Impact Mechanisms Of True Leadership On Economic Welfare

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Abstract: *This paper has as main purpose to reveal, via a series of examples taken from real life, the dependence of economic welfare on good leadership, irrespective on the context of manifestation of the latter. Be they company leaders, therefore leaders acting at microeconomic level, or national leaders, herein embodied by governmental leaders, monetary authority leaders or presidential leaders, making decisions at macroeconomic level, true leadership is a continuous source of well being for any economy, as it represents the coagulation of miscellaneous economic touch constructive ideas and facts. The impact of leadership on economic welfare is therefore perceived from a double perspective: on one hand, company true leaders, exerting positive influences on the organisations they lead by providing jobs and by increasing revenues to the sate budget and, on the other hand, national true leaders, holding the mechanisms for stimulating, by their actions, both consumption and investment and, thus, for sustaining a sound economic growth.*

Keywords: company leaders, national leaders, economic welfare, microeconomic context, macroeconomic approach

JEL Classification: I31, O11, O12, M10, H20

1. Introduction

The issue of analysing the existence of any significant influence of good leadership on economic welfare as well as the detection of the extent of such influence can be raised not only at strictly macroeconomic level, but also at its restrained, aggregated level, namely the microeconomic environment.

Let us just suppose, right now, that true leaders succeed in well managing the companies they work for – considering that the leaders we are talking about are also managers of the same – convincing other employees, by the power of their example, to endeavour for the well-being of the said firms. In this case it is hard to believe, unless unfavourable circumstances occur, that the above-mentioned companies would not register better results in terms of either extension on new market segments or, diversification of products/services or of activities carried out, all these being normally reflected, sooner or later, into higher profits. Considering, on one hand, that companies contribute to the state budget by the taxes they pay and, on the other hand, that they are a source of wages for employees, therefore a financial support for people as consumers, we can easily understand why these components of the microeconomic environment exert considerable influences on the economic welfare of a nation.

Looking at this problem from the opposite side, good leadership at macroeconomic level would imply good decisions made by the entitled authorities. When, for instance, the fiscal and budgetary authority (Government), by its leaders, makes a fiscal decision – decrease of the tax level or increase of the subsidy level – by which the entrepreneurial activity is stimulated, this would result, first of all, in the development of companies, therefore in the well-being of the same and, subsequently, as a consequence thereof, by the increase of the occupational level, of the number of financially stable consumers, of the taxes to the state budget and so on, to the growth of the national economy.

In other words, if good leadership proves to have positive results from an economic perspective, this would be valid at both microeconomic and macroeconomic level, as macroeconomic changes indubitably affect the microeconomic components, the latter impacting, from several different perspectives, the macroeconomic life.

2. Good leadership and effective implementation patterns at company level

Before trying to study the dependence of economic growth on good leadership, it is necessary to clearly understand what good leadership means. Good leadership involves the existence of some innate characteristics like vision, creativity, courage, grounded risk assuming capacity, persuasive power, communication skills and the development, by training and doing, of others such as self-control, negotiation ability, strategic thinking etc. But all such features are not translated into "good leadership" unless put in place in the right context, in the proper dosage.

Even if there is no coincidence between managers and leaders, a manager having to "possess" specific traits in order to turn into a leader, into an example for others - his/her followers, and a leader getting this "title" even in the absence of a managing position, we use to focus, within the economic framework, on the manager-leader individual, namely the visionary individual having both the capacity and the official authority to make pertinent decisions, the reason of such choice being the broader visibility of this type of leaders.

If we relate to companies, the list with examples of leaders having marked the history of the same is quite extensive, they succeeding in remarking themselves either by an extraordinary idea provided or action undertaken at a given time, that significantly changed the history of a company, or by a long-time constructive behaviour, progressively laying the grounds of a strong and prosperous business, some of the most important of them being briefly depicted hereinafter.

• Gates, Bill – co-founder and CEO of Microsoft between 1975 and 2000 – is "responsible" for building a company that has continuously, progressively turned into the giant of the technology world. Specialist in the business, he has effectively involved into the activity of the company, working side by side with his employees and dedicating his efforts to the development of miscellaneous programming languages for different systems. The company success is mainly due to the perseverance of Gates, to his striving for growing ever more, going from Office software packages, to a web browser and to enterprise solutions, but, most of all, to the passion for the activity daily rendered by this true leader having adopted a transformational leadership style.

• Jobs, Steve – co-founder and CEO of Apple between 1976 and 1985 and, later on, between 1996 and 2011 – has greatly contributed to what the company is nowadays by the popularization of the personal computer and by the diversification of the range of products, launching new, exquisite items such as iMac, iPod, iPhone or iPad. His continuous preoccupation for creating products featuring both an attractive design and a flawless functionality was one of the main keys of success of the intelligent Jobs and, implicitly, of the company managed by the same.

• Ellison, Larry – one of the founders of Oracle and CEO since 1977 – entered an already competitive market and quickly succeeded in bringing the company at the top in the related industry, being also well known for the initiative of making many inspired acquisitions. Although he is considered to be a difficult man to deal with, an individual characterised by vanity, uncomfortable otherwise than with the first position in anything he does, he is depicted by his colleagues as a highly self-controlled guy, even in difficult circumstances, as a gentleman able to show respect to other people. Given the well known deep appreciation he manifests for those contradicting him and proving that they are right, we understand the dimension of the personality of a man decided to be the best by surrounding himself by people that excel in their work.

• Welch, Jack – CEO of General Electrics between 1981 and 2001 – permanently focused on getting to and staying in the top position of the industry, totally rejecting the idea of non-excellence in the matter. And he achieved this, finally leaving a thirty times more valuable company than the one he had taken over as Chief Executive Officer, especially via the around six hundreds inspired acquisitions he has made on emerging markets. Despite of his management style, categorized as quite sharp, Welch drastically dismissing many of his employees, including the ten percent-last positioned managers (irrespective of their overall performance), cutting wages, reducing basic research and closing or selling businesses running under a required level of performance, he proved, however, to be able to undertake simulative actions for his subordinates, like the ones related to the efforts made for reducing bureaucracy, to the rewarding, by bonuses and stock options, of the first twenty percent-most productive people or, most important, to the informality policy adopted at the company level, thereby allowing his employees to benefit from the experience of small businesses within a strong corporation.

• Drexler, Mickey – CEO of Gap between 1983 and 2001 – succeeded in convincing the company employees to place themselves in the posture of consumers and to produce and launch on the market only those items they consider to excel in the matter, the ones for which they would do everything to get, bringing clothing to a superior, more sophisticated level. Thus, he built a bridge between the desires of employees and those of customers, making his people feel much more effectively involved in the company both decision-making and implementation processes.

• Sinegal, James – one of the founders of Costco and also CEO since 1983 – made himself well known in the field not only due to the significant increase of the said company profits, but also, mainly, due to his decision to turn Costco into a diversification-based company, the first warehouse type store providing fresh food as well as pharmacies, eye-care clinics, gas stations and many others, a veritable model for start-ups. It is also remarkable the attitude towards his employees, the familiar way manifested in relation to all of them and the particular attention paid to their needs, including the financial ones, this making him one of the most loved CEOs of all times.

• Gerstner, Lou – CEO of IBM between 1993 and 2002 – imprinted his name in the company memory not necessary for the one percent figure growth of the company, occurred during his quite tough rule, based on acting together for the well-being of the company and not individually for the well-being of oneself, but for his capacity to save the company and prepare it for a subsequent sound growth, by breaking up the same into operating units, therefore providing a complete set of IT solutions: hardware, software and services. This originated in his capacity of foreseeing the long-term glorious future of IT services area and by his force to fight against many rigid convictions for focusing the core business of the company around such services.

• Bezos, Jeff – founder and CEO of Amazon since 1994 – had the vision of developing a business based on the reinvention of the classical bookstore, via the virtual environment. Not only his basic idea of online bookstore proved to be a very efficient one, but also the one based on the extension of such concept to other goods such as CDs/DVDs, software packages, computer games and many others, therefore becoming a pioneer of e-commerce. He proved to be a continuous source of excellent ideas, introducing a new concept in the matter, namely the predictive analytics, consisting in the analysis of the search history of internet buyers and of the associated habits of the same, this helping his company in recommending such customers the products that would fit the best their needs. It is not to be ignored also the quite extended list of successful acquisitions he has made in time for this great company.

• Whitman, Meg – CEO of eBay between 1998 and 2008 – had an overall amazing activity within the company, radically transforming it in time, from a small thirty employee-based firm into a fifteen thousand-employee giant with revenues increased two thousand times during her ruling period. Even if she made some uninspired moves, especially during her last years at eBays, like Skype acquisition, her vision and courage to act for the company benefit (especially considering that she was not a founder of the company) remain a model for her followers.

• Dimon, Jamie – CEO of JP Morgan since 2004 – turned the bank he led into the largest American bank, leader on the segment of managed domestic assets, credit card providers, publicity traded stock and market capitalization values. He proved his extraordinary inspiration and flair during the last world economic crisis, succeeding in making the bank he coordinated the first one to repay the Trouble Asset Release Program funds that he had been previously coerced by the U.S. Treasury Department to accept. In an interview, Dimon stated that it is highly important for a true leader to ask the advice of entitled counsellors, whenever needed, to prove equity and to make use of social intelligence in managing others.

These were just a few of the most impressive company leaders of the last decades, visionary leaders who had come up on the market with pioneering products, technologies or just ideas and strategies, leaders with various managerial attitudes, from the most permissive ones, as in the case of Senegal James, to the most restrictive ones, as embodied by Jack Welch, leaders who knew how to sustain their beliefs and how to put them into practice so as to get, along with or aside from the well-being of their employees, the success of the companies they ruled.

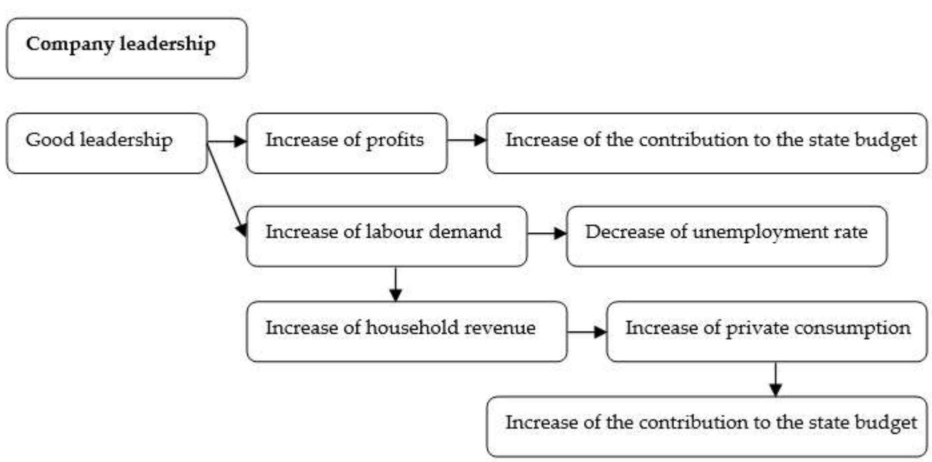
Table 1. Company level true leaders

Company true leaders	**Company name**	**Ruling period**	**Main benefits brought**
Bill Gates	Microsoft	1975 – 2000	- innovation - creation of new jobs - increase of profits
Steve Jobs	Apple	1976 – 1985	- innovation - diversification - creation of new jobs - increase of profits
Larry Ellison	Oracle	1977 – at present	- effective acquisitions - creation of new jobs - increase of profits
Jack Welch	General Electrics	1981 – 2001	- employee performance increase - decrease of bureaucracy - increase of profits
Mickey Drexler	Gap	1983 – 2001	- employee involvement increase - creation of new jobs - increase of profits

James Sinegal	Costco	1983 – at present	- diversification - creation of new jobs - increase of profits
Lou Gerstner	IBM	1993 – 2002	- diversification - employee collective involvement - creation of new jobs - increase of profits
Jeff Bezos	Amazon	1994 – at present	- business reinvention - effective acquisitions - increase of profits
Meg Whitman	eBay	1998 and 2008	- creation of new jobs - increase of profits
Jamie Dimon	JP Morgan	2004 – at present	- best crisis management - increase of profits

As we can see in Table 1, all such leaders contributed to the increase of the profits of the companies they ruled and, most of them, had in view to extensively develop the related firms, attracting a higher number of employees. From this perspective, it is obvious the role of true leaders in the economic welfare, as revealed by Figure 1, such contributions being reflected into the decrease of the unemployment rate and into the increase of the state budget, with their subsequent positive consequences.

Figure 1. Company good leadership effects



3. Impact of good leadership at macroeconomic level

Although good leaders, as the above-mentioned ones, acting at the company level, clearly contribute, to a lesser or larger extent, by the development of the said firms, to the well-being of the entire economy, via various mechanisms, the contribution of true leaders acting at an upper level, namely the macroeconomic one, to the economic growth of a nation, is much more visible to the wide public, especially due to the higher impact of their actions on the same.

In this context, the best would be to have good leaders at macroeconomic level, leaders able to make pertinent decisions oriented towards the supporting of the microeconomic agents, including the related leaders, therefore intensively stimulating consumption and investments, whenever necessary.

As in the case of company leaders, we will consider hereinafter exclusively some of those leaders having the prerogatives to make decisions at national level and, thus, directly influencing the economic life.

• Lee, Kuan Yew – Prime Minister of Singapore between 1959 and 1990 – succeeded, in his three decade of ruling, to turn a third-world mainly agricultural economy into one of the most important South-Asia monopoles, into the strongest South-East Asia financial and commercial centre and into the most powerful industrial society of the world. He has done this, beside the tourism development related measures, that have healed just a small part or the country high unemployment problems, by the steps taken for attracting foreign investments, multinational companies being convinced to get there due to the extraordinary infrastructure he had created.

• Thatcher, Margaret – Prime Minister of the United Kingdom between 1979 and 1990 – resorted to decisions that rendered the related economy from a stagnant one into a strong and stable one, with a decreasing unemployment rate, even if, meanwhile, she had to face tough economic times caused by the recession occurred in the early 1980s. Among such measures she fervently pleaded for, the following worth mentioning: the diminishment of the income direct taxes, the lowering of the inflation rate via the influence exerted on the money supply, the decrease of the governmental expenses and also the privatization of the public industries.

• Reagan, Ronald – President of the United States between 1981 and 1989 – had an extraordinary contribution to what America is nowadays, a veritable world power. The most important policies adopted under his ruling period, the so-called "Reaganomics", mainly focused on supply side, were oriented towards the decrease of the tax level, therefore stimulating both consumption and investments, on the control of the supply of money, translated into a control of the inflation level, on the economic deregulation, allowing for the improvement of the business operation and, as such, for the increase of the competitiveness on the market, as well as on the decrease of the public expenses. These measures resulted, as undertaken, in a sound economic growth, dubbed by the decrease of the inflation rate

• Mandela, Nelson – President of South Africa between 1994 and 1999 – was a visionary individual, promoter of peace and social justice, of reconciliation and unification. After having taken over a country characterised by social inequalities, by deep poverty, with half of the population lacking basic utilities, by high unemployment level, exceeding one third of the active population, by a severe lack of financial reserves and by debt repayment-oriented state budget, he endeavoured to really change the state of affairs, adopting a Growth-employment-redistribution policy mainly focused on foreign investment-based economic growth.

• Merkel, Angela – Chancellor of Germany since 2005 – deeply involved in strengthening her country economic system by taking various actions such as the development of the economic trade, including the consolidation of the economic relations in the transatlantic area, the sustaining of businesses, sometimes by hard measures, such as the removals of restrictions related to the employee laying off or to the limitation of the number of labour hours per week, but also by soft measures, in the recession period, like the use of stimulus packages and the covering of a part of the wage-related company costs from the state budget.

• Bernanke, Ben – Chairman of the United States Federal Reserve between 2006 and 2013 – although contested by some of his contemporaries mainly for not having predicted in due time the recession, is the man having had to successfully deal with one of the most difficult financial periods, to face the challenges arising from the economic crisis occurred in the late 2000s. While he understood the limited role of the Federal Reserve in managing the crises, given the national debt-related fiscal issues and the associated policies that could be exclusively controlled by the entitled authorities, namely by Government, Big Ben, as he is also known, decided to take monetary authority appropriate steps to help put an end to the depression, by lowering the interest rate via the money supply doubled by the increasing of the open market operations. His appreciation as the United States economic master did not remain without impact, his simple words exerting a significant influence on the domestic currency value as well as on the stock market evolution.

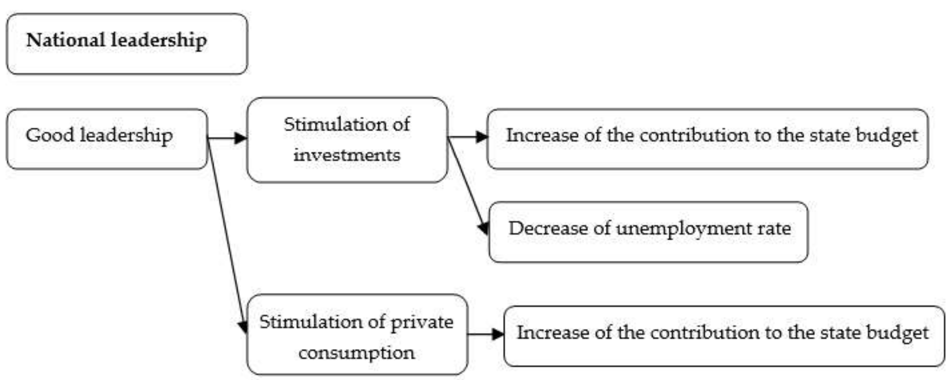
Table 2. National level true leaders

National true leaders	Position held	Ruling period	Main benefits brought
Kuan Yew Lee	Prime Minister of Singapore	1959 – 1990	- country industrialisation - attraction of foreign investments - development of infrastructure - decrease of unemployment rate
Margaret Thatcher	Prime Minister of the United Kingdom	1979 and 1990	- privatisation of public industries - lowering of inflation rate - decrease of unemployment rate
Ronald Reagan	President of the United States	1981 and 1989	- increase of competitiveness - lowering of inflation rate - sound economic growth

Nelson Mandela	President of South Africa	1994 and 1999	- flattering of social inequalities - income redistribution - decrease of unemployment rate
Angela Merkel	Chancellor of Germany	2005 – at present	- development of economic trade - sustaining of businesses - crisis good management
Ben Bernanke	Chairman of the United States Federal Reserve	2006 – 2013	- lowering of interest rate - open market operation increase - crisis good management

Table 2 above summarises the main contributions of some great leaders having held various positions, at macro level, in their countries, on the economic life of the same. Be they prime ministers, presidents or monetary authorities, they succeeded in well managing sometimes tough and result-unpredictable situations, turning into prominent personalities of the world economic history.

Figure 2. National good leadership effects



True leaders, capable of influencing a large mass of people that exceeds the limits of a company or of any other relatively restrained group of people can be found in many areas, like the religious, the scientific or the military one. The exclusive focus on great leaders having the premises of influencing the economic life of a nation, as rendered in Figure 2, is due to nothing else but to the main purpose of the paper to reveal the impact of such personalities on the economic welfare.

4. Conclusions

The paper, questioning the existence of a consistent dependence of economic wellbeing on true leadership, suggests, via several examples in the matter, that good leaders can make the difference, irrespective if they act at microeconomic or at macroeconomic level. Without minimising the positive effects exerted by other types of leaders, we focussed in our analysis only on the ones the decisions of whom have effective consequences on the economic life, namely the leaders of companies, as economic agents, components of the microenvironment and the national leaders, as coordinators of representative organisms of a country, like Government, Presidency or National Bank.

Although the list with described leaders is not at all exhaustive, the direct or indirect contributions thereof to the economic welfare are clearly reflected by the briefly depicted benefits brought by the same, more exactly, innovation, diversification, creation of new jobs, increase of the performance of employees, effective acquisitions or increase of profits, after all, for companies, respectively attraction of foreign investments, development of infrastructure, lowering of inflation rate, lowering of interest rate, decrease of unemployment rate or sound economic growth, as a whole, for nations.

The impact, from such double perspective, of true leadership on economic welfare is argued by the chain effects. Good national leaders can make expansionary policy decisions, such as tax decrease or subsidy increase, in case of governmental authorities, or interest level decrease, in case of monetary authorities, thereby stimulating investments and private consumption, both of them, as elements of the aggregate demand, determining a correlated adjustment of the aggregate supply and, as result, the economic growth. Besides, investments mean more jobs, this translating into a decrease of the unemployment level and into more contributions to the state budget, the latter being also valid in case of consumption stimulation. Good company leaders, on the other hand, are able to increase the organisation profits, determining the augmentation of the contribution of the same to the state budget, and to increase the labour demand, with all deriving consequences, such as the decrease of the unemployment rate and the increase of the wage-based private consumption of their state budget contributor-employees.

Finally, we could state that good leaders represent key elements in achieving a high level of performance in any field of activity, the economic area being even more affected by the positive impact thereof, considering the complexity the economic system.

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