to pursue and prioritize. In contrast, however, surprisingly little research has considered how (potential) investors react to a company's management of shareholding and non-shareholding stakeholders and what factors drive their reactions in such contexts. We seek to fill this gap in the literature by conducting an experimental scenario study ($N = 997$) in which investment behavior is analyzed in situations in which management has to make a trade-off between shareholders' and non-shareholding stakeholders' interests. Our results show that (potential) investors consider the assumed costs of fulfilling non-shareholding stakeholders' interests and the perceived sustainability of doing so for corporate success when making investment decisions in such contexts. In cases of low costs or high sustainability, participants were more willing to invest in a company that favored non-shareholding over shareholding stakeholders (thereby deciding against their immediate financial interests), while the opposite was true in cases of high costs or low sustainability. With these results, our paper broadens stakeholder theory's focus by taking individual investors' reactions to corporate stakeholder management into account. Moreover, it both provides evidence for and extends the "Enlightened Stakeholder Theory", which proposes that organizations should fulfill stakeholders' interests if doing so contributes to long-term firm value enhancement but has so far not considered the role of the costs necessary for fulfilling stakeholders' claims in such decisions.

Keywords: Stakeholder management, (potential) investors, investment decisions, financial sustainability, costs, enlightened stakeholder theory

Note:

The full version of this chapter was included in the examiner copy of this dissertation. In order to avoid any kind of plagiarism or dual publication, it is not included in the freely accessible version of this dissertation, but can be requested from the author.

Current status:

Schwarz Müller, T., Brosi, P., Stelkens, V., Spörrle, M., & Welp, I. M. (2017). Investors' reactions to companies' stakeholder management: The crucial role of assumed costs and perceived sustainability. *Business Research*, 10(1), 79–96. doi: 10.1007/s40685-016-0040-9

(Conference) Presentations of previous versions:

Schwarz Müller, T., Brosi, P., Spörrle, M., & Welp, I. M. (2013, August). *Shareholders favor stakeholder management? Yes they do – as long as it does not hurt!* Presented at the 2013 Annual Meeting of the Academy of Management, Lake Buena Vista, FL, USA.

Schwarz Müller, T., Brosi, P., Spörrle, M., & Welp, I. M. (2013, May). *Shareholders favor stakeholder management? Yes they do – as long as it does not hurt!* Presented at the 16th Congress of the European Association of Work and Organizational Psychology, Münster, Germany.

Schwarz Müller, T., Brosi, P., Spörrle, M., & Welp, I. M. (2013, February / March). *Shareholders favor stakeholder management? Yes they do – as long as it does not hurt!* Presented at the Workshop der Wissenschaftlichen Kommission Organisation des VHB, Jena, Germany.

6 Overall conclusion²

6.1 Summary of findings

Examining the impact of digital transformation on work design and leadership (Chapter 2), the influence of leaders' emotion displays on organizational hierarchies (Chapters 3 and 4) as well as the leadership of organizational networks via stakeholder management (Chapter 5), this thesis adds to our knowledge on leadership in the 21st century. Its main findings will be summarized in the following.

Making use of a qualitative expert survey, *Chapter 2* integrates the so far fragmented literatures on digitalization, work design and leadership (Avolio, Walumbwa, & Weber, 2009; Oldham & Hackman, 2010) by developing an overarching framework on the changes in work design and leadership expected to emerge from digital transformation. Results show that there will be changes in the area of *work-life and health* (i.e., changes in work-life setups, job demands and health management), *information and communication technology* (i.e., increased technologization, changed communication and collaboration), *performance and talent management* (i.e., increased competency requirements, changes in performance measurement and management) as well as *organizational hierarchies* (i.e., increased employee influence and changed leader influence behavior). In addition, two changes emerged that concerned the macro-level of work design and leadership, as they comprised general *structural changes in the work environment* (i.e., changes in job profiles, increased atypical employment relationships and lower social embeddedness) and the overall necessity for more *relationship-oriented leadership* (i.e., coaching and enabling, individualized consideration, networking and teambuilding). In addition, different types of interrelations (reciprocal, unidirectional,

²This chapter is partly based on Schwarzmüller, Brosi, Duman, & Welpel (2016), Schwarzmüller, Brosi, Spörrle, & Welpel (2016), Schwarzmüller, Brosi, & Welpel (2016) and Schwarzmüller, Brosi, Stelkens, Spörrle, & Welpel (2016); see Appendix for full references

spurious) between work design and leadership emerged, showing that changes in those two domains act together in forming the organizations of the digital era.

Building on the Emotions as Social Information Model (Van Kleef, 2009, 2014), *Chapter 3* analyzes the effects of leaders' anger vs. sadness displays on perceived power bases and leadership outcomes. Thereby, it solves the seemingly contradictory finding that angry leaders are perceived as possessing more power than sad leaders (Tiedens, 2001; Tiedens, Ellsworth, & Mesquita, 2000), yet achieve worse outcomes (Madera & Smith, 2009; Schaubroeck & Shao, 2012). Results from three experimental studies with both students and working adults show that this discrepancy can be explained by the divergent power bases ascribed to angry vs. sad leaders. Whereas more position (i.e., legitimate, reward and coercive) power was ascribed to angry leaders than to sad leaders, sad leaders were viewed as possessing more personal (i.e., referent) power than angry leaders. Moreover, while angry leaders' higher legitimate power was positively related to leaders' perceived effectiveness and followers' loyalty, both enhanced coercive and reduced referent power were negatively related to these outcomes and positively related to leader-directed deviance. While angry leaders may hence have higher *overall levels of power* than sad leaders, those *types of power* they are perceived to possess do not seem to constitute a solid basis for their influence over followers.

Chapter 4 analyzes leaders' anger displays in more detail as it focuses on the effects of the intensity with which anger is displayed on followers' affective and behavioral reactions. Thereby, it provides an explanation for why both dysfunctional (Geddes & Stickney, 2011) and functional reactions (Lindebaum, Jordan, & Morris, 2016) by others increase with anger displays' intensity. Integrating predictions from the Emotions as Social Information Model (Van Kleef, 2009, 2014) and the Dual Threshold Model of Anger (Geddes & Callister, 2007), two critical incident studies with working adults show that the intensity of leaders' anger displays increases *both reciprocal* (i.e., angry; Hatfield, Cacioppo, & Rapson, 1994) and

complementary (i.e., anxious; Dimberg & Öhman, 1996) *affective reactions in followers*.

These affective reactions then spur dysfunctional as well as functional follower behavior, with followers' reciprocal affective reactions leading to more supervisor-directed deviance and followers' complementary affective reactions leading to higher work effort. These results remained stable when controlling for the alternative explanatory mechanism of guilt and when taking the appropriateness of leaders' anger displays into account. In sum, the findings of this chapter imply that intense leader anger displays may indeed trigger functional behavior in followers. However, this seemingly desirable outcome results from followers' intimidation, showing that intense anger displays on part of leaders do not constitute a sustainable way of influencing followers.

Closing the research gap on how investors react to the prioritization of either shareholding or non-shareholding stakeholders' interests (Hillenbrand, Money, & Ghobadian, 2013), *Chapter 5* analyzes the consequences of leaders' stakeholder management on investment intentions. An experimental study with a representative sample of German investors shows that the *assumed costs* of fulfilling non-shareholding stakeholders' interests and the *perceived sustainability* of doing so for corporate success exert a decisive influence on investors' reactions to stakeholder management. In cases of low costs or high sustainability, investors were more willing to invest in a company that favored non-shareholding over shareholding stakeholders (thereby deciding against their immediate financial interests), while the opposite was true in cases of high costs or low sustainability. Showing the importance of sustainability, this chapter provides evidence for Enlightened Stakeholder Theory (Jensen, 2002), but also points to another dimension, namely assumed costs, that affects how an organization's stakeholder management activities will be judged by the market.

6.2 Implications for theory

With current organizations being strongly influenced by digital transformation (Cascio & Montealegre, 2016; Colbert, Yee, & George, 2016), changes in hierarchies (Morgeson & Campion, 20003; Parker, Wall, & Cordery, 2001) and networks (Harrison, Bosse, & Philipps, 2010), this thesis contributes to the leadership literature in several important ways.

First, it informs research on *digital transformation* by building a systematic theoretical framework on the implications of digitalization for work design and leadership. Next to confirming dimensions already identified in previous research, such as the importance of inspirational (Joshi, Lazarova, & Liao, 2009) or participative leadership (Avolio, Kahai, & Dodge, 2001), it points to the importance of other leadership behaviors which so far have not been sufficiently acknowledged in the leadership literature. This for example concerns the importance of health-oriented leadership (Butts, Hurst, & Eby, 2013), which might help employees to cope with higher job demands and changed work-life setups that could endanger their physical and psychological well-being. By taking these leadership behaviors into account, this thesis answers current calls to define leadership roles in a more encompassing way and to go beyond the analysis of traditional leadership functions (Avolio et al., 2009). Next to analyzing a broader range of work design features and leadership requirements, this thesis also increases our understanding of the interrelations between these two domains—a topic so far underrepresented in research (Oldham & Hackman, 2010). The higher temporal availability of employees might for example cause likewise increased availability requirements for leaders, which may in turn further exacerbate the degree of availability expected from employees. Thereby, this thesis outlines important organizational dynamics that may serve as a basis for future research.

Second, this thesis has important implications for our understanding of *organizational hierarchies*. By showing that leaders' anger displays affect leaders' perceived power bases as well as followers' affect and behavior at work, it provides further evidence for the theoretical

assumption that emotion displays serve as a mechanism for exerting influence and for building organizational hierarchies (Koning & Van Kleef, 2015; Tiedens, 2001; Van Kleef, Homan, & Cheshin, 2012). Moreover, this thesis adds to the Emotions as Social Information Model (Van Kleef, 2009, 2014). This model has so far assumed that emotion displays lead to symmetrical consequences when causing affective reactions in others, but to asymmetrical outcomes when triggering inferential reactions. Based on this reasoning, leaders' anger displays should fuel dysfunctional follower reactions when followers react affectively, but functional reactions when followers engage in inferential processing of leaders' anger displays. Contrasting this assumption, this thesis reveals a more complex pattern: While followers' affective reactions of anger and anxiety triggered both dysfunctional and functional follower behavior in Chapter 4, the same was true for followers' inferences about leader power bases in Chapter 3, as for example perceived coercive power negatively and referent power positively related to followers' reactions to the leader. Hence, it seems important to consider the specific affective and inferential reactions of followers when trying to predict whether they will engage in dysfunctional or functional behavior in reaction to leaders' emotion displays. In addition, Chapter 4 of this thesis also adds an important point of view to research on emotional processes in organizations. Most research in this domain (e.g., Johnson & Connelly, 2014; Van Kleef, Homan, Beersma, Van Knippenberg, Van Knippenberg, & Damen, 2009; Van Kleef, Homan, Beersma, & Van Knippenberg, 2010) has concentrated on making comparisons between different emotions (e.g., anger vs. happiness, anger vs. disappointment). This approach is valuable, yet disregards the fact that it may also matter how exactly a specific emotion, e.g., anger, is expressed to others. By focusing on the intensity of leaders' anger displays, this thesis sheds light on a relatively neglected area of study (Van Kleef et al., 2012) and shows that emotion display characteristics can make a crucial difference for the interpersonal effects associated with them.

Third, by focusing on stakeholder management this thesis also has valuable implications for the literature on the *leadership of organizational networks*. As most research in the domain of stakeholder management has applied a managerial perspective (e.g., Adams, Licht, & Sagiv, 2011; Mitchell, Agle, & Wood, 1997) or made use of database approaches to analyze market reactions to stakeholder management (e.g., Bird, Hall, Momente, & Reggiani, 2007; Faleye & Trahan, 2011; Girerd-Potin, Jimenez-Garces & Louvet, 2014), individual investors' interpretations of stakeholder management have so far remained a "black box" (Schijven & Hitt 2012, p. 1250). By applying an individual investor perspective (Aguinis & Glavas, 2012), this thesis hence contributes to building a more inclusive stakeholder theory (Friedman & Miles, 2002). In addition, it reconciles opposing theoretical perspectives (Jansson & Biel, 2011; Rivoli, 1995) with regard to (potential) investors' preference for companies that prioritize either shareholding or non-shareholding stakeholders by showing that these preferences depend on the assumed costs and perceived sustainability of stakeholder management. With these findings, this thesis also extends the Enlightened Stakeholder Theory (Jensen, 2002) as it demonstrates that investors react favorably to stakeholder management activities that are seen as contributing to the overall success of the company, yet shows that other characteristics of stakeholder management, namely the costs necessary for it, should likewise not be ignored.

6.3 Implications for practice

Next to these theoretical contributions, this thesis also has several implications for practice. By systematically outlining the wide-ranging changes occurring due to digital transformation, this thesis tries to enhance organizational decision makers' awareness of the *extensive transformation processes that will be necessary to prepare organizations for the digital future*. Organizations may for example benefit from designing work in a way that is aligned with the identified needs for high velocity and agility (Sambamurthy, Bharadwaj, &

Grover, 2003) by flattening organizational hierarchies, delegating decision-making autonomy to employees and applying shared leadership concepts (Drescher, Korsgaard, Welpe, Picot, & Wigand, 2014; Welpe, Tumasjan, & Theurer, 2015). In addition, it might be important for them to think about the implications of increased availability requirements in order to generate temporally and spatially flexible work arrangements that meet organizational demands for constantly serving customers or saving costs for office space (Dettmers, Kaiser, & Fietze, 2013), yet do not enhance employees' stress levels in an excessive way (Beauregard & Henry, 2009). Next to their implications for beneficial work design, the findings of this thesis may also be used strategically for *personnel selection*. As digital transformation increases the demand for dealing with cognitively challenging, complex work, organizations might be well-advised to deliberately screen for employees with high levels of problem-solving capacity and creativity. They might also specifically search for employees willing to take over responsibility and to contribute to organizational decision-making in order to ensure that they can create the necessary innovations for remaining competitive in the digital age (Schmidt & Cohen, 2013). Finally, the findings of this thesis can also be utilized for adapting *personnel development*, ensuring that employees and leaders already in the organizations possess the required competencies. It for example seems important to prepare leaders for the increased demand of leading in a health- and relationship-oriented way and for displaying new types of influence behavior that might previously not have been part of their work role (Avolio et al., 2009). Thus, leadership training might focus on conveying tools and strategies regarding how to recognize stress in followers, how to serve as a coach and how to foster participation and collective decision making.

This thesis' results concerning emotion displays and organizational hierarchies are important for *increasing leaders' awareness about the interpersonal consequences of anger displays*. Leaders regularly report that showing anger makes subordinates more compliant, hard-working and themselves a more effective leader (Fitness, 2000; Lindebaum, & Fielden,

2011; Parrott, 1993). Despite providing certain evidence for this notion, the results of Chapters 3 and 4 also demonstrate many adverse effects of leaders' anger displays: First, anger displays may backfire as they may lead followers to conclude that leaders possess a high degree of coercive, yet little referent power, which is likely to negatively affect leadership outcomes. Second, leaders' anger displays seem to spark retaliatory behavior, namely supervisor-directed deviance, in followers, triggering spirals of incivility (Andersson & Pearson, 1999) in organizations. Third, followers' seemingly functional reactions to leaders' anger displays result from followers' anxiety—an emotion that has been related to impaired performance and more sick days in the long run (Haslam, Atkinson, Brown, & Haslam, 2005). Taken together, these results suggest that, even though anger displays may increase leaders' overall level of power, they do not constitute a sustainable influence strategy. This knowledge may also inform *leader selection and development*, as applicants for leadership positions might be selected based on their ability to handle difficulties in an emotionally adequate way. To do so, companies might screen for emotional intelligence, which allows the suitable expression of emotions and the ability to handle emotionally charged situations (George, 2000). Leader development could focus on familiarizing leaders with the upsides and downsides of anger and sadness displays in order to enhance their awareness of the potential consequences of negative emotion displays at work.

In addition, this thesis also has practical implications for successfully leading organizational networks via *stakeholder management*. Leaders are constantly confronted with competing stakeholder claims (Clarkson, 1995; Mitchell, Van Buren, Greenwood, & Freeman, 2015), but lack specific guidelines on how to *decide which stakeholder claims to fulfill* (Crane, Graham, & Himick, 2015; Jensen, 2002). The findings of this thesis show that companies may use estimations about the costs and overall sustainability of stakeholder management activities to come to a decision. As this will also be seen in a favorable light by potential future investors, claims of non-shareholding stakeholders that come with low costs

or high sustainability should be fulfilled. In addition, this thesis may help organizations to strategically *adapt corporate communications about stakeholder management activities* (Schwarzkopf, 2006). Stressing—for example in the annual report—the sustainability of managing non-shareholding stakeholders’ interests for corporate success or the low costs associated with doing so might help organizations to ensure the acceptance of their investors. However, companies might also be well-advised to carefully handle communications in case they decide to prioritize the interests of their shareholders, as decisions in favor of shareholding stakeholders will not automatically be the investors’ preferred option. Hence, in these cases, it might pay to use press releases to outline the fact that the costs for fulfilling non-shareholders’ claims were too high while the contribution of doing so to the organization’s long-term success was too low.

6.4 Directions for future research

Despite this thesis’ wide-ranging implications for leadership in the 21st century, it still leaves opportunities for further research, which will be outlined in the following. First, research might benefit from further *validating the developed theoretical model on changes of work design and leadership due to digital transformation*. This could preferably be done by assessing in a quantitative and longitudinal way how the degree to which an organization is already affected by digital transformation relates to those dimensions of work design and leadership outlined in our model, such as employee influence and participative leadership. Additionally, it would be interesting to assess the influence of these changes in work design and leadership on crucial organizational outcomes such as employees’ productivity, innovative behavior, stress or job satisfaction (Morgeson & Humphrey, 2006; Parker & Wall, 1998), and to find out which organizational climates (cf. Patterson et al., 2005) moderate this relationship in a beneficial way. It e.g., seems plausible that the higher job demands with which employees are confronted will lead to higher stress levels when a strong pressure to

produce prevails in the organization, while employees' stress levels might not be enhanced in a very supportive organizational climate. The theoretical model in this thesis was derived from interviews with experts from the German culture, as Germany's degree of digitalization is similar to that of other advanced countries (Baller, Dutta, & Lanvin, 2016). Nevertheless, validation and further analysis of the theoretical model should ideally take place with participants from different countries in order to ensure transferability to other national contexts.

Second, emotion displays' influence on organizational hierarchies and interpersonal influence processes also provides further opportunities for research. As outlined above, with most research making comparisons between different emotions (Van Kleef et al., 2009, 2010), for the future it seems valuable to focus more on the *consequences that different expressions of the same emotion may have* (Van Kleef et al., 2012). An emotion display characteristic that seems promising in this regard is the frequency with which certain emotions are expressed (Geddes & Callister, 2007), as it seems plausible that it will make a crucial difference whether a leader displays anger (or other emotions) all the time or only on a sporadic basis (Schaubroeck & Shao, 2012; Wang & Seibert, 2015). In addition, it would be interesting to do more research on *inconsistent leader emotion displays*. Most research up to date has regarded leaders' emotion displays as being rather constant, although it is commonly acknowledged that the emotions one feels and displays fluctuate over time (Larsen, Augustine, & Prizmic, 2009). Emotional inconsistency (i.e., rapid cycling between different emotions) by the leader is likely to cause a perceived loss of control in followers (Sinaceur, Adam, Van Kleef, & Galinsky, 2013), a state that is linked to a variety of negative outcomes, such as burnout (Maslach & Jackson, 1984) and turnover intentions (Ng, Sorensen, & Eby, 2006). Moreover, research might try to make use of newly emerging technological opportunities such as experience sampling methodologies (Beal, 2015) to *track emotion cycles between leaders and followers* (Hareli & Rafaeli, 2008; Van Knippenberg & Van Kleef, 2016). While this thesis

has demonstrated that leaders' anger displays affect followers' emotions, it remains to be examined which effects the behavior that followers show in reaction to leaders' anger has on leaders' subsequent emotional states. In this vein, followers' anxiety-related appeasement behavior might be expected to reduce leaders' anger, whereas followers' anger-induced deviance is likely to fuel it.

Third, further research considering *individual investors' reactions to stakeholder management* would also be valuable (Aguinis & Glavas, 2012; Hillenbrand et al., 2015). While this thesis has already addressed the influence of assumed costs and perceived sustainability (as well as stakeholders' power, legitimacy and urgency; Agle, Mitchell, & Sonnenfeld, 1999), it would be interesting to examine additional factors influencing investors' reactions to companies' stakeholder-related decisions. Investors' might, for example, react differently to stakeholder management activities if they doubt that a certain stakeholder-related decision resulted from managers' volitional choice. Even though the literature generally considers managers as having a high degree of discretion when it comes to stakeholder management (Berman, Philipps, & Wicks, 2005; Hill & Jones, 1992; Mitchell et al., 1997), there might be situations in which external circumstances such as the absence of sufficient resources explain managers' decision making. In such cases, it seems unlikely that investors will react negatively to not fulfilling sustainable stakeholder claims. In addition, it would be valuable to replicate the results of Chapter 5 with samples of *other cultural backgrounds*. Previous research has characterized continental investors such as Germans as being more strongly driven by long-term returns than Anglo-American ones (e.g., US citizens; Aguilera, Rupp, Williams, & Ganapathi, 2007). Hence, it is possible that the perceived sustainability of managing non-shareholding stakeholders' claims plays less of a role for American investors than for the German investors sampled for this thesis. Including investors' cultural background as a potential moderator in the relationship between stakeholder

management's perceived costs and sustainability on the one hand and investment decisions on the other could, therefore, provide an interesting avenue for future research.

6.5 Concluding remarks

In conclusion, across a series of empirical studies this thesis shows the essential role that digital transformation, organizational hierarchies and stakeholder management play for leadership in the 21st century. The results suggest that leaders will be confronted with a variety of transformations in the digital age, demonstrate the importance of leaders' emotion displays as a mechanism for social influence and outline the effect of stakeholder managements' costs and sustainability on an organizations' ability to attract investors. Offering several directions for future research, this thesis thereby intends to stimulate discussions on contemporary leadership in and of organizations.

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7 Appendix: References for the empirical chapters

7.1 Reference for Chapter 2

Schwarz Müller, T., Brosi, P., Duman, D., & Welppe, I. M. (revised version under review for publication). How does digital transformation change organizations? A comprehensive framework on expected changes in work design and leadership.

7.2 Reference for Chapter 3

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7.3 Reference for Chapter 4

Schwarz Müller, T., Brosi, P., & Welppe, I. M. (revised version under review for publication). Sparking anger and anxiety: Why intense leader anger displays trigger both more deviance and higher work effort in followers.

7.4 Reference for Chapter 5

Schwarz Müller, T., Brosi, P., Stelkens, V., Spörrle, M., & Welppe, I. M. (2017). Investors' reactions to companies' stakeholder management: The crucial role of assumed costs and perceived sustainability. *Business Research*, 10(1), 79–96. doi: 10.1007/s40685-016-0040-9