**Between Governance and Competence:**

**An Empirical Investigation into Leadership Systems in Large Multinationals**

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*Abstract:*

Many of today's organization and management theories tend to fall into two distinctive categories: They either see the shortcomings of human behaviour, like opportunism and self-interest, as a potential source of organizational failure ("governance perspective") or acknowledge the uniqueness of the individual's competencies as a potential source of productive value ("competence perspective"). As a consequence, these perspectives assign quite contradictory roles to management and leadership in organizations: While "avoiding the negative" is the primary task of management from a governance perspective, "creating the positive" is the foremost role of management and leadership from a competence perspective (Conner 1991, Foss 1997, Williamson 1999, Frost 2003). In management practice, however, effective leadership is often seen as the key determinant of a firm's long-term success that has to avoid failure and to create value, both at a time. In order to fully realize their managers' and top-managers' leadership potential companies, esp. large multinationals, invest highly in the design and implementation of leadership systems (Tichy / Cohen 1997, Ulrich / Zenger / Smallwood 1999, Charan / Drotter / Noel 2001, Fulmer / Goldsmith 2001, Tichy / Cardwell 2002).

In order to better understand the implicit theories that guide the design and implementation of leadership systems in today's management practice, we conducted an exploratory investigation into leadership systems in 40 large multinationals in Germany, Great Britain, the Netherlands and the U.S. Between October 2001 and September 2003 more than 90 top executives of the company panel were included into the investigation. The empirical basis of the study consists of in-depth interviews, confidential corporate documents as well as published information on the leadership systems of the involved corporations. The paper will present key results of the study and discuss the pragmatic interplay of the governance and competence orientated perspectives that are reflected in the architecture and design of today's leadership systems.

**Keywords:** management theory, governance perspective, competence perspective, leadership system, exploratory research