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## **Relational dysfunctionality: leadership interactions in a Sarbanes-Oxley Act implementation project**

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**Abstract:** Extant leadership literatures tend to favour the positive and the normative over the negative and descriptive, and context-free individuals over situated organisational interaction. Dysfunctional leadership thus usually becomes a matter of evil individuals deviating from established norms, rather than how leadership interaction processes unfold. In this paper, we view leadership interaction processes in terms of construction of direction, coorientation and action space. We apply this perspective to an empirical study of an organisational change project in a sub-unit of a multinational corporation. Conceptual consequences of the proposed perspective are discussed in terms of confused direction, deteriorating coorientation and delimited action space.

**Keywords:** leadership; relational leadership; social construction; dysfunctional leadership; interactions; practices; direction; coorientation; action space; Sarbanes-Oxley Act.

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## 1 Introduction

In modern society, leadership is assumed to make a special, significant and positive contribution to action processes in most organisations. Academics and practitioners have thus been preoccupied with the task of identifying the most successful leadership practices (Parry and Bryman, 2006). At the same time, there are few – if any – organisations in which people are entirely happy with the perceived leadership (Jackall, 1988; Kellerman, 2004; Lipman-Blumen, 2005).

The general research agenda in the leadership field can be characterised as both *positive* and *normative*. It generally portrays leadership as a ‘good’ phenomenon that has an important role to play in improving, for example, economic growth and conditions of living (Kellerman, 2004). Leadership research is thus seen as a vehicle to find the best leaders and leadership practices needed for the achievement of desired outcomes (Wood, 2005). This implies a strong normative intent behind the mainstream of leadership research to find out how leaders are supposed to be selected and trained for maximal success and to identify tools and practices that may enhance their performance even more (Gronn, 2002; Fletcher, 2004; Carroll et al., 2008). However, the multitude of research perspectives in the literature (Parry and Bryman, 2006; Yukl, 2008) still indicates that this task is neither a straightforward nor an unambiguous one.

Not surprisingly, the *negative* and *descriptive* aspects of leadership research seem just as under-theorised in the literature as they are conspicuous in everyday life. Notions of ‘bad leadership’ or ‘non-leadership’ have become the subjects of everything from small talk and coaching programmes to TV series and cartoons around the globe. Nevertheless, the amount of scholarly text on the subject is surprisingly sparse. Likewise, descriptive studies of leadership practices seem just to be a marginal phenomenon – except for some well-known studies on how individual managers spent their days at work (cf. overview in Tengblad, 2006).

Instead of theorising on negative leadership as such, extant leadership literatures tend to emphasise positive ideals and to see (most of the) ‘real’ world practices as unwanted deviations, usually caused by incompetent and even outright evil individuals. The literatures on, for example, psychopathic leadership, power abuse, immoral leadership and organisational tyranny share the perspective that leadership is to be found in an individual, albeit in a maniac or villain rather than in a hero (Conger, 1990; Kets de Vries, 2003; Kellerman, 2004; Collinson, 2005; Lipman-Blumen, 2005; Stein, 2008), who has gone way too far in his job to overcome dissent and resistance among his followers (Banks, 2008). Just as leadership in its positive form is preoccupied with the grandiose and the beautiful, the inquiry into its negative aspects tends to focus on the megalomaniac and the ruthless. Hence the ubiquitous references to dictators, Enron managers and other dubious characters as incarnations of dysfunctional leadership (Kellerman, 2004). In stark contrast to those, we either find victimising portrayals of their (blind) followers as manipulated, misled yes-men or heroic accounts of their opponents; courageous, whistle-blowing, self-sacrificing (Lipman-Blumen, 2005). It makes good reading, but is hardly that simple.

The individualist focus that dominates the sparse scholarly literature on dysfunctional leadership is a natural consequence of the general leader-centrism of the field of leadership studies that has evolved and survived for centuries. Leadership studies have traditionally been focused on individual leaders and their traits, abilities and actions

(Wood, 2005), placing the abstract phenomenon of leadership into distinct individuals that are detached from their cultural context (Barker, 2001). From the onset of early 20th century, the problem has been to identify the most effective leaders from their suitability and formal merits rather than from pre-modern bases such as kinship or charisma. The problem has always been to determine what constitutes a suitable leader, and this question has implied a series of different theoretical schools (overview in Parry and Bryman, 2006). Although there are developments emphasising leader-follower interactions (Gronn, 2002; Crevani et al., 2007) and the possibilities of employing collective leadership forms (Pearce, 2004; Spillane, 2006), the main stream of research is still focused on how to identify the most competent and successful leader personalities and behaviours in certain situations (Carroll et al., 2008). Consequently, if we do indeed find research on dysfunctional leadership, it will mainly relate to the incompetencies, failures and oppressiveness of individual managers (Kellerman, 2004).

In this paper, we revisit the notion of dysfunctional leadership, but from the perspective that leadership is collectively and socially constructed in interaction rather than being ‘produced’ by individual managers in relation to followers – *relational leadership*. Although there are proponents of relational leadership as a source of new normative leadership ideals (Brower et al., 2000; Ferch and Mitchell, 2001), we will primarily treat it as a perspective to be employed in the study of leadership and thus as a source of new conceptualisations of existing everyday leadership interactions in organisations (Fletcher, 2004; Uhl-Bien, 2006; Crevani et al., 2010).

Given the above discussion, the aim of this paper is to develop a conceptual understanding of dysfunctionality within relational leadership. By doing that, we intend to contribute to the growing literature on leadership studied as interactions, processes and practices by providing a theoretical discussion and an empirical illustration on dysfunctionality that is consistent with that perspective. The paper starts with a thorough discussion on the relational leadership perspective and the notion of dysfunctionality, ending by the formulation of points of departure for the empirical inquiry into dysfunctional aspects of leadership interactions, processes and practices. Then, parts of a thick description of the implementation of the Sarbanes-Oxley Act in a Swedish subsidiary to a multinational firm are presented in the forms of a number of interaction themes. The paper ends with a discussion on the possibilities and consequences of inquiring into dysfunctional aspects of relational leadership, and implications for future studies are identified.

## **2 Relational leadership theory and dysfunctions**

### *2.1 Leadership studies: towards a relational perspective*

The field of leadership studies has evolved into several streams of thought over the years in its quest to formulate positive theories linking various forms of success to various conceptualisations of leadership (Parry and Bryman, 2006; Yukl, 2008). One stream of thought tried to identify personality traits that distinguished successful leaders from other people (review in Stodgill, 1948). Against this, others claimed that leadership was about interaction between leaders and followers, and that different interaction styles (e.g. characterised by concern for people or concern for production) implied different group

atmospheres and hence different group productivity levels (Katz et al., 1950; Stodgill and Coons, 1957). Yet another stream of research instead advocated a situational perspective, according to which leaders are only effective if they adapt their style to the situation at hand (Fiedler, 1967).

Several current streams of thought present a perspective on leadership as the articulation of visions and management of meaning (Smircich and Morgan, 1982). It is today often emphasised that the leader is a member of a group, albeit with specific possibilities to influence the group, and that leadership is actually a series of interaction processes where leaders inspire followers by creating common meaningful images of the future. Central to the argumentation is the distinction between *transactional* and *transformational* leadership, i.e. the difference between leadership as a contractual relationship between leaders and followers and as a social relationship where the aspirations of followers are raised to those of the leaders themselves (Bass, 1990).

During recent years, there has also been an emerging debate on the practical advantages of sharing leadership duties between two or more persons in suitable situations (Lawler et al., 2002; Pearce, 2004; Spillane, 2006). The resulting literatures contain several conceptualisations of such observations and arrangements, such as shared and distributed leadership (see overview in Crevani et al., 2007; Crevani et al., 2010). The problem is that these literatures point out new possible practical arrangements while still sustaining the leader/follower distinction as a subject-object relation (Hosking, 2007).

If we want to take leadership research beyond the leader-centred tradition, we must also challenge our deeply rooted tendency to make the abstract notion of leadership concrete in the guise of an individual manager (Wood, 2005) who leads hordes of followers towards the achievement of shared goals (Drath et al., 2008). Instead we must try to redefine leadership into terms of processes and practices organised by people in interaction, and study that interaction without becoming preoccupied with what individual formal leaders do and think. Like Parry and Bryman (2006) we want to base our research in:

...an alternative perspective that emphasises the importance of recognising the need for leadership to be viewed as a widely dispersed activity which is not necessarily lodged in formally designated leaders. (p.455)

In this paper, we conceptualise our perspective as *relational leadership*. The term relational leadership is here used to label a perspective that enables us to see new aspects of leadership in empirical inquiry. It should not be conflated with the growing literature emphasising relational leadership as a new prescriptive leadership model extending existing Leader-Member Exchange (LMX) models with elements of trust, forgiveness or authenticity (Brower et al., 2000). Prescriptive models tend to identify desired behaviours and outcomes and then regard all deviations from those as unwanted and dysfunctional. When applying relational leadership as a perspective, we do not identify unwanted and/or dysfunctional aspects of interactions beforehand, as they emerge in situated interaction. We seek to avoid the 'generalisation trap' in which so many leadership researchers have fallen before us, and instead study leadership processes, interactions and practices as local cultural processes taking place in a specific context (Fairhurst, 2009; Denis et al., 2010), being open to a multitude of voices and interpretations (Hosking, 2007), even elusive and contradictory ones (Koivunen, 2007).

We view relational leadership as a constructionist perspective where leadership is seen as social processes of relating, processes that are co-constructed by several interactors (Fletcher, 2004; Uhl-Bien, 2006; Hosking, 2007; Fairhurst and Grant, 2010; Sydow et al., 2011). It is thus a perspective where leadership as such is the level of analysis (Gronn, 2002), where the empirical focus is on leadership processes, interactions and practices (Wood, 2005; Uhl-Bien, 2006; Hosking, 2007; Carroll et al., 2008; Crevani et al., 2010) and where the notion of leadership is seen as a powerful societal discourse brought into processes, interactions and practices (Alvesson and Sveningsson, 2003; Madsen and Albrechtsen, 2008). Such a perspective not only enables us to understand leadership as a phenomenon extended far beyond the doings of individual heroic leaders, but also enables us to analyse the collective practising of leadership in seemingly leaderless organisational processes.

## *2.2 Relational leadership and the notion of dysfunctionality*

From a relational leadership perspective, the notion of dysfunctionality is not as clear-cut as in earlier schools of leadership thought. From a traits perspective one could expect dysfunctionality to be explained through the mental qualities of the individual, and from a contingency perspective it would be the result of a mismatch between style and situation. The recent proponents of shared leadership find dysfunctionality in the conflicts, ambiguities and misunderstandings that may arise when several leaders command the same unit (Lawler et al., 2002).

Given our descriptive research perspective on leadership as socially constructed in interaction, the very notion that aspects of such interactions could be 'functional' or 'dysfunctional' can be seen as a conceptual intrusion from a functionalist mainstream tradition. While sympathetic to such an objection, we do want to discuss our view of this further.

First, we do not assume a relativist position where leadership interactions are studied as such without any consideration of consequences. A multitude of voices and perspectives meets in leadership interactions, and it is our task to attend to them all (Hosking, 2007) – implying that what is seen as functional by some can be dysfunctional to others. Leadership interactions may involve instances of suppression, subjugation, humiliation and so forth. Instances that may very well be characterised in terms of dysfunctionality, at least from the perspective from those perceiving themselves or others as suppressed and humiliated. If there are 'outcomes' of leadership interactions that can indeed be analysed in terms of dysfunctionality, it would then be the emotional labour of the interactors (Dasborough and Ashkanasy, 2002).

From this follows our second argument that our analysis of the dysfunctions in leadership interactions will have to be based on moral considerations rather than administrative and/or technical ones, implying that process characteristics and their consequences will be the focus rather than, for example, adherence to corporate governance procedures or economic success. This is not a new thought in the analysis of dysfunctional leadership (Jackall, 1988), but from a relational perspective it will have to be applied in a sense that emphasises the local over the general and the ongoing process over far-fetched notions of systemic consequences or financial success/failure (Penman,

2008). Such moral considerations are not universal, given from start or related to specific ends, rather they emerge from local practices and interactions and are related to how the process itself is experienced:

[...] making moral judgments, or bringing about moral knowledge, has nothing to do with the independent application of a standard of good. Instead, making moral judgments is all about acting in good faith within the process of communicating; the aim being to bring about good ways of proceeding for all involved. [...] Good leading is all about making contributions of the process of communicating that, all in good faith, enable those involved to move on and do so in better ways. (Penman, 2008, p.224f)

Our third argument is that dominating discourses on the nature and quality of leadership must be seen as an inevitable and integral aspect of what is studied. Leadership research is part and parcel of a powerful and positive discourse in society that continue to emphasise the individual leader as the incarnation of leadership and his traits and doings as the road to prosperity and moral elevation (Alvesson and Sveningsson, 2003; Holmberg and Tyrstrup, 2010). It is a discourse that conveys a set of highly masculinised norms on how professional leaders should appear, behave, relate and react (Billing and Alvesson, 2000; Kets de Vries, 2003; Fletcher, 2004). These norms diffuse into society through research literatures, mass media and leadership development programmes. Any leadership process may thus involve practices and interactions related to how actors relate to notions of leadership, followership, good leadership, bad leadership, absent leadership and so forth.

### *2.3 Studying leadership interactions: direction, coorientation and action-spacing*

Given the perspective outlined above, one may ask what are the empirical circumstances that could form the basis for a developed understanding of dysfunctional leadership interactions. There are a few suggestions to be found in the literature, although they are concerned with the general problem of identifying leadership interactions rather than the specific problem of dysfunctionality. Gronn (2002) proposes the study of ‘concertive actions’ such as spontaneous collaboration patterns, intuitive understandings that emerge between colleagues, and institutional arrangements supporting self-managed teams and other formal practices. Drath et al. (2008) claim the need for an ‘integrative ontology’ of leadership, in which the three basic concrete entities of traditional leadership research (leaders, followers and shared goals) need to be replaced by an alternative ‘DAC ontology’ where empirical inquiry is focused on the outcomes of leadership – direction, alignment and commitment. Crevani et al. (2010) appreciate both these suggestions, although remarking that notions of ‘outcomes’ are problematic given that leadership is analysed in terms of interactions and processes. Moreover, they are also seen as problematic for the analysis of dysfunctional aspects of such interactions and processes.

To us, the DAC concepts tend to focus exclusively on converging processes of leadership, thereby emphasising the common and the collective. Hence, we propose the concepts of *coorientation* (enhanced understandings of possibly diverging arguments, interpretations and decisions of all involved parties) and *action-spacing* (construction of possibilities, potentials, opportunities and limitations for individual and collective action within the local-cultural organisational context). While traditional definitions of leadership tend to focus on one person – the leader – limiting others’ – the followers’ – space for action, in our proposal we want to study several people constructing in interactions a limited space for action. (Crevani et al., 2010, p.81f)

In line with the above argumentation we will therefore focus our empirical illustration on interactions in which *direction*, *coorientation* and *action space* are constructed. This is done through an ethnographic account of an organisational change project where new administrative regulations are enforced upon a sub-unit of a multinational corporation. The interactions in such a project should have the potential to involve instances of leadership in line with those discussed above. At the same time, it should be noted that an enforced project represents a special context for leadership interactions as compared to the everyday processing of mundane organisational matters – it is a more distinct arena for such interactions and it involves a sender-receiver dynamic that is not always present in ‘normal’ organisational life (Lindgren and Packendorff, 2009).

### 3 Studying the SOX-404 implementation project

This case study presents a process of organising in a national subsidiary (ChemCorp Sweden) struggling to redesign their systems of internal control in accordance with instructions received from the board of management of the multinational chemical manufacturer ChemCorp. ChemCorp Sweden is a sales organisation with about 70 employees, owning a central warehouse in K-town from where they distribute their products.

In 2002, the US congress passed the ‘Sarbanes-Oxley Act’ (SOX), which was the governmental reaction to recent corporate accounting scandals (e.g. Enron and WorldCom). The main focus of the debate was the SOX section 404, which forced US-registered companies to assure that they sustained a sufficient system of internal control (Burrowes et al., 2004). When ChemCorp management understood that the company would have to comply with SOX they initiated what was to be known as the ‘SOX-404 Project’.

The project was led by a steering committee and a project management team placed at the ChemCorp headquarters, providing direction to the 15 local business unit projects (of which ChemCorp Sweden was involved in one). Most of the work took place at the local level, involving operative and administrative staff, supported by ChemCorp’s external auditing firm and monitored by the internal audit department. In short, the local work implied creating and documenting secure control systems for all sorts of transactions and data processing in the daily operations. The business units had to assure that 70% of their business was assessed and they also had to follow a general time plan (milestones).

The empirical base of the study is the observations, interviews and readings carried out by one of the authors during a four-month period in 2005 in ChemCorp Sweden, and the findings are here presented as excerpts from an underlying ‘thick description’. The thick description (mainly) provides information about the events which took place during the project. The researchers worked full-time at the headquarters of ChemCorp Sweden and participated in meetings as well as the daily work related to the SOX-404 project, and documented their data through daily field notes, transcripts of formal and informal interviews, and the collection of emails and documents related to the implementation of the project.

The person gallery in Table 1 involves the most frequently named persons.

**Table 1** ChemCorp employees referred to in the empirical material

<i>Position</i>	<i>Explanation</i>
Accounting Manager/LF Point	Second ranking manager in the financial department. He/she is also Local Focal Point (LF Point) in the project with responsibility for practical implementation.
Business Unit Focal Point	Business unit accounting manager. Not employed in ChemCorp Sweden but frequently consulted for advice.
Financial Manager	Head of the financial department, also Nordic Controller for several ChemCorp subsidiaries.
Human Resources Manager	HR manager, also working part time for business unit management.
IT Manager	Head of the IT department which is running their own SOX-404 project. Also involved in the general SOX-404 project as his/her department runs the internal enterprise business system.
IT SOX contact person	The SOX contact person in the IT department
Logistic and Planning (L&P) Manager	Head of logistics and responsible for the K-town warehouse unit.
Sales and Marketing (S&M) Director	Formal head of ChemCorp Sweden, also Nordic coordinator of other Nordic sales divisions.
Sales Manager	Manager not involved in the SOX-404 project as the S&M Director handles SOX-business which concerns the sales department
Warehouse Manager	Second ranking manager in K-town and responsible for the day to day activities in the warehouse and customer service department.
SOX-Assistant	The observer. Assists the LF Point on a temporary basis as a part of an ongoing research project.

#### 4 The SOX-404 project in ChemCorp Sweden: thematic analysis

The SOX-404 project is here presented as it was perceived by the interactors in ChemCorp Sweden. The description is organised along a number of themes that emerged out of the empirical analysis. The themes are all related to leadership interactions in the sense discussed above.

##### 4.1 *Insecurity, ambiguity and lack of trust*

Already from the start, the project came to be characterised by a sense of ambiguity and lack of clear directions. As the project was introduced as a task to be accomplished on top of all other ongoing commitments, it implied a lot of discussions and confusions on how and when to perform project activities.

We have been carrying out this project in several steps, we begun with this work already in 2004 and that year I was Local Focal Point. I and the Accounting manager had to do the work ourselves, we were on our own. The project managers, neither they were really sure what they wanted to accomplish ... the premises kept changing, and the project ended up in a big nothing while we ended up doing things in a manner that we were not supposed to. This year everything is again uncertain, it is very hard to predict were it is all going to end. (Financial Manager)



The project coordinator received several contradictory messages from different actors at the headquarters, and was not able to convince the rest of the organisation on the urgency and the amount of hard work that was in front of them.

LF Point is stressed and working with next years budget. The other Cycle owners have not yet started with their work connected to SOX. LF Point is concerned with people not understanding the amount of work which must be done. She also considers the input from higher management a bit contradictory. The documents that are coming from Holland are stating very hard requirements for compliance. (Field note, daily work, 27 August)

The project also implied a persistent conflict between the IT department and the rest of the organisation. Much of the work was connected to the ERP system of ChemCorp Sweden, and many thought that the IT function should do most of the job rather than the different business departments.

In the beginning there was some charades and mockery debate, especially between IT and the organisation ... we regarded all this to be the responsibility of the organisation while they considered everything, which involved a computer, to be our responsibility. ... No one wished to be responsible; there was much talking and less action. (IT-SOX contact)

A major source of negative emotional labour is the recurring changes of instructions from the ChemCorp headquarters, causing many interactions that still do not produce clear and unanimous decisions on how to proceed.

All departments here are only working with SOX, all reasonable activities are stopped. We are in the middle of the process and still so many things are not clear and as soon as you have taken one step you get new information how it should have been done .... Never have I seen so many people demotivated, the quietest managers are getting very impatient .... I think it is time that we all together canalise the work to be done in this project. Someone has to stop this insanity (I don't mean the fact that we have to do it, but the way we are doing it). (Email from Manager in German sub-unit to the field researcher, 15 September)

The frustration on constant changes in the project is shared by several of the interactors.

The rules change all the time. One time this, next time something else ... it creates anxiety, confusion and irritation. (HR Manager)

Also this year the rules have been changed, they change continually, and it is hard to say where it all will end up. (Financial Manager)

When the external auditors emerge to check whether ChemCorp Sweden is proceeding as planned or not with the project, it is still not clear what they are supposed to inquire into and if they will indeed make any statements on project success.

Two ladies, the internal auditors, arrive after lunch. The Financial Manager and LF Point sit down with them and the auditors declare that they will need a few hours with each manager to go through the work done. They also announce that they will write a report, but it is not certain how this report is to be disposed. Probably they will not be very critical as they have just failed three other entities, and their managers have now asked them to try to help out, instead of just failing. Actually the auditors do not seem sure about what they are here to do. (Field note, financial dept. meeting, 21 August)

During internal meetings between different units, everyone tries not to make any commitments, instead attributing hidden agendas to the headquarters and postponing all concrete actions.

The IT Manager does not consider the base-lining to be task for the IT department, he is also very upset about SOX as he has just had Dutch auditors to assess the work at the IT department and they were very picky. The representatives from the other sub-unit do not say much as they are not willing to overdo anything. There is also a discussion regarding the local ERP system; the common opinion is that ChemCorp headquarters try to force them into another system by making it extra painful to use the current one. In the end, it is concluded that there will be a new meeting the 6th of December and that until then all applications controls which must be base-lined should be identified. (Field note, project meeting, 23 November)

#### *4.2 Distancing to source of bureaucratic intrusion*

A second recurring theme in the narratives from the project is the varying notions of the project being an illegitimate administrative intrusion into a well-functioning, action-oriented organisation. The central management of the SOX project had the ambition to improve their communication, but the local project experienced a lack of interest and understanding from the rest of the organisation, calling for increased support and visibility from ChemCorp top management.

Some take this seriously and others .... You must follow up, pester and ask how it's going etc. It should be the other way around; they should carry this out .... Actually, sometimes, I have felt a bit insufficient interest from the organisation. We work in a very operational organisation and everyone is very focused on sales, of course this stuff is not given priority. I believe that, perhaps, it would be good if higher management emphasised how important this is. (Accounting Manager)

The researcher also notices that several actors are thinking out arguments against the SOX project, for example by identifying absurd consequences of the new rule system if being fully implemented in practice.

To exemplify, if a risk is that incorrect prices are recorded the control could be to implement a routine where the original document is filed in a binder, and the binder checked by a higher ranking manager, who is to assure that the prices have been entered correctly. The test would then be to check (11 times a year) that the manager has really performed this control of the binder. In this example, this would be a control (test) of the monitoring control which controls the control documentation. (Field note, daily work, 18 October)

#### *4.3 Overload, sarcasm and irony*

Several interactors, even the project management team, react negatively to the implementation of the SOX project as it leads to work overload and heavy pressures on many of the involved employees.

If there was time for these types of projects you could wonder what the personnel were doing other times of the year. (L&P Manager)

Before ending the design phase, I felt physically ill and it would have been great with some support. I do not know why, but this was probably the most strenuous thing I have ever done ... and then I have been involved in dismissing people. (HR Manager)

One way of handling the pressures and irritation is through irony and sarcasm.

I believe that this may stop some swindle, prevent someone from stealing a few pencils, but I doubt that SOX will or can stop any larger fraud. (Financial Manager)

Implementing the SOX project also leads to discoveries of new problems, existing unresolved issues and relations to other ongoing projects. Meeting interactions tend to reaffirm this lack of action space and common direction, converging only into the conclusion that SOX activities need to be postponed.

The meeting begins with a discussion concerning invoices. Apparently there is some sort of problem with the Automatic Invoicing System (EDI) and while IT probably has solved it, there are still some questions to settle. The IT manager criticises the inability to solve administrative problems and the administrators express despair over the lack of resources. The milestone is, once again, pushed forward. (Field note, project meeting, 6 December)

#### *4.4 Acceptance, obedience and hypocrisy*

Several of the interactors hold conflicting emotions in relation to the project. The middle managers are obliged to implement the project as part of their work duties, leading them to emphasise the necessities and positive aspects to their employees. The middle managers often feel that the project emanates from a distant place and that it is really not part of the daily operations in ChemCorp Sweden – causing them to become hypocrites in front of their personnel.

Well SOX ... when I first heard about it I must say I considered it very bureaucratic and a major overkill ... the same reaction came from my personnel! However, I understood, after working with it for a couple of months, if I continue with this attitude, regardless of how stupid things are, then it will be impossible to deal with the project. I have tried, even though I have not felt so myself, to say: 'This will be fine! This will improve our routines, and when things are more in order, it will be easier to work'. After some time people have accepted this. (IT Manager)

Among several of the operative managers, the project only represents an administrative intrusion in their daily operations, taking time and energy from what they should really do.

Today the sales representatives had a conference, and they were also forced to listen to a presentation regarding the SOX-404 project, and the possible changes it may imply. They were all polite, but it was quite clear that they would be opposed to changes that would signify more administrative work for them. Flexibility is very important for them. (Field note, sales force conference, 26 October)

Eventually, this also leads to conflicts between administrative and operative managers on the need to comply with the SOX regulations and act proactively in the project. As the administrative managers recognise and understand the negative emotions, they cannot do much but try to argue in positive terms and emphasising long-term benefits over short-run hardships.

The normal operations run every day, and we are here to reach some certain goals. It has been very hard, for anyone, to see how this will help the organisation reach these goals ... However, in a few years we will probably be able to look back upon this and say: 'Some good thing came from this project, now we do things this way and it works alright'. (S&M Manager)

#### 4.5 *The project as an insensitive intrusion into professionalism and culture*

As the interaction related to the project leads to an emergent dichotomising argument on administration vs. operations, it soon touches on the notion of professionalism. The SOX-404 procedures are designed to prevent fraudulent actions, and they thus do not leave any space for individual actors to make individual decisions based on individual information and judgement. Many of the employees feel that their professionalism is questioned and that the individuality they bring into their daily work is no longer desired.

Now it is no longer enough to say that we trust the individual, now we must document and structure everything and this has been emotionally tough. The artistic soul, they feel that it has been killed. They are no longer artists, instead they have to write down and document all they know. This know-how is what they have when they negotiate their salary. They wish to be experts, and now they have to write it all down .... I have tried to explain that there are other things to fill the head with. (IT Manager)

Several employees also feel that the SOX procedures come from a low-trust culture alien to both Swedish workplace culture in general and ChemCorp culture specifically.

A general reflection is that in some ways SOX is very controlling. This is a bit contradictory to the values, empowerment, integrity, decentralisation, etc., that ChemCorp normally communicates to the organisation. There is a collision there that is dangerous ... there are also cultural aspects; Swedish people are quite informal and do not fancy hierarchies. Perhaps therefore this sort of work is extra hard to accept. (S&M Manager)

Most people are not very happy about this, it is not Swedish mentality ... we do not feel that we need this. We do not need to be controlled because we already work this way. We do not feel that we need the extra controls ... of course this can be seen as improvement of some routines, but it is control of control; a bit like Orwell's *1984*. (Warehouse Manager)

## 5 Discussion

In this concluding section, we will first analyse the SOX project in terms of processes of construction of direction, coorientation and action-spacing (Crevani et al., 2010). Then, we will return to the founding assumptions behind the relational leadership perspective and discuss how they are related to the notion of dysfunctional leadership.

In ChemCorp Sweden, we find several processes of divergence, misunderstanding, resignation and hypocrisy that can be related to the notion of construction of *direction*. Rather than creating a sense of common direction, the project becomes a process of subjugating to an almost God-given direction formulated at a remote headquarters – sometimes in a rational, orderly manner according to plan, sometimes as instant improvisations in ambiguous situations (Holmberg and Tyrstrup, 2010). While subjugating, the interactors hold very different views on the project, and they also openly say that they can live with hypocrisy, i.e. privately being negative to the project while publicly exercising their managerial duties by promoting and enforcing it, or by requiring hard work in the short run by reference to vague long-term benefits.

While differences in perceived direction do not necessarily have to be negative aspects of leadership interactions as such (Banks, 2008), the tendency to live with conflicts, hypocrisy and unresolved contradictions is. While the direction is clear to all ChemCorp employees in one sense (i.e. not implementing, or failing, the SOX project is not an option), the general direction of ChemCorp Sweden becomes increasingly blurred as several other lines of development are put on hold during the project.

Seen in terms of *coorientation*, the SOX project is in many ways a process of increased understanding of diverging interpretations. Many of the interactors feel that they have acquired additional insights on matters that were previously not articulated or discussed, such as the culture of knowledge ownership and individual artistry in the sales force, or the diverging opinions on the operational roles of the IT department. However, the project also implies that several interactors experience an increased distance to the headquarters – one example of this being the incident where a widespread dissatisfaction with the SOX requirements is gradually exacerbated into a sense of traditional ChemCorp values and Swedish workplace culture is ignored and violated. The SOX project can be seen as an arena for relational processes where the managers in ChemCorp Sweden gain an increased understanding of themselves and their internal differences, while they become increasingly confused by how the ChemCorp headquarters abandon traditional values through promoting SOX regulations. While the articulation and shared understanding of internal differences can be seen as a positive aspect of a relational process, the erosion of understanding along the ‘chain of command’ is to us the opposite.

As a third concept in the analysis of relational leadership processes, in addition to direction and coorientation, we have proposed *action space* (Crevani et al., 2010), i.e. that leadership interactions unfold as processes of defining, negotiating and delimiting the perceived limits of action for interactors. The SOX-404 project represents a temporary limitation of action space for all involved in the obvious sense that it is ordered without any considerations for the work situation for those to perform the defined work tasks, but it also introduces limitations related to power, professionalism and identity that may also live on after deadline. The project can then be seen as a process of hierarchisation where the corporate headquarters demonstrate its ability to enforce any imaginable ill-conceived reform, and where local administrative managers are emphasised as representatives of corporate governance structures that are given priority over local operational priorities. It can also be seen as a process of segregation between these administrative/managerial and operational/practical aspects of the organisation. Moreover, the project also becomes a process in which traditional professional identities (i.e. the salespeople) are put into question as being not sufficiently controllable and lacking the required understanding for corporate priorities (Holmer-Nadesan, 1996); a development that spreads into a dichotomisation between ‘Swedish’ and ‘other’ workplace cultures. In that sense the project become a process of constructing narrower action space without also constructing new alternative spaces, a process of counter-identification with the headquarters rather than dis-identification with an alternative set of values. The ‘negativenesses’ of the leadership interactions in this case can thus be closely linked to the senses of confinement, humiliation (Czarniawska, 2008) and impossibilities of long-term dis-identification (Holmer-Nadesan, 1996).

## 6 Conclusion

This paper started out from two related notions:

- that leadership literature in general tends to favour the positive and the normative over the negative and descriptive and
- that leadership research tends to operationalise leadership in terms of free-floating individuals rather than situated organisational interaction.

In this paper, we have intended to provide alternatives to these two notions, instead focusing on dysfunctional aspects of leadership interactions.

The aim and intention of the paper is to formulate conceptual consequences of studying dysfunctional aspects of leadership from a relational perspective. Based on recent theoretical developments concerned with relational, practice-based and constructionist approaches to the study of leadership processes, we propose the study of leadership interactions to focus on the construction of direction, coorientation and action space. What is then analysed in terms of dysfunctionality are interactions where involved actors experience, for example, ethical problems, lack of mutual understanding, value conflicts, violation of cultural norms and counter-identification with other parts of the organisation. What is dysfunctional is – in line with our processual view of leadership – a matter of what evolves from situated interactions, not a matter of general categories brought into the situation by researchers (Fairhurst, 2009; Denis et al., 2010). The contribution to the field is thus that relational dysfunctionality in leadership interactions can be conceptualised in terms of

- 1 divergence, resignation and hypocrisy where direction is concerned
- 2 value conflicts, violation of local culture and eroded mutual understanding where coorientation is concerned
- 3 professional, hierarchical and segregational limitations of action space.

Dysfunctionality in terms of direction concerns how a sense of direction is fostered, negotiated and sustained in daily interaction, and how such a sense is perceived by interactors. Such situated dysfunctionality include diverging direction (i.e. that the process revolves around differences, misunderstandings and conflicts), attributed direction (i.e. the interpretation that direction is being constructed elsewhere, by others) or substituted direction (conflating a sense of direction with an influential individual or a temporary project).

Likewise, dysfunctionality in coorientation will be a question of how/when interactors experience absent or deteriorated ‘understandings of possibly diverging arguments, interpretations and decisions of all involved parties’ (Crevani et al., 2010, p.81). According to this view, diverging opinions or interpretations are not dysfunctional *per se*. What is dysfunctional is an emerging sense among actors that these divergences are not understood or recognised. Related to this we also find instances of segregation (simplified and dichotomised notions of ‘us’ and ‘them’) and hierarchisation (‘us’ and ‘them’ as irreparably separated and opposed to each other). Moreover, interactions perceived as going against widely held convictions or becoming excessively hypocritical or cynical are also characterised as dysfunctional.

Where the construction of action space is concerned, it is a notion of how situated interactors develop their perceived possibilities of future action in relation to current such possibilities (Holmer-Nadesan, 1996). Dysfunctionality thus implies that actors experience these possibilities to be increasingly limited and/or deviating from previous expectations. This can happen as a result of administrative structures such as imposition of excessive control systems, but also through changes in how different organisational groupings relate to each other or in how different professional categories are constructed. While mainstream leadership research (implicitly) assumes that moving the action space for employees into designated areas through management of dissent is a central task of leadership (Banks, 2008), we claim that the processes by which action space is continuously constructed and reconstructed may be functional or dysfunctional *per se*. Resistance, e.g. in the form of identifying away from or against dominating conceptions, or limiting reactions to resistance (acceptance, humiliation, etc.) are, consequently, also aspects of functionality or dysfunctionality. These limitations are treated as 'dysfunctional' insofar as they are perceived as more limiting than enabling, more dichotomising than uniting, more oppressing than equalising.

In this paper, we add to the growing literature on relational leadership by conceptualising the otherwise neglected problematic, harmful and unethical aspects of leadership interactions. While relational leadership is often conceptualised in positive terms, as a desirable practical alternative to established heroic leadership norms (Fletcher, 2004), we suggest that it also has a great potential as a research perspective from which novel understandings of the everyday complexity of leadership interactions can be developed. What we will see is not always beautiful and ready for prompt translation to ready-made tools and tricks. Neither will we see what happens behind the closed doors of dictators and megalomaniac corporate executives. But we may gain an in-depth understanding of how situated actors try to find their way through everyday leadership processes, for better and for worse.

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