Optimal Psychological Autonomy and its Implications for Selecting Portfolio CEOs

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This article demonstrates the relationship between leadership effectiveness and two dimensions of the active coping personality style: optimal psychological autonomy and striving for distant goals. The term "leadership effectiveness" refers to the process of influencing group activities toward goal setting and their attainment. Within this context, the leader functions to direct the activities of followers and to motivate them to carry out their duties efficiently. The term "active coping" refers to the readiness, willingness, and ability to strive to achieve personal aims and overcome difficulties rather than passively retreat or be overwhelmed. The term "optimal psychological autonomy" refers to the capacity of the individual to diverge from specific group values and attitudes while remaining essentially aligned with the general purposes and value pattern of the group.

This article is the third in a series of articles on the relationship between the active coping personality style and leadership effectiveness in business settings. The first presented a theoretical and methodological framework for understanding and predicting leadership (Pratch and Jacobowitz [1997]). It centered on the structural psychological construct "active coping" as one (but not exclusive) determinant of leadership effectiveness. Three core dimensions of the active coping style were identified as fundamental to effective business leadership:

1) integrative capacity, an ingrained ability combined with a routine practice of drawing together diverse elements of a complex situation into a coherent pattern; 2) psychological autonomy; and 3) instrumental coping, a readiness to strive actively for long-term goals.

The second article (Pratch and Jacobowitz [1998]) presented our findings validating the relationship between integrative capacity and leadership effectiveness. The strength of this relationship could not be explained by different levels of intelligence. In addition, the association between leadership and integrative capacity was consistent across three levels of psychological functioning. Overall, the findings of that study confirm that integrative capacity is a significant determinant of leadership and support the validity of a structural approach.

The present article continues the empirical investigation into active coping and leadership. In particular, it examines the relationship between the other two dimensions of active coping—optimal psychological autonomy and instrumental coping—and leadership effectiveness. We focus conceptually on the role of optimal psychological autonomy among CEOs of private equity-funded ventures and, to a lesser extent, among investors themselves. The literature review is devoted mainly to the concept of optimal psychological autonomy. This concept is especially relevant to understanding the position of the private equity-funded CEO

for whom optimal psychological autonomy is crucial in resolving the occasional tensions between the demands of running a company and those of satisfying investors' expectations for returns.

Finally, we introduce self-esteem and integrity as a fourth dimension of the active coping model. By integrity, we mean acting in ways that that are consistent with one's values. In resolving conflicts, the CEO must trust his own capacity to arrive at creative solutions, and investors must trust the CEO to carry out the strategic plan in a competent and ethical manner. Self-esteem and integrity play a role, as the CEO who demonstrates optimal psychological autonomy will integrate his ethical standards into his leadership style and practices in a way that respects the values of others. A future article will consider the role of self-esteem and integrity in completing the active coping model.

INTRODUCTION

Private equity investors frequently face the challenge of selecting a CEO to lead a business. These investors set desired fiscal goals and temporal guidelines for their attainment. The selected CEO, in turn, has a dual role: to meet the specified parameters of success that are established through dialogue with the investors while guiding the company's operational growth. The latter requires identifying and attending to the organization's manifold administrative, technological, ideological, and human issues, particularly concerning personnel and clientele. The CEO also has a personal agenda related to what is most beneficial for self and career development. All in all, the CEO is placed in a figurative vise, needing to orchestrate the pressures and expectations emanating from the investors on one hand, and from the organization and its constituencies, on the other, while monitoring his own self interests. When these sets of pressures collide, the CEO must skillfully bring resolution to the clashing sides.

As clinical psychologists practicing with private equity investors and their portfolio executives, we have noted that CEOs who manage these potentially conflicting pressures well maintain an optimal psychological autonomy from investors, organizational constituents, and their own self interests. Optimal psychological autonomy manifests itself as an ability to recognize and respect the aims and feelings of external groups and oneself while maintaining a sense of objectivity and personal agency

that allows for creative, workable resolutions to conflicts. The effective CEO cannot become a "slave" or sole representative of one side, nor become fully independent and rejecting of any side, but instead must function as a participant intermediary who employs lucid reasoning and an unfaltering sense of integrity. Optimal psychological autonomy is a major characteristic of an "active coping personality structure." Such a structure has the capacity to perceive, process, and adaptively react to internal and external pressures while sustaining a positive sense of self and personal integrity.

This article has a two-fold function. One, it discusses and illustrates the importance of selecting CEOs with the optimal psychological autonomy to lead newly acquired portfolio companies in a manner congruent with investors' objectives. Optimal psychological autonomy is an essential part of an active coping style. Two, it presents data from a research study we conducted on leadership. The data from that study supports the role that optimal psychological autonomy, within the context of an active coping style, plays in effective leadership. We begin with two cases that illustrate the nature of optimal psychological autonomy and its implications for the leadership of private equity-funded ventures.

OPTIMAL PSYCHOLOGICAL AUTONOMY, ACTIVE COPING, AND EFFECTIVE LEADERSHIP

Case Illustrations

The first CEO, whom we will call Steve, represents one form of suboptimal psychological autonomy, namely being *too autonomous* from the expectations of others by pursuing primarily self-generated goals. Steve was originally hired by private equity investors to replace the founder of a software company. Investors had hoped to ramp the company's revenues significantly and exit in three years. Steve was hired to lead this growth. Over time, however, investors became disgruntled with Steve's leadership as his interpersonal skills proved problematic: he developed poor relationships with members of both his board and management team. Poor relations with management resulted in high turnover, which investors attributed to management's mistrust of Steve as well as his abrasive, accusatory, and demeaning interpersonal style. Moreover, Steve favored a strategic growth plan that would enrich him personally but could result in significantly lower

returns for investors. Investors believed that Steve ignored their requests to respect their interests.

A psychological assessment of Steve indicated that he possessed the requisite intellectual ability and technical knowledge to succeed in the CEO role. On the surface, based on his interview and self-report data, he appeared decisive, energetic, highly motivated to achieve, and active in his problem solving strategies. A more thorough analysis of his personality structure—via indirect and "projective" techniques (including a story-telling task)—revealed certain major weaknesses, namely, his tendency to be highly critical and intolerant of subordinates as well as unconsciously disappointed and dismissive of those he perceived as authority figures. Unconsciously, he felt tremendous pressure to be perfect, and he displaced this need for perfection onto his subordinates. Their behavior though, never reached perfection, and, instead of castigating himself, he lashed out at them. Moreover, he did not trust authority figures to be able to help him, and he felt a need to "push" ahead and actualize his own agenda independently. This lack of trust of others led to a deficit in his optimal psychological autonomy, as he could not integrate the feelings and desires of others with his own needs in order to be able to forge workable compromises. Instead, he pursued his own agenda, viewing others as weak or misguided.

Steve's inability to blend his and the other stakeholders' interests and motives in an optimal psychologically autonomous manner likely derived from his ambivalent relationship with his father. As a child, Steve, the fourth child born among five siblings, experienced his father as being a distant, demanding, critical, and demeaning disciplinarian. Attempts by Steve to satisfy his father by striving for perfection never resulted in his father's approval. Efforts to rebel by engaging in arguments and confrontations with his father were also ineffective in gaining his father's attention. In addition, Steve felt that his father was jealous and resentful when Steve advanced in his career as an adult.

Psychologically, Steve developed an ingrained reactionary feeling that he must function independently of his father, and later, of all authority figures. Unconsciously, though, he still sought his father's approval and love, and to do so he identified with his father and took on many of his father's traits. For example, he adopted his father's demeanor by becoming a demanding, dissatisfied disciplinarian at work. His subordinates could never satisfy his expectations, much the same way Steve could never satisfy his father. This tense relationship with his subordinates led to the high turnover rate that concerned investors. Steve's refusal to listen to the investors reflected his mistrust of all authority figures and his need to function and push ahead in accordance with his own desires. Steve's behavior led to a situation where investors were tempted to fire him, much the same way he felt dismissed and rejected by his father.

When the Chairman insisted on using a bank outside the candidate universe, George resigned, walking away from millions of dollars.

The second case represents an individual who demonstrated optimal psychological autonomy throughout his illustrious career. George—not his real name—was one of the first Americans on the senior management team of a successful Japanese corporation, demonstrating his ability to blend personal ambition with sensitivity to others' cultural and business interests. Later, he was a successful CEO of several venture capital–backed firms in the high tech industry. He also evinced an appropriate sense of psychological autonomy, as well as integrity, when he resigned from a company that he had led successfully to the point where it was ready to go public. As CEO of that company, he had worked diligently to line up top investment banks to take the company public. Then, at the 11th hour, the Chairman of the Board decided that the company should use a different investment bank because of his friendship with the key banker at the alternative bank. George refused because he, and the operating team, had established and become committed to a bank selection process. They committed to the candidate banks that the selection would be made using that process. When the Chairman insisted on using a bank outside the candidate universe, George resigned, walking away from millions of dollars. George was fully capable of functioning in an optimally autonomous manner, seeking compromise and harmony in most situations, until he encountered a situation that went beyond his sense of personal integrity, at which time he decided to follow his conscience.

George's psychological assessment indicated that he possessed the same level of intellectual ability as Steve. Similar to Steve, George described himself as achievement oriented, assertive, and focused, with a desire to lead others. He wrote that "he always wanted to be looked up to and successful." In contrast to Steve, however, George stressed two other characteristics in his self-depiction. One was a strong desire to care for, and be cared for by others (even those who were not family members). For example, he wrote that "I care a lot about people." The second characteristic related to the saliency of values and a sense of integrity in his motivational priorities. He indicated that "I admire integrity, trust, loyalty," and that, "He feels his future is helping other potential executives to succeed in a high integrity manner." His ability to blend his competitive-achievement oriented needs with concerns for the welfare of others, while maintaining his sense of integrity, also manifested on measures of personality that were indirect or "projective" in nature (such as creating stories to ambiguous pictures). He consistently generated stories of characters that faced the challenges of meeting the expectations and needs of others while pursuing and eventually actualizing their own ambitions, which tended to be embedded in socially useful activities, such as medicine, the arts, and business.

As with Steve, one could trace the roots of George's personality structure to his upbringing. George grew up in a large, intact family with five siblings. He described his father as coming from a "devout Quaker family." In fact, his father was a "conscientious objector." Yet, perhaps ironically, his father married George's mother who came from a family "of military generals." His father was a "visionary and dreamer" who "could care less about the social scene" and "could take an unpleasant situation and see the positives in it, no matter how bad it was." His mother, by contrast, was "driven"; "tough as nails"; "an A plus–plus type of personality"; "one of the toughest business people"; and "a phenomenal artist." Despite the temperamental differences, or maybe because of them, his parents "never fought" and "were the epitome of compromise." They "worked and played together as opposites" and were "devoted to their kids."

It is very likely that George internalized aspects of both his parents, the ambition and feistiness of his mother and the integrity and humanity of his father. Most of all, by observing them, he learned how to compromise, or, more specifically, to blend what were on the surface conflicting tendencies into workable actions. The core

of optimal psychological autonomy is the ability to recognize, respect, and integrate the wishes and views of others while pursuing one's own goals and preserving one's individuality.

A Structural Psychological Approach and the Theory of Active Coping

In the analysis of the cases above, we looked at optimal psychological autonomy as one dimension of an active coping personality structure. In this section, we will elaborate on what we mean by a structural approach in assessing personality, particularly a personality structure characterized by an active coping orientation. In the section following this one, we will hone in on the dimension of active coping that this study addresses, namely optimal psychological autonomy.

A structural approach views personality as a complex organization, having characteristic and relatively stable functional dimensions that interact and respond to changing internal and external circumstances.[1] We have proposed that effective leaders possess personality structures capable of responding to static and changing circumstances in adaptively resourceful ways. This resourcefulness is conceptually linked to the structural psychological construct, active coping,[2] as rooted in the ideas of David Rapaport [1951]; Carl Rogers [1961], and other "ego" and "self"[3] psychologists. Measures of active coping, in turn, have been shown to be predictive of leadership effectiveness.[4]

Conceptually, active coping is a characteristic of a psychologically healthy personality structure. Individuals who possess such personality structures can tolerate the tension inherent in openly perceiving internal and external events that may be challenging, threatening, or conflict arousing. Moreover, they maintain the ability to formulate and implement strategies to meet or resolve the challenges, conflicts, or threats they encounter. These strategies, which operate consciously and unconsciously, are designed to seek an adaptive balance between external environmental demands, regulations, and constraints, on the one hand, and psychological aspirations, needs, and morals, on the other hand. Active coping is manifested in the propensity to strive to achieve personal aims and overcome difficulties rather than passively retreat or be overwhelmed by frustration, whether the problem originates in the self or in the external environment. The opposite of active coping is passive coping. Whereas active coping

seeks to confront and resolve, passive coping is reactive and avoidant. Passive coping is refusing to tolerate the full tension that a situation imposes, for instance, reacting before the facts are fully understood.

Active coping relates to a relatively stable, albeit complex, psychological orientation across time and circumstance. It is not meant to predict situation-specific, consciously decided-on strategies of handling problems.[5] Neither is it viewed as a trait in the narrower sense of the word.[6] Cognitive, behavioral, and trait constructs of coping focus on situation-specific dimensions of individual functioning. Within that temporal framework, human behavior is essentially fragmented and reactive to either fixed, methodical and, in many respects, mechanical inner thoughts or dispositions or to externally imposed pressures and reinforcements. In effect, the person has no choice but to respond in a predetermined, circumscribed manner. Such a circumscribed mode of response is characteristic of passive coping, an inclination to submit automatically to internal or external demands.

Active coping, by contrast, implies the potential to transcend these compulsions and to select, consciously and unconsciously from among an array of possible responses, the one that seems most constructive in maintaining the sought-after balance between self, including one's values and beliefs, and environmental demands. In many cases, the response selected is a novel one, created for the unique situation that is encountered. Active coping contributes to healthy personality growth and adaptation by optimizing an individual's response to a specific problem and also by fostering continuing psychological complexity, differentiation, self-confidence, and resourcefulness. Success and failure, if integrated into the personality structure, create an expanded experiential knowledge base that makes possible subsequent coping activity. Active copers feed on experience; they not only store their experiences and their reactions to them, but also synthesize these experiences into their psychological organizations. This integrative activity contributes to the structural complexity of the psychological system, which, in turn, becomes more competent in its capacities to tolerate tension and devise new strategies for adaptation and growth.

Our empirical investigation of active coping, particularly regarding business leadership, has supported the theoretical contention that active coping is dependent on the harmonious interrelationships among four underlying functions. These four functions include:

1. Integrative capacity, the ability to absorb in a non-defensive manner new positive and negative information and be aware of any internal positive and negative emotional reactions to that information;
2. Optimal psychological autonomy, the ability to resist immediate capitulation to external pressures or internal desires or fears, and instead maintain an objective stance to decide rationally on the best course of response;
3. Instrumental coping, the readiness to cognitively construct problem solving strategies and behaviorally implement those strategies in a way that deals adaptively with any impediments that may emerge during the implementation process;
4. Self-esteem and integrity, the ability to trust one's judgment and value-orientation, and make decisions that are congruent with those values, so that a positive sense of self is maintained.

This article focuses mainly on the function of "optimal psychological autonomy," and to some extent "instrumental coping."

From a structural psychological perspective, one key to understanding personality is to recognize the existence and dynamics of unconscious psychological phenomena and their relations to more conscious, experiential, and observable psychic phenomena. Assessing only surface aspects of personality has limited relevance for understanding and explaining the functional whole. Rather, underlying structural dimensions must also be assessed. Evaluating the degree of presence of the same conceptual variable across different levels of behavior makes it possible to link operationally different assessment techniques with conceptually different levels of consciousness and ultimately to relate those conceptual levels to their roles in maintaining psychological structures.[7]

Active coping contributes to leadership as a global competency that makes possible the integration of different aspects of self and experience and facilitates their application over time to successive parts of a changing environment. Although active coping is necessary for effective leadership, other variables are also important and include characteristics of the situation as well as individual variables such as the motivation to achieve, supportive relationships outside the domain of specific achievement, and functional knowledge, skills, and abilities.[8]

As mentioned, a central dimension of active coping that contributes to effective leadership is the capacity to

maintain optimal psychological autonomy from internal and external demands on the ego (Rapaport [1957]). Such autonomy permits simultaneous awareness of one's values, motives, and internal conflicts, on the one hand, and of pressures and circumstances in the external environment, on the other, without allowing either source of motivation to govern exclusively one's inner reactions and outer behaviors. Instead, these reactions and behaviors can be determined by careful appraisal of the total constellation of self and environment and the selection of reasonable responses to it. Leaders displaying this characteristic of optimal autonomy will be more likely than those who do not to find workable solutions to conflicts arising from discrepancies between their personal aims and those of the groups they lead or with whom they interact.

Effective Leadership

The term "leadership" is usually used to refer to the process of influencing group activities toward goal setting and attainment. Within this context, the leader functions to direct the activities of followers and motivate them to carry out their duties efficiently. The rules, regulations, and processes of the larger organization or system guide the leader in performing these functions. At times, the group may be confronted with tasks for which no clearly defined goals or procedures exist. The leader and the followers must then define the group's goals and develop procedures for attaining these objectives. Thus, the leader performs the crucial synthetic function of information processing, as well as those functions that direct, control, and energize group activities. Leadership is effective when it influences the actions of followers towards the achievement of the goals of the organization.

One must differentiate the concept of "effectiveness" from that of "success." Effectiveness means that the leader is able to gain the support of others in working towards defined organizational goals. Success refers to the outcome of these efforts (i.e., whether the goals are actually achieved). Success or the achievement of the goals may depend on factors other than leadership and the group's activities. A coach may optimize the performance level of a given group of athletes and select an admirable strategy to play the game without necessarily winning the game. Defeat may stem from encountering other teams with greater talent or experience or unexpected injuries among key athletes. Therefore, success is not an inevitable result of effective leadership.

Even figuring out what success is might not be easy. Another element that differentiates effectiveness from success is that success is often defined differently by different parties. One outcome might be considered successful by one subgroup but unsuccessful by another. Thus, determining whether effective leadership is successful may depend on who is defining success. In the cases presented earlier in the article, we had at least three different viewpoints defining success: the CEOs, the investors, and the management team. Success might have been defined differently by each of these groups.

Finally, one can be an ineffective leader, yet be successful if one happens to be in a situation where the business succeeds without skillful input from the leader. It is possible for a leader to be ineffective, yet be successful. Although leadership is usually a key function of a CEO, it is not always integral to performing effectively as a CEO, and leadership is not synonymous with successfully running a company.

In the following section, we present a brief review of a number of researchers who have studied the role of what we call optimal psychological autonomy, or similar constructs, in situations that call for decision making and effective leadership.

LITERATURE REVIEW AND RESEARCH QUESTIONS

Psychological Autonomy from Group Values and Attitudes

Janis [1989] observed in small policy-making ingroups under extreme stress that concurrence seeking can become a norm which loyal members uphold to maintain individual self-esteem and collective cohesion. The resulting condition can lead to impaired mental efficiency, reality testing, and moral judgment. In line with this thesis that group pressure can undermine effective leadership, increasing numbers of management scholars have stressed the importance of leadership's vision and their ability to create and inculcate strong values that direct the actions of organizational members.[9] Leaders should not only create a sense of direction; their vision should capture the imagination of followers, inspiring commitment and involvement.[10] Leaders displaying these directing and motivating skills have been called transformational or charismatic.

Researchers from a variety of theoretical perspectives within psychology have examined the relationship between the personality of the leader and the norms of the group. Despite widely differing theoretical assumptions, these researchers converge in the notion that the leader, though an essential part of the group, is distinct from other group members in adopting and promoting unconventional attitudes, values, and goals. Hollander's [1958] concept of idiosyncrasy credit, for example, refers to the freedom of valued group members to deviate from group norms—that is, to act idiosyncratically. Such credit is earned through competent behaviors that make the leader indispensable to the group. Idiosyncrasy credits allow leaders to introduce innovative ideas and ways of doing things into the group's culture, thus creating adaptability and change. Similarly, studies on behaviors of managers in business organizations showed that charismatic managers displayed "high environmental sensitivity for changing the status quo" and "unconventional and counter-normative behavior."[11]

Research on leadership traits provides additional evidence for the importance of a leader's ability to formulate and maintain relatively independent values within the context of the group. Traits that have been empirically correlated with leadership effectiveness include defiance of the sentiments of associates, self-reliance, high self-esteem, and introversiveness.[12] From a clinical vantage point, Zaleznik differentiated leaders from managers in terms of a "sense of separateness from the environment" and a self-confidence deriving from an "awareness of who they are and the visions that drive them to achieve."(Zaleznik [1977; p. 8]) Similarly, for Zaleznik, creative executives are those who move beyond the accepted body of knowledge of how to do things, to establish innovative programs, ideas, and actions. (Zaleznik [1990; p. 11]) Leadership is, at least partly, a process of social exchange in which effectiveness depends on the capacity to define and maintain relatively independent values. Whereas other group members are relatively more invested in preserving the status quo, the leader capable of dealing with challenges and changes has the internal autonomy to be critical of normative beliefs and established practices. The capacity to diverge from specific group values and attitudes while basically remaining in harmony with the general purposes and value pattern of the group enables the leader to articulate potentials implied in the wider culture on behalf of the group. Indeed, the vision of a leader reflects the integration of personal aims and constructive group goals.

In line with these ideas, we expected that effective leaders as compared to their less effective counterparts would demonstrate a greater readiness to formulate and maintain self-chosen goals. We regard the capacity to formulate and sustain relatively autonomous values and attitudes as a central dimension of active coping, relating primarily to behaviors beyond the level of conscious awareness that help foster healthy adaptation and growth.[13] Specifically, we ask, do effective leaders as compared to less effective leaders show greater tendencies to identify and clearly articulate self-generated goals and maintain devotion to those goals?

Striving for Distant Goals

The problems inherent in leading a group or organization are often not easy to solve. A willingness to work on interpersonal and impersonal problems of an essentially refractory nature is a useful trait in a leader; what is more, the capacity to delay gratification in pursuit of a vision is arguably a requisite trait. Proper timing and the readiness to act at crucial moments are hallmarks of effective leaders. Both relate to the goal structure of the personality and, in particular, to the capacity to delay gratification in striving for distant goals. We feel that optimal psychological autonomy needs to be combined with this striving for distant goals for leaders to carry out the strategies they generate.

A wide variety of traits associated with effective leadership can be adduced to support this hypothesis. Positive correlations have been found between effective leadership and trustworthiness, conscientiousness, and dependability.[14] In a review of the literature on the motivational priorities of leaders, Bass[15] reported that leaders tend to value achievement goals more than other positively valued goals. McClelland [1992] found that managers judged by employees and colleagues as being effective rated achievement, success, and creativity the most, whereas leisure and security were valued the least. These findings suggest that effective leaders and managers tend to put responsibility before self-indulgence.

Achievement motivation, the tendency to strive for long-term goals, is associated with another set of empirically identified leadership traits. An extensive body of research with the Thematic Apperception Test, an instrument that requires respondents to create stories to ambiguous pictures, demonstrated high correlations between achievement motivation and successful

leadership. Achievement motivation predicted successful leadership in business settings in both the U.S. and in Europe.[16] Several studies on executive leaders showed that successful executives tend to be ambitious and to compete with a standard of excellence.[17] In a study of CEOs in 97 firms, high need for achievement on the TAT was correlated with broadly focused, marketing-oriented strategies and proactive and analytical decision making.[18] High achievement motivation was also correlated with the long-term success of managers at AT&T.[19]

The aforementioned findings can be interpreted to support the hypothesis that individuals who are perceived as effective leaders demonstrate a willingness to delay gratification in striving towards distant goals. This tendency reflects a personality structure associated with the active coping style. This structure provides the individual with the energy to overcome difficulties in business leadership. Such a structure can tolerate the tensions that arise when confronting obstacles to accomplishing group or personal goals and to find new strategies for attaining the sought-after goals. Consequently, we postulated that effective leaders as compared to less effective leaders would show greater tendencies to strive for distant goals.

In the study to be described in the next part of this article, we compared individuals who were rated as more effective leaders to those who were judged as less effective on two structural psychological dimensions related to the active coping style. We expected to observe correlations between measures of leadership effectiveness and the readiness of the leader a) to formulate and maintain optimally autonomous values, and b) to strive for distant goals. As described below, the research was conducted using two independent samples of MBA students at the University of Chicago. These students were selected from among their peers at the business school for participation in a highly sought-after leadership development program. As will be seen, the findings partially supported the hypotheses. In addition, they are illustrative of what we have found working with private equity investors and their portfolio CEOs.

EMPIRICAL STUDY OF OPTIMAL PSYCHOLOGICAL AUTONOMY, ACTIVE COPING, AND LEADERSHIP EFFECTIVENESS

Method

Setting and population. Data for this study was taken from a larger study on personality factors influencing small-group leadership in MBA students at the University of Chicago's Graduate School of Business. The setting was an intensive, experiential leadership education and development course called LEAD. LEAD was designed to help students take responsibility for their own education by working together in an unstructured task group. Each winter, approximately 50 first-year MBA students were selected to design, plan, and deliver a course on leadership, required of incoming MBA students each fall. The designing and planning phase took place during the spring and summer quarters. In the fall, the students delivered the class they had developed to the incoming students. Because of their role in delivering this class, the participants were known as LEAD facilitators. Participation as a facilitator gave students two tuition-free course credits.

Although faculty supervised and graded the facilitators, the latter functioned as a leaderless task group. The laboratory classroom design was deliberately fluid and undefined to level structural factors that might legitimate the authority of a particular individual or class of individuals. Therefore, every facilitator was a potential leader, and the facilitators are the leaders referred to in the hypotheses.

In 1991, 118 first-year students applied to be facilitators. From this pool of 118, 51 students were selected, by a faculty-student committee, based on an evaluation of applicants' essays and interviews. In particular, the selection committee considered variables related to the applicant's leadership potential, including leadership competency, ability to function as part of a team, ability to inspire trust and to motivate others, listening and time-management skills, and other spring and fall commitments.

In 1993, 118 first-year MBA students applied to be facilitators, and 48 were selected by a committee composed of faculty and the current year's facilitators. Selections were made on the basis of the same criteria used in 1991.

During the spring of 1991, the entire group of 51 met three times each week, for three hours each meeting, to develop and plan the fall class. They also met in smaller committees throughout the spring and summer. During the fall, they broke into teams of four to deliver the class they had developed to groups of approximately 50 students. The entire group of facilitators also met once a week during the fall to coordinate their activities. This schedule was also followed by the 48 students in 1993.

Regulations regarding the performance of standard duties and routine activities in LEAD were minimal.

There were virtually no predefined roles or procedures. Facilitators had to find their own means of gathering and distributing information to one another as well as procedures for decision-making, planning, and problem solving. Each week, a different subgroup of four facilitators had the formal responsibility to move the overall group toward its goal. The aim of the group, however, was itself vague. The facilitators were asked only to design and implement an innovative and successful class on leadership.

Due to the ambiguity and fluidity of role relationships and responsibilities in the program, an opportunity was created for leaders to emerge across a variety of different task-group situations. Students who were perceived to be the most effective leaders by the other group members would also be those who emerged as leaders in terms of informal prestige in the group. Because the emergence or success of a leader frequently hinges on the perceptions of his or her effectiveness by peers and supervisors, LEAD provided an ideal setting for the empirical examination of the relationship between personality and the evaluation of small task group leadership.

Participant characteristics. The criterion for participating in the 1991 study was that the student had applied to be a facilitator. Participation was voluntary in return for individual feedback on the psychological tests and their relevance to the individual's leadership after the data were collected. Of the 51 facilitators in 1991, two refused to participate in the study. One protocol was corrupted by a virus. Therefore, the final number of LEAD facilitators in the study was 48. This group is referred to as the LEAD group. The 67 students who had applied to be facilitators but were not selected were asked to serve as members of a comparison sample. Because several of the rejected applicants subsequently opted to pursue studies abroad, only 23 of them could participate. This group is referred to as the comparison group. The LEAD and the comparison groups were similar with respect to age, gender, marital status, ethnicity, and country of origin. Participants came from all parts of the U.S. and the world.

The 1991 LEAD sample included 13 women and 35 men. This gender ratio reflected the actual composition of that year's GSB class. The mean (M), or arithmetic average, age of the participants was 27 years, and the standard deviation (SD), a measure of variability that indicates the average distance from the mean across all individuals measured, was 2.98. The full range of ages spanned 22 to 40 years old. (When the participants were divided by gender, it was found that the mean for females was 26.75 years

and the standard deviation was 4.33; for males, the mean was 27 years, and the standard deviation, 2.43. Therefore, although there was no significant difference in age between the female and male groups, the women showed more variation in age than the males.) Eighty-seven percent of the students were White, 6% were Asian, 4% were African American, and 2% were from India. Eighty-five percent of the students were U.S. citizens, 9% were from Western Europe, 4% were from Japan, and 2% were from India. Twenty-eight percent of the students were married. The comparison sample included seven women and 16 men. The mean age was 26.9 years (range = 23–33 years). Eighty-seven percent were white, 9% were Japanese, and one participant was Indian. Eighty-three percent were U.S. citizens; the remaining were citizens of South America, India, and Western Europe. Seventeen percent were married.

The criterion for taking part in the 1993 study was that the individual had to have been a 1993 facilitator. The participants included 17 women (mean age = 26.7 years, SD = 3.2 years) and 31 men (mean age = 26.4 years, SD = 1.8 years). Their overall mean age was 26.7 years (SD = 2.4 years, range = 23–37 years). Eighty-eight percent of the students were White, 4% were Indian, 4% were Greek, and 1% were African American. Eighty-nine percent were United States' citizens; the remainder were citizens of Canada, Greece, or India. Seven percent were married; one woman was married.

Assessment strategy. In 1957, Timothy Leary developed a model to assess personality that forms the basis for the assessment strategy used in this study. Leary proposed that personality dynamics could be understood in terms of the relations among different levels of personality. He identified five levels of personality, characterized in terms of the degree of conscious control over personality strivings and functioning. The levels ranged from overt, consciously controlled behavior, to covert, ever-decreasing levels of conscious control. To define the levels in terms of operational behaviors, Leary drew from interpersonal theories that viewed responses to psychological assessment instruments as statements that the individual wants to make about himself or herself and suggested that a battery of assessment instruments that ranged from objective to projective be used to assess individuals on the same conceptual variable on each of these levels of communication about the self.[20]

Leary [1957] related consistency and variability of behavior to the degree of congruence among different levels of personality. Inter-level incongruence or discrepancies between levels is a state of intrapsychic conflict

or personality disequilibrium and as such is inherently unstable. Leary assumed that, other things being equal, a personality system in conflict will strive to reduce conflict or achieve balance by changing peripheral behaviors in the direction of inner strivings. In this way, unconscious strivings beyond the range of conscious control could influence conscious feeling, cognitions, and actions.

Our assessment strategy included Leary's second and third levels and also an intermediate level. Leary's second level, the "level of conscious communication," referred to how a person viewed his or her own behavior. It was assessed by interview statements and self-report measures. The third level, the "level of private perception," referred to the way the person wanted to be or imagined him- or herself to be. It was closer to the person's drives than the more peripheral levels and was assessed using the Thematic Apperception Test (Murray [1938]). This level may be characterized as the "level of unconscious communication" because, in responding to projective techniques, subjects know they are saying something about themselves but do not know how their statements will be interpreted. Finally, an intermediate level of communication about the self, a level of semiconsciously controlled communication, may be assessed using a semi-projective technique such as a sentence completion test. Personality structure can then be characterized in terms of discrepancies in manifestations of active coping. Differences in the patterning of discrepancies reflect differences in personality structure. Individuals generally are characterized by discrepancies in manifestations of active coping, within or among levels. In theory, the greater the inter-level consistency of a variable, the more stable is the manifestation of behaviors related to that variable.

Self-report, semi-projective, and projective techniques provided measures of psychological autonomy and striving for distant goals on three different levels of psychological experience. The levels included the level of consciously controlled communication about the self, the level of semiconsciously controlled communication about the self, and the level of communication beyond conscious control.

Personality variables. Three psychological assessment instruments provided measures of behaviors related to the research questions. These instruments correspond to the three levels of communication about the "self described" in the preceding section. The Ways of Coping Questionnaire (WCQ)[21] is a self-report instrument designed to assess situation-specific cognitions and

actions. The respondent is instructed to focus on a particular episode during the past week that was experienced as either taxing or stressful and to respond to each of 150 items on a four-point scale indicating the frequency with which a particular coping strategy was used (0 = does not apply or not used, 3 = used a great deal). Each item loads onto one of eight empirically derived scales. Reliabilities for the scales (that is, the extent to which one can rely that the measurement is consistent across similar items and across times for the same respondents) have been found to be higher than those reported for most other measures of coping. Evidence of construct validity (meaning the extent to which the scores predict or are associated with behaviors that presumably reflect coping tendencies) appears in the fact that research findings are consistent with the authors' definition of coping as a situation-specific process, involving both problem-focused and emotion-focused strategies. Studies establishing the reliability and validity of the WCQ for research purposes are reviewed in the manual. Completed tests are sent to the publishers to be scored by computer.

Personality structure can . . . be characterized in terms of discrepancies in manifestations of active coping.

Two WCQ scales were selected to assess behaviors reflecting optimal psychological autonomy and striving for distant goals at the level of consciously controlled communication about the self: Seeking Social Support and Planful Problem Solving. Seeking Social Support describes efforts to seek informational support, tangible support, and emotional support. A high score on this scale was considered indicative of dependency and was negatively weighted as a measure of optimal psychological autonomy. Planful Problem Solving relates to striving for distant goals. In particular, it describes deliberate problem-focused efforts to alter the situation, coupled with an analytic approach to solving the problem.

The Shanan Sentence Completion Technique (SSCT) was designed to assess active coping as a structural psychological characteristic (Shanan [1973]). It focuses on

mental health rather than psychopathology, examining the capacity to adapt and grow. Specifically, it looks at the readiness to respond adaptively to situations perceived as novel or stressful. The test itself is a stressful situation: one must make a decision about what to say and commit to make a response. Although one knows one is revealing something about the self, one does not know the exact meaning of that response to the assessor. Therefore, the SSCT assesses coping behaviors that are only semiconsciously controlled.

The SSCT consists of 40 sentence stems, 10 stems comprising one of four categories. Items in the first two categories elicit responses indicative of the extent to which the respondent is open to experience and able to clearly articulate aims (Category 1) (e.g., "What he liked most ____") and sources of frustration and difficulty (Category 2) (e.g., "Nothing was more frustrating than ____") in terms of persons, things, and events in the external environment. Items in the last two categories examine the respondent's tendency to overcome obstacles and continue to strive to achieve aims in a constructive and effective manner (Category 3) (e.g., "When nobody helped him, he ____") while maintaining positive self-esteem and a gratifying sense of achievement (Category 4) (e.g., "He often thinks he is ____"). Scoring requires evaluating each response as positive or negative, that is, as signifying active or passive coping. High scores are theoretically indicative of the capacity to respond adaptively to stress and to grow. Low scores are indicative of excessive reactivity to or dependence on internal impulses or drives and the environment.

The SSCT has been used in Israel and the U.S. during the past 40 years for a variety of research and applied tasks including the selection of medical school students[22] and research on adult development.[23] Predictive and construct validity have been demonstrated in a variety of settings including medical school, work, adjustment to a new culture, and maintaining mental health under taxing conditions (Shanan [1990]). Evidence of predictive validity appears in the sense that respondents have adapted to stress according to their own idiosyncratic styles of coping and the findings of our own research showing that measures of active coping predicted leadership in the same laboratory setting in which the present study took place.[24] Further measurement information is reported by Shanan [1990].

The SSCTs in this study were scored by the first author. The second author scored 40 tests selected at random from the entire sample without discussing scores with the first author. Both scorers were blind to the identity of the respondent (i.e., with regard to name, gender, marital status, and LEAD or comparison group affiliation). Interrater agreement for the SSCT categories reported in this study was 0.95, which is extremely high for scoring projective measures.

Answers elicited by items in the first item category (Category 1) reflect the extent to which the respondent manifests the tendency to identify, openly and clearly, personal aims and goals. Responses in Category 1 are scored as positive or negative, according to whether they are focused internally or externally and in terms of whether they are articulated clearly. Another category of responses (Category 3) assesses the respondent's readiness to surmount difficulties and to achieve personal aims autonomously, constructively, and successfully. Category 3 is scored as positive for adaptive, outwardly focused, and autonomous coping responses. The Final Score reflects adjustments for defensive behaviors and for signs of pathology. High scores are indicative of the respondent's global ability to respond adaptively to stress and to grow; low scores signify excessive reactivity to or dependence on internal impulses or drives and the environment.

Category 1 relates to the ability to articulate self-chosen goals. It reflects some ability to maintain the autonomy of one's beliefs even in situations that press in another direction. As such, it was used as a measure of optimal psychological autonomy.

Category 3 was used to examine the hypothesis that striving for distant goals will be related to effective leadership.

The Final Score reflects the full impact of both optimal psychological autonomy and striving for distant goals and, therefore, was used as a measure of the relationship between overall active coping and effective leadership.

The Thematic Apperception Test (TAT) is a projective technique (Murray [1938]). It was used to assess behaviors at the level of communication beyond conscious control. Participants were asked to make up stories to five pictures: Cards 1, 2, 8 BM, 13 MF, and 17 BM. These pictures have proven adequate for research with adults in the assessment of coping and motivation at the level of imaginative thought.[25] Participants' stories were evaluated on two scales designed to assess individuation (an essential component of optimal autonomy) and the achievement motive (related to striving for distant goals).

Scoring criteria for the TAT measures are reported below. The stories were scored by the first author and an assistant, following standard interrater reliability procedures. Neither scorer was aware of the scores the other had assigned. Interrater agreement for the scales listed below was computed for the entire sample and was 0.9.[26]

A Separation–Individuation scale was made to assess "formulating and maintaining optimal autonomy from group values and attitudes" in stories to Card 2 of the TAT. This card was selected for its stimulus property of eliciting stories about autonomy versus dependence in family relationships. Murray [1938] described Card 2 as a country scene: "In the foreground is a young woman with books in her hand; in the background, a man is working in the fields and an older woman is looking on." Maintaining Optimum Autonomy was defined as the capacity to depart from a particular subset of group values without necessarily abandoning the general pattern of group values and attitudes. The individual is essentially integrated in society but, beyond that, is free to choose his or her own values, however unpopular. Scoring involves determining the extent of integration in and differentiation from the group. The stories were scored on a six-point Likert scale for extent of unambivalent separation and individuation along a self-actualizing axis. The scale is a continuum from inclusion in the group (1) to separation and individuation (6). Themes of separation and individuation expressed in an individual's associative thought content in response to this picture are evidence of differentiation, and thus, of autonomy from group values and attitudes. The detailed scoring criteria are provided in detail elsewhere.[27]

The five TAT stories were scored for need Achievement, according to the guidelines defined by McClelland [1992].

Dependent variables. In 1991, the 48 facilitators and the three faculty members who supervised them rated each facilitator for his or her performance during the program on three 5-point Likert-type scales, ranging from 1 (low) to 5 (high). That is, each facilitator received 47 ratings from fellow facilitators and three ratings from faculty. The scales included 1) contributing to the achievement of an identified task, 2) motivating others to work together toward accomplishment of a task, and 3) not causing resistance in others that slows the accomplishment of the task. The use of this set of scales was mandated by the director of LEAD, based on his understanding of leadership as a complex, multidimensional construct. Given this view, variability in the correlations among the scales was expected.[28] In fact, the intercorrelations were 0.8 (1, 2), 0.4 (2, 3), and 0.2 (1, 3). Because the correlations between each of the scales and the predictor variables were in the same direction and within a reasonable magnitude, the scales were combined to form a single measure of leadership. The standard deviations for each facilitator on this measure ranged from 0.2 to 1.2. The small standard deviations indicated high interrater agreement, justifying the use of the average student and average faculty ratings to form two summary measures of leadership. These were created by rank ordering the scores on each scale for the subjects and adding the average rank-ordered scores on the scales according to the respective faculty and student ratings. This procedure yielded two aggregate measures of leadership: an average faculty and an average student rating. The correlation between the average faculty and average student ratings was 0.78. The high correlation between the two measures justified combining the measures to create a final composite measure of leadership, which consisted of the average faculty plus two times the average student rating. The average student rating was weighted twice as much as the average faculty rating in this procedure because of the greater reliability of the former. The average student rating was viewed as more reliable because it had a lower standard deviation, thus indicating greater interrater agreement, and because it was based on the perceptions of 48 facilitators, whereas there were ratings from only three faculty members, making the average student rating the statistically more reliable measure. The final measure yielded a potential range of 5 to 45 and an actual range of 24.1 to 38.3 (M = 30.5, SD = 3.5).

In 1993, a similar procedure was used. The facilitators were asked to evaluate every other facilitator's leadership behavior during LEAD. The evaluations were made at the end of the program but before grades were distributed. Because there were 48 facilitators, the ratings yielded 47 sets of scores for each participant. Two scales were combined to provide an aggregate measure of leadership effectiveness: Leadership Competence and Overall Leadership Effectiveness. The Leadership Competence scale had the following ratings: 1 = incompetent (has failed on many occasions to perform satisfactorily); 2 = doubtful; 3 = adequate but not outstanding; 4 = very competent; and 5 = extremely competent (could always be counted on to do a superior job). The Overall Leadership Effectiveness scale had ratings ranging from 1 (very poor) to 7 (outstandingly effective). The facilitators were

asked to consider everything a facilitator was expected to do (e.g., working with other facilitators to develop and implement LEAD, getting along with corporate sponsors, getting along with faculty and peers, etc.) and to assess every other facilitator on his or her overall effectiveness as a leader. To ensure reliability, the 48 facilitators met as a group with one of us before assigning ratings. The scales were discussed and specific operational definitions of scale items were generated and agreed on.

The mean Leadership Competence scale score was 3.14 (SD = 0.48). The mean Overall Leadership Effectiveness scale score was 3.97 (SD = 0.61). Although scaled differently, a 5-point scale is basically a ratio of a 7-point scale. In addition, in this sample, the standard deviation of the 5-point scale also was a multiple of the 7-point scale. Thus, the scales were proportional, indicating that the two scales could be added together without losing information.

Moreover, the correlation between the scales was 0.94. We therefore added the facilitators' scores on the two scales together to produce a broad, final measure of leadership effectiveness. This measure had a potential range of 2–12 and an actual range of 4.38–9.63 (M = 7.1, SD = 1.08). For each participant, the standard deviation on this measure ranged from 0.2 to 1.12.

Whereas most studies look at measures of group outcome, this study looked at measures of individual leadership based on the perceptions of peers and authorities across different small task group situations. It thus took advantage of the natural flexibility and variability of behavior. It was not possible to collect objective ratings of leadership due to the deliberately unstructured nature of the program. Followers' perceptions of leadership were not collected due to logistical difficulties in that particular field setting. Peer ratings, however, have been consistently useful predictors of future performance.[29] Moreover, given the selection criteria for LEAD, the raters were likely good judges of leadership: In a study of accuracy in evaluating performance effectiveness,[30] individuals who were accurate judges of performance on a managerial and a recruiting task were bright, well adjusted, self-controlled, and likable. This profile of accurate judges of performance effectiveness is consistent with findings from academic research regarding the characteristics of good judges in general[31] and fits the profile of perceived leader-like characteristics of the LEAD facilitators.

As noted earlier, the facilitators were selected for their perceived leader-like characteristics on the basis of interviews and essays. The study therefore allowed us to examine whether the coping variables described above go beyond traditional self-report and interview-based methods of selection for leadership in business settings.

Procedure. The purpose of the study was presented to the entire group at the beginning of LEAD. It was described as investigating the relationships between personality and leadership. The psychological assessment instruments were administered by the first author in individual assessment sessions lasting approximately one hour. Although administration of the measures was not blind, standardized scoring procedures were followed. Testing began after a brief unstructured interview to establish rapport and gather background information. The SSCT and the TAT were administered according to standard oral administration procedures. Participants completed the WCQ on their own. No time limits were imposed. Finally, 47 facilitators gave permission to use their GMAT scores as a rough measure of intelligence.

At the end of the program, facilitators and faculty evaluated each facilitator for his or her behavior throughout the program, but before grades were distributed. The facilitators were reminded of the confidentiality of their individual records. The data were analyzed for the significance of correlations between the measures of personality and leadership. Essentially the same procedures were followed in the 1993 study.

Findings

As reported in Exhibit 1, at least one of the measures under each of the hypotheses was significantly correlated with leadership in both the 1991 and 1993 studies. Neither of the self-report scales was correlated with leadership.[32]

The first hypothesis stated that the more effective leaders would show a greater tendency to formulate autonomous values and attitudes than the less effective leaders. Individuation as measured by the TAT was significantly correlated with leadership both in the 1991 and 1993 studies (1991, $r = 0.26$, $p < 0.05$; 1993, $r = 0.36$, $p < 0.05$).[33]

The more effective leaders thus showed a greater readiness at the level of imaginative thought to generate and pursue goals that set them apart from the group.

The second hypothesis stated that the more effective leaders would demonstrate a greater readiness to strive for distant goals. Two of the measures under this hypoth-

Correlations with Leadership Effectiveness

Constructs and Variables (X)	$_r$ X . Leadership 1991 Study
Optimal Psychological Autonomy	
1. Seeking Social Support (WCQ)	-0.01
2. Articulation of Aims (SSCT)	-0.13
3. Individuation (TAT)	0.26*
Striving for Distant Goals	
4. Planful Problem Solving (WCQ)	0.02
5. Instrumental Coping (SSCT)	0.23***
6. Need Achievement (TAT)	0.30*

*$p < 0.05$; **$p < 0.0001$; ***$p < 0.1$, all one-tailed.*

esis were significantly correlated with leadership: SSCT Category 3, a semi–projective measure of instrumental coping tendencies, defined as the readiness to actively and autonomously overcome obstacles to sought–after goals rather than passively capitulate to frustration (1991, $r = 0.23$, $p < 0.1$; 1993, $r = 0.23$, $p < 0.1$) and need Achievement as measured by the TAT (1991, $r = 0.30$, $p < 0.05$; 1993, $r = 0.54$, $p < 0.0001$). Thus, the capacity for active and persistent pursuit of goals over time on two levels of personality measurement was positively associated with a leader's effectiveness.

It was hypothesized that the combination of being autonomous and persistent over time will yield effective leadership. This hypothesis was supported by the measurement of overall active coping, the SSCT Final Score (1991, $r = 0.33$, $p < 0.01$; 1993, $r = 0.45$, $p < 0.001$). This Final Score is indicative of the global ability to respond adaptively to stress and to grow.

To summarize, we examined a leader's overall readiness to overcome impediments and achieve, in an integrated manner, both group and personal goals. The findings provide partial support for the hypotheses. There was no correlation between Leadership Effectiveness and measures of optimal psychological autonomy and pursuing distant goals when assessed by a self-report instrument (Seeking Social Support and Planful Problem

Solving, respectively, as measured by the WCQ). There were moderate and consistent (across studies) positive correlations between Leadership Effectiveness and optimal psychological autonomy (Individuation as measured by the TAT), and pursuing distant goals when assessed by semi–projective and projective instruments (overall active coping as measured by the Final Score on the SSCT and need Achievement as measured by the TAT).

SUMMARY AND CONCLUSION

We used a psychological model of leadership based upon personality structure to examine a leader's overall readiness to overcome impediments and achieve, in an integrated manner, both group and personal goals (active coping). Three operational strategies were formulated to examine the relationship between structural dimensions of personality, psychological autonomy and distant goals, and leadership effectiveness.

From a methodological perspective, the findings strengthen our contention that a multi–level assessment strategy is useful in understanding and predicting leader behavior. Previously,[34] we have introduced the concept of viewing personality as a complex whole rather than as fragmented into isolated traits and the ensuing need to assess coping as a structural psychological characteristic.

Indeed, in the present study, which assessed coping across three levels of behavior, the higher associations between coping and leadership occurred on the semi-projective and projective measures, rather than on the more overt levels. That pattern of results may reflect the fact that more structured assessment methods afford respondents greater opportunity to control how they present themselves, biasing their reporting. On semi-projective and projective instruments, on the other hand, parts of the individual's underlying dispositions related to the overall structure of personality manifest themselves much more clearly. The findings, therefore, support the view that less structured instruments may be useful to expose more defended personality tendencies that nevertheless influence the behavior and effectiveness of a leader.

From a conceptual perspective, the findings support the idea that individuals who have a clear and differentiated sense of self, and also have the psychological resources to maintain the integrity of that self over time and across changing situations, are perceived as effective leaders when they actively apply themselves to help formulate and achieve a group's goals. It is the ability to balance the needs of the self with those of the group, not allowing either one to fully determine decisions and actions, which ultimately leads to effective leadership. In other words, psychological autonomy is an essential component of effective leadership.

The findings of this study have implications for selecting business leaders in general and are particularly relevant for private equity investors. As we pointed out in the beginning of this article, these investors frequently must decide which senior executives could effectively lead a portfolio company to produce desired returns. Indeed, management team building is a key lever for investors who seek to create value and reduce the risk associated with building a successful business, both for the portfolio company and for the investors' limited partners who supply capital.[35] Although investors understand the nature of the business they have capitalized, typically, they are not experts in the operational aspects of running that business. Nevertheless, it is their capital and business savvy that supplies the necessary financial resources and leadership for the company to achieve the investors' aims.

Investors are empowered with the CEO to set the benchmarks or interim goals of the company as well as the time frame within which those goals are to be attained. The CEO, in contrast, is hired because of his or her expertise in the functional dimensions of the business, gener-

ally in terms of creating strategy and executing it. The CEO must work with investors to define the strategy and benchmarks and may have to reframe the fiscal goals and temporal guidelines originally created by the investors to match the reality of the company and its markets.

In such a situation, a CEO has to strive to meet several challenging agendas. These include meeting the investors' goals, tending to the company's managerial and personnel needs and their optimal functioning, assuring that the company's clientele are satisfied as well as increase in numbers, and, finally, meeting the CEO's personal needs, including both financial and psychological (such as need for achievement and success). In effect, the CEO is at the vortex of insistent and complex expectations and demands from within and outside the self.

To use an analogy, investors are like producers of a proposed movie who decide on a script and available financial resources. The CEO, in turn, is like a director who must bring the script to life via actors, editors, cinematographers, and other professionals. The director may also have artistic aspirations, hoping to fashion a product that he or she deems aesthetically and intellectually meaningful. Both the producers and the director have to keep in mind the potential audience, those who will ultimately determine the financial (though not necessarily the artistic merit) of the project. The producer and director must collaborate constantly on the financial and temporal aspects of the project; but the artistic substance of the final product is placed primarily in the director's hands.

In such a scenario, if the producers interfere excessively with the artistic endeavor, both the director and probably the artistic quality of the movie will suffer. In contrast, if the director cannot abide by the fiscal and temporal bounds of the available resources, the current project and future ones are jeopardized. Only mutual trust and cooperation will increase the chance of success. Success, of course, is also influenced by the nature of the script, actors' abilities and reputations, the interests of the audience, and myriad other factors.

Similarly, investors and their portfolio CEOs must form cooperative working relationships. The creation of a successful cooperative relationship depends on the capacity of both the investors and their portfolio CEOs to possess "optimal psychological autonomy." This condition is especially unwavering for the CEO. Although the investors establish the temporal and financial limits of the enterprise, they must also consider the operational realities that the CEO identifies and articulates. Once these realities have

been communicated and understood, the investors need to let the CEO perform in an independent way.

The CEO, in turn, must recognize and operate within the framework established by the investors. The CEO, however, also needs to consider (and explain to the investors) the demands emanating from the realities of the business organization and the business environment within which the organization operates. In addition, the CEO must be faithful to his or her own needs, values, and motives in leading the company. It is only in this way that the CEO will be able to use his or her creative and professional abilities to generate inspiration, guidance, direction, and active conflict resolution in balancing the manifold needs of the investors, business employees, clients, and society as a whole. Investors need to trust the CEO. Their trust extends not only to the skills of the CEO (and other key members of management), but also to his commitment to carry out proposals and plans in an honest and dependable manner. Ultimately, it is the psychological autonomy of the CEO that brings about the success of this challenging mediating act.

The findings of this study, the professional literature, and our own consulting experiences with private equity investors all point to the pragmatic conclusion that investors need to choose CEOs who possess active coping. A major component of active coping is the capacity for optimal psychological autonomy. It is not sufficient to rely on self-report measures of coping style or proclivities to assess psychological autonomy—or any other active coping function. Nor is it sufficient to rely on an executive's past achievements. One must also assess the executive's underlying motivational and personality organization, or what we call "personality structure."

In the present study, personality structure was assessed by leaders' responses to semi-projective and projective tests. These instruments assess perceptual, cognitive, and emotional dispositions that tend to remain stable over time. Self-report techniques such as career surveys and other structured interview methods give information about what the individual chooses openly and publicly to communicate. Projective techniques, by contrast, can reveal personality dispositions that the individual is unaware of or consciously chooses not to reveal. In addition, projective tests require more creative and spontaneous responses than self-report methods because projective tests are composed of relatively unstructured and ambiguous stimuli. If one wants to assess how individuals will function in complex situations with ambiguous possibilities, then one requires observations of behavior in such situations.

Finally, one implication of selecting portfolio CEOs who have psychological autonomy is that investors must trust these CEOs to make trustworthy decisions.

Overall, our work consulting to private equity investors on assessing portfolio executives has highlighted the need to integrate the findings across several assessment modalities to attain a solid understanding of the executive's personality structure which, in turn, enables us to predict, with a higher degree of confidence than any other approach, how an executive will perform under stressful operating conditions. These assessment modalities include projective tests, self-report instruments, professional training and experience, developmental history (which aids in understanding motivational priorities, interpersonal relationships, and coping patterns across different situations), and current life style (including familial, leisure, and social activities outside the work domain).

Finally, one implication of selecting portfolio CEOs who have psychological autonomy is that investors must trust these CEOs to make trustworthy decisions. Our own experiences and recent research support the working hypothesis that integrity is essential to assuring that the executive's psychological autonomy is used in a way to promote the optimum growth of the business and the self. If private equity investors must give CEOs the independence to operate, then their CEOs must possess a stalwart sense of personal integrity. Personal integrity will assure that the CEO will actualize reliably and fairly the complexity of needs of all stakeholders. We are presently completing a study on CEO integrity.

ENDNOTES

We thank David Kleinman and David Friedman who reviewed earlier drafts of this article and gave valuable advice.

[1]The term "structural" refers to the relations among different components, or functions, of personality. From this perspective, underlying dimensions of the personality structure determine the degree of flexibility, consistency, resiliency, and creativity of an individual's responses across situations. There are structures that exhibit relatively fixed and circumscribed responses to diverse circumstances just as there are those that demonstrate a wide variety of responses to an evolving situation. Indeed, it is both differences between structures ("interindividual variability") and within structures ("intraindividual variability") that determine how a specific individual behaves in a specific situation.

[2]For a comprehensive review of the construct and research, see J. Shanan. "Coping Styles and Coping Strategies in Later Life." In M. Berenger and S. Finkle (eds.), *Clinical and Scientific Psychogeriatrics*, Vol. 1, New York: Springer, 1990, pp. 76–112.

[3]See Kohut, H. *The Analysis of the Self*, New York: International Universities Press, 1971.

[4]See Pratch and J. Jacobowitz. "Gender, Motivation, and Coping in the Evaluation of Leadership Effectiveness," *Consulting Psychology Journal: Practice and Research*, Vol. 48, No. 4 (1996), pp. 203–220. Also see Pratch and Jacobowitz [1998].

[5]An example of the cognitive-behavioral approach is the work of Richard Lazarus as presented in R.S. Lazarus and S. Folkman. *Stress, Appraisal, and Coping*, New York: Springer, 1984.

[6]For a discussion of the trait approach to measuring personality see R. Hogan, J. Hogan, S. Briggs, and W. Jones. "Sense, Nonsense, and the Use of Personality Measures," *Journal of Research in Personality*, Vol. 17, No. 4 (1983), pp. 451–456.

[7]See Leary, T. *Interpersonal Diagnosis of Personality*, New York: Ronald Press, 1957. Also see Pratch and Jacobowitz [1997].

[8]See Pratch and Jacobowitz [1997], and [2004].

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[10]See a) Bass, B.M. *Bass and Stogdill's Handbook of Leadership*, New York: Free Press, 1990; b) Bass, B.M. *Leadership and Performance beyond Expectations*, New York: Free Press, 1985; c) Bennis, W.G., and Nannus, B. *Leaders: The Strategies for Taking Charge*, New York: Harper and Row, 1985; d) Burns, J.M. *Leadership*, New York: Harper and Row, 1978; e) Conger, J.A., and Kanugo, R.N. *Charismatic Leadership: The Elusive Factor in Organizational Effectiveness*, San Francisco: Jossey-Bass, 1988; f) Kotter, J.P. (1988); and Peters, T.J., and Austin, N. *A Passion for Excellence*, New York: Random House, 1985; g) Tichy, N., and Devanna. "The Transformational Leader," *Training and Development Journal* (1986).

[11]Conger & Kanugo (1987).

[12]See a) Cox, C.M. *The Early Mental Traits of Three Hundred Geniuses*, Stanford: Stanford University Press, 1926; b) Hunter, E.C., and Jordan, A.M. "An Analysis of Qualities Associated with Leadership among College Students," *Journal of Educational Psychology,* 30 (1939), pp. 497–509; c) Richardson, H.M., and Hanawalt, N.G. "Leadership as related to the Bernreuter Personality Measures: III. Leadership among Men in Vocational and Social Activities," *Journal of Social Psychology*, 36 (1952), pp. 141–153. Also, for reviews see: a) Bass [1990] and b) Gary A. Yukl. *Leadership in Organizations*, New Jersey: Prentice Hall, 2001.

[13]Rapaport, D. [1951], and [1953].

[14]See Bass [1990], and Yukl [1994] for reviews.

[15]See Bass [1990].

[16]See Cummin, P.C. [1967], and Bass [1990] for a review.

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[22]Jacobowitz, J. "The Prediction of Performance in Medical School," Unpublished master's thesis, Hebrew University of Jerusalem, Israel, 1976.

[23]See, for example, the following studies: a) Jacobowitz, J. "Stability and Change of Coping Patterns during the Middle Years as a Function of Personality Type," Unpublished doctoral thesis, Hebrew University of Jerusalem, Israel, 1984; b) Shanan, J. *Personality Types and Culture in Later Adulthood*, Basel, Switzerland: Karger, 1985; c) Shimonaka, Y., and Nagazato, K. "Psychological Characteristics of Japanese Aged," *Journal of Gerontology*, 356 (1980), pp. 891-898.

[24]See Pratch and Jacobowitz [1998], and [1996].

[25]Shanan [1990].

[26]The coefficient used to estimate interrater agreement was derived by the following formula: (the number of actual agreements minus the number of agreements that would occur

by chance) divided by (the number of items minus the number of agreements that would occur by chance).

[27]Pratch, L. "Some Personality Correlates of Small Group Leadership in Business School Students." Ph.D. dissertation, Northwestern University, 1995.

[28]Correlations are statistical depictions of the degree of relationship between two variables. The range in the type of correlation used for this study is between −1.00 and +1.00. A negative correlation means that as one variable increases, the other variable decreases; a positive correlation means both variables change simultaneously in the same direction. A score of 1, whether positive or negative, means the degree of correspondence is perfect, i.e., the two variables change at the same time and to the same degree. A correlation of zero (0) means that there is no statistical relationship at all between the two variables, that is, change in one variable occurs independently of what is happening in the other variable. Correlations between 0 and 1 represent different degrees of relationship; the higher the number, the closer the relationship. The type of correlation coefficient used in this study was the Pearson product-moment correlation, symbolized as r.

[29]For a review, see Kane, J.S., and Lawler, E.E. "Methods of Peer Assessment," *Psychological Bulletin*, Vol. 85, No. 3 (1978), pp. 555–586.

[30]Borman, W. "Individual Differences Correlates of Accuracy in Evaluating Others' Performance Effectiveness," *Applied Psychological Measurement*, Vol. 3, No. 1 (1979), pp. 103-115.

[31]See Hogan et al. [1983] in endnote 6 above.

[32]If the reader is interested in the intercorrelations matrices or the actual means, please contact the first author.

[33]Most empirical studies deal with samples. In any given study, the statistical question is to what extent does that sample represent the total population? The significance level indicates the probability that the sample statistic did not occur by chance but, rather, was a close representation of the actual population value. This probability is represented by the symbol p. The smaller the p–value, the more significant the result. Levels of significance commonly used in social sciences are 0.05, 0.01, and 0.001. For example, in this study, if the p–value for the correlation between an independent variable and the dependent variable is <0.001, that means there is less than one chance in a thousand the correlation could have happened by sampling error. The lower the significance level, the stronger the evidence.

[34]See Pratch and Jacobowitz [1998], and [1997].

[35]See Pratch, L. [2005] for a framework identifying the specific expertise of investors for creating value and reducing the risk associated with building a successful business, both for the portfolio company and for the investors' limited partners who supply capital. The six value levers are 1) Strategy, 2) Team, 3) Customers, 4) Syndication, 5) Industry Category, and 6) Exit.

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