

# Dysfunctional Leadership Style and Its Effect on Employee Performance

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## Abstract:

Any Deviance at the work place leads to the dysfunction in function of the system. Dysfunctional behavior in an organization violates the norms and policies of the organization which affect the overall performance of the organization. This study explore the style of dysfunctional leadership and its effect on employee performance. Prior studies on the positive side of the leadership style but now researchers focuses on the negative side of leaders also. In order to study the dysfunctional behavior and dark side of leadership personality more clearly, this paper discussed the case of Nokia, through which the term dysfunctional leadership style is understandable. Is any dysfunction at the work place affect the employee and organizational performance? Is organizational culture affected by the dysfunctional behavior of the Leaders or the top management? To know the answer of these question, this paper analyzed the types and traits of Dysfunctional Leadership style with the help of example of top most company.

**Keyword:** Dysfunctional leadership style, employee performance, Dysfunctional behavior, organizational culture, organization productivity.

## Introduction:

Dysfunctional behavior in an organization by the leaders or the employees in the work place can directly affect the organizational performance as well as the employee performance. Dysfunctional behavior generally violates the organization as well as the individual, dysfunctional behavior violates the norms and policies of organization. In order to understand the term leadership Dysfunction, we will first discuss a widely covered subject by scholars, researchers, consultants and academicians that is leadership. Leadership is not a job, profession or business, it's a great art to influence people. There is no best style of leadership. It is a personal power to tackle with situation. In other words, Leadership is an influence of personal power (not positional power) that creates progressively advancing community towards common goal or purpose.

The core asset of any organization is individual whether it is its leader or employee. An unsuccessful company can be successful by its leaders, but a successful company can be unsuccessful by its dysfunctional leadership. If leader having a high competence skill with low character or will, can cause of defunct the organization. There are many studies which shows the positive side of leadership, everyone is focusing on the hints and tips for becoming successful leaders that are given in books, articles and papers, also focus on the qualities and skills of the good leaders. But there is always the other side of the coin also,

if there is positive part of leadership then there may be a negative of it also, which is called dysfunctional leadership. Dysfunctional behavior can be defined as any behavior or decision that brings harm or is intended to bring harm to a company, its employees (Fleet D.Van David, Griffin W.Ricky,2006). Dysfunctional leadership also called destructive or toxic leadership. A high competent skill leader with having a personal goal or low will, is more toxic for any company than a low competent skill leader. This paper, investigate the negative side of leadership i.e.; Dysfunctional leadership and its effect on employee as well as organization performance, with the help of case of Nokia, why Nokia loose the market, is Nokia suffered from dysfunctional leadership? To know the answer of this question, this paper analyzed the case of Nokia with the help of magazines, papers, articles and books.

### Research Objective

In this turbulent times, where almost all the working environment adopted the concept of working together or working in a teams, there is pressure on professionals to work together in a team and complete their work or task with in given period of time under the supervision of leaders. Leaders or managers are the important part of any organization because they supervise the team work as well as maintained the organization culture. So any dysfunction or misconduct or deviance of leaders or employee will lead to dysfunctional behavior which directly affect the performance of employee and productivity of an organization. This paper is a study of dysfunctional leadership style and its effect on employee performance. .

1. To understand the Dysfunctional leadership style in organization.
2. To identify the traits of dysfunctional leadership Style and to overcome with dysfunctional leadership.
3. To assess the dysfunctional behavior of leader in team and its effect on employee performance.

### Dysfunctional Leadership style:

In past years, many papers and studies focuses on the positive side of the leadership, but in recent studies in many papers there is focus on the negative side of leaders. There is study on how leaders become toxic to the organization, how it affect the behavior of individual at work place and also affect the overall performance and output of the organization. There are many traditional studies on the positive traits of dysfunctional leadership but there are studies also on the bad management practices and their impact on the organization culture (Sumatra, 2005), from the financial crises of 2008, the world came to understand the mismanagement of top management affect the performance and culture of organization, which results in focusing on the dark or negative side of top management or leaders or managers (Savas Ozgur, 2019). By the Definition of dysfunction one can understand, any abnormality or stultification of a function in any system (oxford, 2015), in organizational context, Dysfunction is any violation of norms and policies through which desired outcomes cannot be obtained (GhosalSumantra, 2005). Dysfunction is situation where organization cannot work in normal condition nor it produces the expected quality and quantity of products and services which is harmful for the overall performance of the organization (Daniel S. Alemu, 2016). Dysfunctional behavior is defined as “Any impairment or destructive behavior which hurts the organization or the employees within the organization”. A leadership style which comes under such behavior called Dysfunctional leadership style (Ozgur, 2019). In the area of research destructive leaders are also called toxic leaders or the destructive leaders. “Those individual , who by virtue of their destructive behavior and their dysfunctional qualities or characteristics, inflict serious and enduring harm on the individual ,groups, organization and communities and even the nation that they lead”

(Lipman,Blumen,2005 ). The toxic behavior of leaders is also called the “Dark side of leadership”. Through different papers and book there are 5 types of dysfunctional leadership style is observed (Ozgun, 2019) (Dysfunctional Leadership, Vries M. kets De, 2003)

- **Authoritarianism:** It is a type of leadership style in which leaders dictates all the policies and procedures to their subordinates, also decide the goal what and how it should be achieved. This type of leadership directs and have full control over the team or subordinates without any participation by the subordinates. Such leaders have full control over team, and does not leave or share any authority, Hilter is an example of such kind of leadership style. This type of leaders run organization very rigidly with no flexibility, they allow minimum involvement of the employee with no space of ideas and creativity. An Authoritarian leaders have characteristics of force, Fear, Control, Lack of flexibility, intolerance, rigidity to the decisions. This type of characteristics may be useful for short term goal but in a long run it dominates the organization and its performance.
- **Narcissism:** This type of leadership style is considered as a negative behavior personality on oneself. In this type of leadership, the person is of full admiration of their selves, it does not value the opinion of others, they are egocentric and does not show attention to others nor they are in touch with others or reality (Rosenthal A.Seth., 2006). Narcissist leaders are generally motivated by their own needs for power and autonomy and they are less empathetic to others and also they think of their personal growth (Savas Ozgur, 2019). Narcissism is a personality trait which is an influence by the grandioseness of one self (Liao shudi,Zhou Xingchi,Guo Zhiwen,Li Zhifei, 2019), where it lack of empathy with others and full with self-admiration (Camm T.W. Tech Montana,Butle MT,2014).
- **Abusive supervision:** Abusive supervision has been studies as an outcome of negative behavior of subordinate at work place and for which supervisor is engage in verbal or non-verbal behavior, avoiding the physical contact, Abusive behavior include bullying, retaliation or injustice. This type of leadership style create workplace deviance by ridicule their employees, do not give them proper credit for their work, and give them silent negative treatment for their past work.
- **Unpredictability and Indecisiveness:** The next type of dysfunctional leadership is unpredictable leadership style. Unpredictability of leaders on any decision or on the achievement of goals can be the reason of stress and tension among the employees. Indecisiveness or unpredictability of leader’s leads to create confusion among the employees, and with that employees derailed in their priorities in attainment of goal. Indecisiveness of leaders create ambiguity among the subordinate which leads to affect their efficiency and performance.
- **Machiavellianism:** Machiavellianism is a personality trait, which manipulate the other person for their growth. It is a part of “dark triad”.It is trait in which person manipulate, cheat or exploit ,deceive other for their personal growth or achievement .It is combination of narcissist and authoritarian types of leadership. Machiavellian leaders’ wants to achieve their goals at all expenses and for that even if they have to opt unethical, illegal or immoral ways.

### Traits of Dysfunctional Leadership:

There are few Characteristics of Dysfunctional leadership Style ( Dandira Martin, 2012):

- **Poor communication:** Communication is a life line for an organization. Through good communication the interaction between the top management to lower management become easy and there is clarity of things in attainment of goal, there is no ambiguity between the employees towards

the achievement of goals. But with lack of communication leader become kind of autocratic leader with which sub ordinate share their opinions and ideas.

- **Dictatorial Tendencies:** It is also negative part of leadership style, if leader is of dictator type or autocratic that means leader is very rigid towards its working style, these types of leaders are of lack of flexibility, do not value the opinion of others .There is lack of communication between the top management and subordinates, lack of information between them.(Jha Srirang,Jha Shweta ,2015)
- **Hostility:** In this category of leadership style in which leader use authority for their personal growth, these kind of characteristic of leader shows that they are very aggressive and do arguments with everyone. They use organizational policies and norms unethically and illegally for their personal use and growth.(Jha Srirang, Jha Shweta,2015)
- **Fear:** some Leaders use abusing language or use power to control over subordinate or employees, such characteristic create toxic environment at work place. Through this trait leaders create fear in employees towards them and they feel hesitation in interacting with the leaders.
- **Insecurity:** when leaders become insecure towards its position and power and it started working for money and personal growth the feeling of insecurity arises with in them, which leads to dysfunctional behavior of that leader through which culture of organization gets affected.

It is very difficult to treat any dysfunction or deviant behavior in an organization but with the help of change in culture's organization, the problem of dysfunctional behavior of leader or employees can be treated up to some extent.

Now to understand how dysfunctional leadership affect the organizational as well as employee performance, this paper include the case of Nokia through which it is easy to understand how dysfunctional behavior of top management spoil the organization and also how much it is difficult to overcome from such dysfunction.

### **Stephen Elop, Dysfunctional Leader: Case Of Nokia:**

Now we discuss about the famous company NOKIA, how it collapse? Is Stephen Elop responsible for the declining of Nokia? Is Stephen Elop has Dysfunctional leadership behavior? IS Stephen Elop's steps with positive mindset towards to rise again NOKIA?

Before find out answer of such questions, we first discuss about Nokia and Stephen Elop ( Lamberg Juha-Antti,Lubinaite Sandra,Ojala Jari, Henrikki Tikkanen, 2019).

As we know for many years the name Nokia, synonymous with mobile communication. It is a Finnish multinational corporation founded on the 12 may 1865 a single paper mill. Though the 19<sup>th</sup> century the company expanded, branching into several different products. IN the late 20<sup>th</sup> century the company took advantage of the increasing popularity of computer and mobile phones.

The word "NOKIA" is derivation form of Finnish river 'nokianvirta.Nokia achieved goals more than it expectation during the mobile phone revolution under the tenure of JORMA OLLILA.But the gradually decline in product and services of Nokia is noted due to its slow decision making process or we say dysfunctional behavior of leaders and its non-shiftness towards software. The layoffs had started when money was becoming an issue from year 2008. The organization had been streamlined many times over, but the scope of the operations remained unchanged. Wrong things were done in R&D.An organizational change was done during OLLI-PEKKA Kallasvuo's tenure and this change fully paralyzed the company at a critical moment.

In 2010 September Stephen Elop take Nokia's CEO position by replacing Olli Pekka Kallasvuo and become first non-Finnish director in Nokia's history. Businesswise, Elop's Nokia career had an unpleasant start. The share price fell nearly five percent. During Stephen Elop's tenure, stock price of Nokia's dropped 62%, their mobile phone market share was halved, smartphone market share fell down 30% (3% from 33%), and the company suffered cumulative € 4.9 billion loss.

Stephen Elop take charge of Nokia as CEO when company and employees expecting better steps and outcomes from him. Elop gave such a convincing first impact that people finally felt that there would be some decisive actions. Nokia's former CEO Olli-Pekka Kallasvuo said: "The board believes that Stephen Elop has the right industry experience and Great leadership skills to realize the full potential of Nokia. Stephen Elop's strong software background and proven record in change management will be valuable assets as we press harder to complete the transformation of the company." (BBC news September 2010). According to the German (Frankfurter *Allgemeine Zeitung* newspaper), Elop was Nokia's last chance. The British *Financial Times* did an interview with Elop and Ollila, in which they rejected the idea that Nokia would abandon its own operating system. Ollila stated that Elop had not been hired to renew the Nokia strategy. Nokia fails to create interdependency community, like Google (android) did. Its stickiness with Symbian OS gradually cuts thousands of jobs under tenure of Olli-Pekka Kallasvuo. While other companies as well owner, developer and manufacturer stuck or depend on Google's android OS and Google got profit of its such creation called ecosystem. Now, not only the hardware is in the android's ecosystem there is software, developer, application, e-commerce, advertising, search, social application, location based services and unified communication and everything is depended upon the android's open ecosystem, whereas apple creates his closed ecosystem but Nokia got disappointment from market and fail to make both ecosystem and Nokia become alone. The Operating System in Apple iPhone is iOS and in Samsung's, HTC's etc., most popular models it is Android. On Nokia's smartphones, it was Symbian.

Stephen Elop warned staff after taking the top job as CEO that Nokia was standing on a "burning platform" surrounded by innovative competitors that were taking its market share. Nokia in essence, was a pure hardware manufacturer in regard to its profitability, money-making mechanisms and operating principles. After all, software and services accounted for less than 1% of its revenue. He quickly decided that the company should abandon its own operating software for smartphones and tie up with Microsoft instead. Elop is widely seen himself as the frontrunner to replace Steve Ballmer as chief executive of Microsoft. According to Enderle, Elop had high hopes for the position of CEO, but that at Microsoft, there was only a slight chance at this.

The *Wall Street Journal* believed Stephen Elop's primary task would be to ensure a convincing competitor to Apple's iPhone, since that is where Kallasvuo had failed. According to *WSJ*, the software executive would need to navigate through "a group of cultural and institutional underwater rocks" and that Elop was known as a pragmatic and decisive leader, who could turn large entities into smaller, more manageable parts. There were a lot of people in support of MeeGO and MeeGo unit developing smartphones based on open-source software had 2,000 top software engineers developing something that could be the next big thing in software engineering. Great expectations were laid upon the first MeeGo phone and before the end of his leadership, Kallasvuo had removed many obstacles from MeeGo's path.

There options for the strategic decision that can be taken to save the position of Nokia in the market, these strategies are:

- **MeeGo** Nokia would continue with its own software, differentiate from its competitors, and its money would stay in its own pocket.

- **Google** Success was clear. Nokia would become a mass producer. The risk is low and the profit expectation is low.
- **Microsoft** Would it work? Nokia would have to get its software from outside, and they would need to pay licensing fees. The risk is high, and the profit expectations are low.

Nokia wanted a quick solutions and billions of cash. Google offered Nokia a position based on Nokia's strengths in Android, but it would only have produced money in the long run. Finally Nokia understand, that it would not get money directly from Google under any conditions. And finally Elop decided to handover the company under Microsoft.

The Microsoft-Nokia agreement was complicated and multifaceted. The most relevant parts and the changes that were announced in Nokia were the following;-(Operation Elop book,Nykanen Pekka,Salminen Merina,2014,Operation Elop, Finland)

- Microsoft pays the total sum of 5.44 billion euros (\$7.2 billion) in cash for the sale, 3.79 billion euros (\$5 billion) are for the mobile phones division (Devices and Services) and 1.55 billion (\$2 billion) are for the licensing of patents for 10 years. 100 million euros (\$130 million) for to modify the licensing agreements to be continued in future.
- Microsoft makes convertible bonds to Nokia for 1.5 billion euros (\$2 billion).
- The Nokia brand remains under the control of Nokia. Microsoft receives a license to use it in its feature phones for 10 years.
- Nokia can use the Nokia brand on its mobile devices at earliest on December 31, 2015.
- The Lumia brand is transferred to Microsoft.
- Microsoft becomes a strategic license holder of Here It will pay separately for the license to Nokia.
- Around 32,000 employees are transferred to Microsoft, out of which 4,700 are in Finland.
- Elop will step down immediately from his responsibilities as CEO and will transfer to Microsoft when the deal is confirmed. Until then, he is responsible for the Nokia mobile phones division.
- Siilasmaa will become temporary head of Nokia, and Ihamuotila will become temporary CEO.
- Elop will be paid the amount specified in his CEO contract in case of the sale of the business.
- The purchasing cash flow was about 15 billion euros (\$19.8 billion) in 2012, which was nearly half of Nokia's cash flow.
- The deal is finalized by the end of March, 2014.
- Elop announced that Nokia is giving up on Symbian and MeeGo before any windows smartphone was ready. According to Finnish News, Stephen Elop was not able to get profitable growth in the phone business neither at Nokia, nor at Microsoft.

Stephen Elop, in many respects, is one of the worst CEOs in the world, and he failed in his attempt to save Nokia and made colossal mistake.

### **Effect on Employees after Stephen Elop's Decision:**

Employees protest immediately after the announcement on change in strategy by Stephen Elop on February 11<sup>th</sup>, around thousands of Nokia employees walked out from the Nokia's offices in Finland to participate in a protest. They all were shocked about the announcement and were worried about losing their jobs. Many of them were confused about the situations, and would like to hear more information from the company about the impact on their job roles (Helisingin Sanomat International Edition, 2011, February 11).

When Stephen Elop and his Leadership Created massive Layoffs in Finland, The effects of cultural differences between Finland (Scandinavian) and U.S.A(North America) cultures, especially Finnish's feminine and strong uncertainty avoidance attributes were underestimated. As of today, half of Nokia's Leadership team are Finnish. (Nokia Corporation, 2013).According to Hofstede's cultural dimensions (Hofstede, 1980), it is cross-cultural communication and dimensions along with cultural value are, Individualism-collectivism; uncertainty avoidance; Power distant, Finland is a "feminine" country with high uncertainty avoidance. This means that Finnish people prefer cooperation, caring for weak and enjoy quality life, while at the same time they do not feel comfortable about uncertainties. The fact that thousands of Finnish Nokia employees walked out from the office in response to Elop's announcement is a good example of their strong uncertainty avoidance. Canada, the country where Elop came from, is a relatively masculine country with strong individualism and lower uncertainty avoidance than Finland. When Elop and his Leadership handled the huge layoff in Finland, it seems that they were not aware of the cultural differences between Scandinavian and North American cultures, especially Finnish's feminine and strong uncertainty avoidance attributes. From here we can clearly understand that the there is an effect of dysfunctional culture and dysfunctional and dysfunctional organization on the behavior of employee (Ramzy, O., Bedawy, El R., Maher, A., 2018) and also on performance of employee (Balthazard, P.A., Cooke, R.A. and Potter, R.E., 2006.)

## Results

The result based on the literature review and case of Nokia , the findings states that there is a negative impact of dysfunctional behavior of leaders on the performance of employees, which changes the culture of any organization also it effect the psychology of employee working together which leads to directly effect on the outcome of the organization. As with the example of Nokia is taken for the Study of dysfunctional behavior of leader because Nokia is known company and with one wrong decision taken by top management, Nokia lost its position in the market, now it is clearly seen to everyone that is very difficult for Nokia to come back to its real position in the market where competition is getting difficult day by day. As analyzed with case of Nokia that Elop's one mistake of not taken decision at right time and also he thought of its personal growth and will, it is justified that Elop is a dysfunctional leader as thinking of its personal growth rather than organizational growth is one of the characteristic of dysfunctional leadership and with its wrong decision Nokia fail to compete with its competitors and also losses its trust with the people .With its collaboration with Microsoft, the employees of Nokia also gets stressed and insecured by this desicion.It is difficult for them to cope up with the new culture of the organizations any dysfunctional behavior of a leader directly affect the employee psychology and its performance.

## Implication

The implication of any work place deviance in an organization leads to dysfunction in organization leads to negative impact on the performance of employees and also affect the productivity of organization, so with the increase in dysfunctional behavior of leaders leads to paucity of trust, fear of conflict, lack of commitment, avoidance of accountability, inattention to outcomes with employee and between the employee which results in effect on their performance. With discussion of case of Nokia, it is analyzed that if top management is not serious or unable to think about organizational growth and emphasize only

on its personal growth, the result is like what Nokia suffered, we have an example of the top company which loses its position in the market due to lack of predictability and focuses only on its personal growth.

### Research Limitation and Future Scope:

In this study there is a limitation of time frame for conducting a quantitative research. This study is based only on the case of Nokia, so there is a limitation of systematic research of dysfunctional behavior of leader and its effect on the employee performance in an organization. This Study is based on the secondary data taken from articles, magazines, newspapers that is also a limitation of a paper. Study is only on an organization that is on Nokia, means factors related to dysfunctional behavior from multiple case has not been found. Also in this study how to overcome with dysfunctional behavior of leaders is not explained clearly. Future research scope on this paper is found that the systematic and quantitative study is required. More than one organization can be analyzed for the better understanding of dysfunctional behavior of leaders and how affect the overall performance of an organization. For Future studies, the factors that can control dysfunctional behavior of leaders can be analyzed more clearly.

### CONCLUSION

In this study with the help of case of Nokia we came to understand that Stephen Elop has high competence skill with low will, which is one of the characteristics of dysfunctional behavior of a leader. The CEO's duty is to build strong organization, save organization from layoffs, but Elop for his personal will and growth, as he was seeing himself as a successor of Microsoft, he sold out Nokia. Elop's dysfunctional behavior cuts thousands of jobs, he was confused by the Symbian operating system or whether he choose Android. As a result he stopped or canceled the Nokia's MeeGo which already have a lot of support from people, and he handover Nokia to Microsoft. This Indecisiveness of Elop towards choosing of operating system is also one kind of his dysfunctional behavior. Through the study of case of Nokia, it shows the negative side of Elop, as he has taken wrong decision.

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