

Geneva Behavioral Economics MeetUp
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**“Just Words? Just Speeches?”
On The Economic Value of
Charismatic Leadership**

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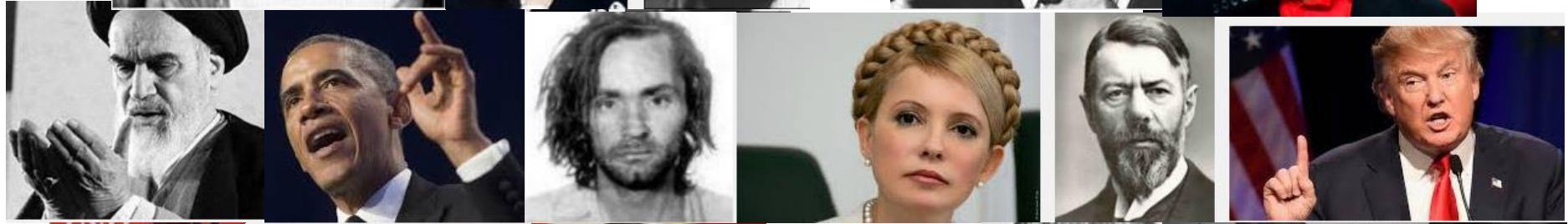
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Google Search: Charismatic Leader





“Just Words? Just Speeches?”

“Don’t tell me words don’t matter. ‘I have a dream’ – just words? ‘We hold these truths to be self evident that all men are created equal’ – just words? ‘We have nothing to fear but fear itself’ – just words? just speeches?

It’s true that speeches don’t solve all problems, but what is also true is that if we can’t inspire our country to believe again, then it doesn’t matter how many policies and plans we have, and that is why I’m running for president of the United States of America, . . .”

Barrack Obama, 2008

(inspired by an earlier speech by Deval Patrick)

Leadership Research: Theory

- In the social psychology and management literatures charisma is a central topic
- For example, House (1977) has argued that:

Charismatic leaders are those “who by force of their personal abilities are capable of having profound and extraordinary effects on followers”.

- This is very much in line with the common perception that a leader’s charisma can be crucial for followers’ motivation.

Leadership Research: Scientific Evidence

- Leadership research has established two important facts:
 - 1) *People who communicate charismatically are perceived as more prototypical leaders* (e.g., Antonakis et al., 2011)
 - 2) *The charisma exhibited by a leader is positively **correlated** with effectiveness outcomes* (e.g., Judge & Piccolo, 2004)
- However, up to now there is no causal evidence of an effect of charisma on followers' performance in real-world incentivized situations and this compared to *realistic* alternative treatments.

No Leadership in Economics

- Economists have focused on incentives and contract design as the primary mechanism through which leaders influence and motivate workers (e.g., Milgrom and Roberts, 1993; Lazear, 2000)



- “Softer” channels are typically ignored

Towards Transformational Leadership

- Leadership scholars argue that effective leaders should influence follower behavior not only through incentives, but also through personal abilities to persuade and motivate (House 1977)
- Two forms of leadership (Burns 1978, Bass 1985):
 - **Transactional leadership:** *the leader defines expectations and establishes the rewards and sanctions that allow meeting these expectations*
 - **Transformational leadership:** *inspired and charismatic leaders can induce followers to perform beyond expectations by motivating them to subordinate their own interests to the benefit of the greater good*

But does this really work?

Our study:

- We test the causal effect of a charismatic speech on workers' performance
 - Field Experiment: Exogenous manipulation of charisma
 - Low charisma condition vs. high charisma condition
- We compare the effect size of charisma with the one of economic (monetary) incentives
 - High charisma condition vs. piece rate condition

Field Experiment

- Context:

2013 “Super Santa” fundraising campaign of the Birmingham Children’s Hospital

Cold mailing: 30’000 letters to a standard fundraising mailing list

Use Adecco UK to hire 106 temp workers who stuff the envelopes for the fundraising campaign

The workers do not know that they participate in an experiment

No deception: Everything we tell them is true and the work is real



Original Recruitment Ad (Adecco Website)

Job details: **Mail Sorter**

Location: **Birmingham, West Midlands**
Category: **Sales & Retail**
Reference: **TM ad**
Posted: **25 October 2013**

Earn £28.40 for just 3 hours work...!!!
(the payment includes a compensation for 1 hour travel time
and 30 minutes of training)

We are helping Birmingham Children's Hospital in a postal
campaign.

Can you spare 3 hours of your time stuffing envelopes?

All that is required from you is that you collect two boxes with
your materials from Adecco Birmingham on Tuesday 5th
November and return your filled envelopes & unused
materials on Wednesday 6th November.

We will provide you with detailed instructions on how to
complete the work (please reserve 30 minutes for this
training). Then you can take the material with you and work
at home.

Please assist us in supporting Birmingham Children's
Hospital in this worthwhile campaign.

Please contact  for details.

Adecco are an equal opportunity employer.

Task

- What workers do:
 - Check materials for quality problems (printing faults)
 - Assemble four items (envelope, letter, form, return envelope) to a fundraising mailing
 - Make labeled stacks of 10 envelopes
 - Place stacks of envelopes in a box



Procedure

- Day 1:
 - Workers come to the Adecco office in groups of 8 people
 - 25 minutes instruction session (sample envelope)
 - 5 minutes motivation speech
 - Take materials for 350 letters and work at home
- Day 2:
 - Return completed letters to the Adecco office
 - Complete a questionnaire



Treatments

1) **Baseline** (35 subjects)

- Workers are paid the hourly minimum wage (£ 6.31) for 4.5 hours (3 hours of work / 1.5 hours of travel and training)
- Workers are given the standard motivation speech

2) **Piece rate** (30 subjects)

- Workers are paid the fixed wage if they stuff 220 envelopes or less
- If workers stuff more than 220 envelopes, they get the fixed wage plus a piece rate of £ 0.12 for each additional envelope
- Workers are given the standard motivation speech

3) **Charisma** (41 subjects)

- Workers are paid the hourly minimum wage (£ 6.31) for 4.5 hours (3 hours of work / 1.5 hours of travel and training)
- Workers are given the charismatic motivation speech

Charisma Manipulation

- Important that speeches differ only in charisma
 - Same number of words (662)
 - Same (or at least extremely similar) content

But:

- The charisma speech heavily relies on a number of so called charismatic leadership tactics (CLTs)



CLTs

- **Non verbal techniques** (facial expressions, gestures, voice variation)
- **Metaphors**
- **Stories and anecdotes**
- **Contrasts**
- **Rhetorical questions**
- **Three-part lists**
- **Sentiments of the collective**
- **High/ambitious goals**
- **Confidence goals can be achieved**
- **Moral conviction** was held constant across the two speeches

Standard

Hi: My name is Mike and I am working with the team that has hired you. My main task is to brief you on the importance of what you are going to do; but, in my spare time I will be stuffing envelopes too, along with my colleague Giovanna. In the next couple of minutes though, I just want to explain to you the nature of the fundraising campaign and to give you an overview of the task ahead.

Of course, you are here to stuff envelopes and earn some money. That is clear. At the same time your efforts will also help Birmingham's hospital charity achieve what is a noble mission, which is to help children who are sick with all kinds of serious illness. Therefore, the job you are doing is really important to help some children.

You will help children because the letters you have are written to convince a potential donor to help the charity. Each letter can potentially help a child have a nice Christmas. Let me tell you why. Many gravely sick children will spend Christmas in hospital. This is obviously not a nice state of affairs for the children and their families. Thus, the charity will help families who cannot afford to be near their children during the Christmas period. They will help the families in a number of ways, for example, by paying for parental accommodation or by providing a nicely decorated room so that the families can open their Christmas presents in a pleasant environment. They can also help provide a playroom and toys for the children.

Every envelope you stuff with a letter will make a difference because it is only through reaching potential donors that we can raise money. So, I want you to be very professional when you are doing your job so that you can better help the children.

Of course, you will be paid regardless of how many envelopes you stuff. However, the more you do, the better; the more envelopes you stuff the more money we can potentially raise for them.

Next, please follow the instructions you have been given, fold the letters and seal the envelopes neatly and maintain correct records. Printing this many letters sometimes produces printing faults. So, scan the letters quickly to ensure that they are clean. We don't want to turn away donors by sending them bad letters. A bad letter might not help raise money.

Also, please think of the children when you do your job because every letter can potentially help a child.

So you might think, well, I will just do what I have to—my extra effort won't really help. Yes, your extra effort will help! Just think of how many of you are in this room and all the other people we have hired to do this task as well. Every letter helps. The more letters you can do for us, the more letters we have to send out in our fundraising drive. This of course means that the more donors we can potentially reach and the more you can potentially help the charity. At the end of the day, we may be able to make a much bigger difference to these sick children, which is really what matters most of all. So please do your best by doing your job as well as you can, to the best of your ability. Doing so will really help make a difference to the children. Of course, this will help you to earn some extra money too, so we all winning here.

Remember, each letter is important: The more letters we send out the better. So do work as hard as you can and do work as precisely as you can. That all's I have to say: Please do the best that you can because in this way we can all better help the charity.

Thank you for listening to me. I'll let Giovanna conclude the briefing. Thank you.

Charisma

Hi: My name is Mike and I am working with the team that has hired you. My main task is to brief you on the importance of what you are going to do; but, in my spare time I will be stuffing envelopes too, along with my colleague Giovanna. In the next couple of minutes though, I just want to explain to you the nature of the fundraising campaign. So, why are you here?

Some of you may think you are here just to stuff envelopes to earn a few quid. However, by being here you are going to do something special by helping Birmingham's hospital charity achieve its mission; and, this is a noble mission. Your efforts will make a difference to sick children: Children with cancer, children with leukaemia, and children with all sorts of serious illnesses. This is something worth doing; I think it is a right thing to do.

Just how are you going to do something special? Well, the letters you have are written to convince a potential donor to help the charity. In a way, the letter is a ticket for a child to attend Christmas. Let me tell you why. Many gravely sick children will spend Christmas in hospital. What must that be like? For the parent? The child? The family? The charity will help families who cannot afford to be near their children during the Christmas period. They will help them by paying for the parents' accommodation in or near the hospital, by providing a nicely decorated room so that the families can open their Christmas presents in a cosy environment, by providing a playroom and toys for the children.

Every envelope you stuff with a letter will make a difference because it is only through reaching potential donors that we can raise money. So, I want you to do three things to give the kids a ticket to Christmas: work hard, work smart, and think of the kids you will help.

First: Work hard. You will be paid regardless of how many envelopes you stuff. However, the more you do, the better; the more envelopes you stuff the more money we can potentially raise.

Second: Work smart. Follow the instructions you have been given, fold the letters and seal the envelopes neatly and maintain correct records. Printing this many letters sometimes produces printing faults. So, scan the letters quickly to ensure that they are clean. We don't want to turn away donors by sending them bad letters. A bad letter is a bad ticket.

Third: Think of the kids when you do your job. You are not just stuffing envelopes to earn money. You are stuffing envelopes to help sickly kids too.

So you might think, well, I will just do what I have to—will my extra effort really help? Yes, it will! This reminds me of a story about an old man who while walking along the seashore noticed a girl picking up starfish and throwing them into the sea. The old man approached her saying: "what are you doing?" She replied: "I am throwing starfish into the sea, because the sun is coming up and the starfish will die." "But," said the man, "there are thousands of starfish, the sun is high, and the tide is going out. How can you possibly make a difference?" The girl bent down, picked up a starfish, threw it into the sea and said: "well, I made a difference to that one."

Remember, every letter is a ticket for a child to attend Christmas: the more tickets we issue, the better. Work hard, work smart, and think of the kids. Every time you open an envelope, imagine the flap is like a mouth that is whispering to you, "work hard, work smart, think of the kids." You may think I have gone "doolally" but I know you can do it.

So, what are we going to do? I'll let Giovanna conclude the briefing. Thank you.

Speeches

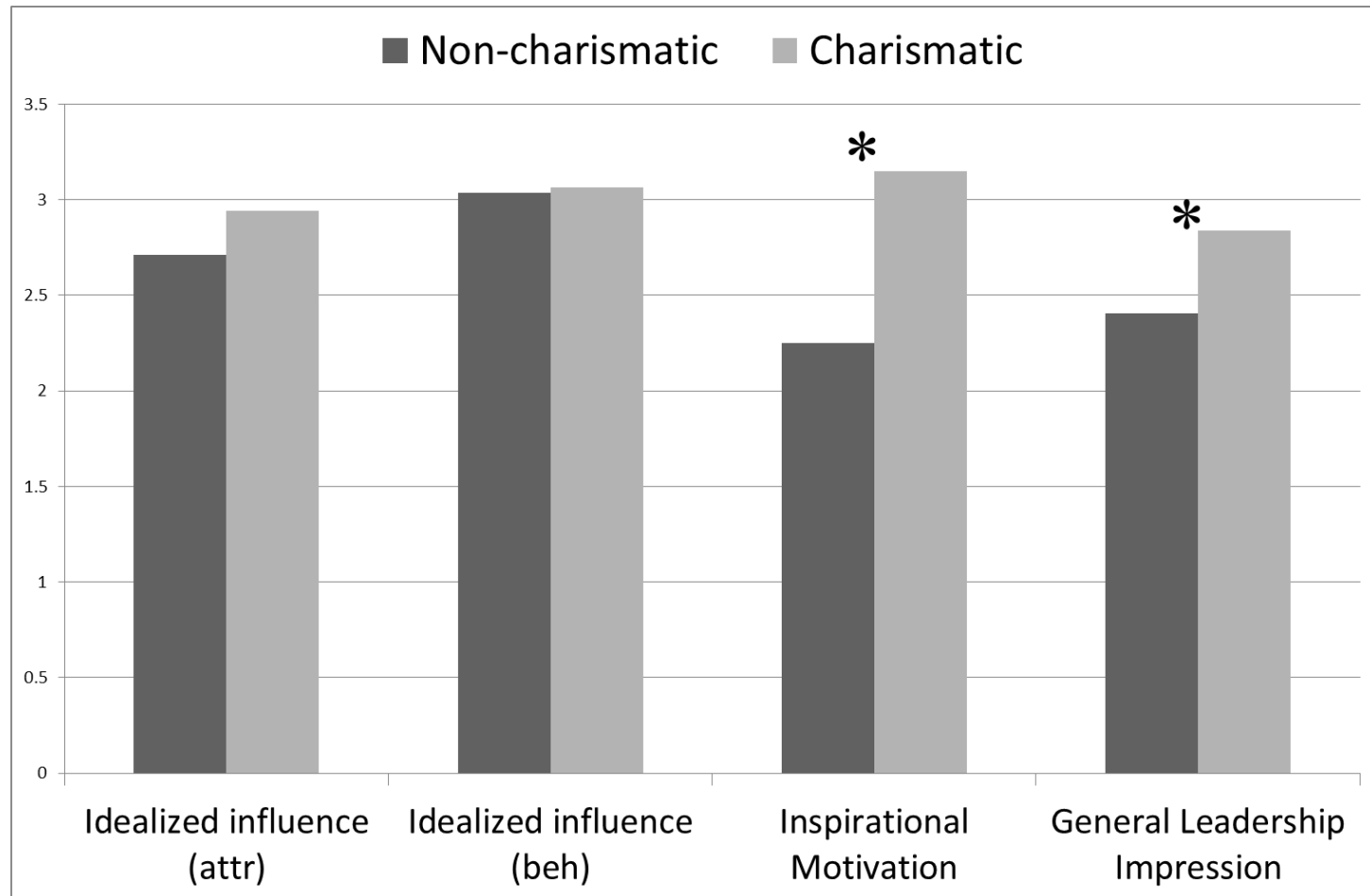


Manipulation checks

- Objective check:
 - Two coders coded each speech for presence of each verbal tactic (Landis & Koch, 1977):
 - Non-charismatic speech: ($n = 41$ sentences), 97.02% agreement on 369 coding events: $\kappa = .63$, $se = .05$, $z = 12.28$, $p < .001$.
 - Charismatic speech ($n = 48$ sentences), 95.60% agreement on 432 coding events: $\kappa = .74$, $se = .05$, $z = 15.44$, $p < .001$.
 - Overall (reconciled codings):
 - Non-charismatic speech was 39.02% (i.e., 16/41 sentences)—thus, not a bad speech per se
 - Charismatic speech was 91.67% (i.e., 44/48 sentences)—thus, very charismatic
 - Difference in proportions between two speeches: $z = 5.28$, $se = .10$, $p < .001$ (Koopman, 1984).

Subjective manipulation check

- 57 participants randomly assigned to watch one of the two speeches, and rated the leader in each speech on 4 dependent variables: :



Results

Figure 1: Treatment Effects on Performance
(number of envelopes completed)

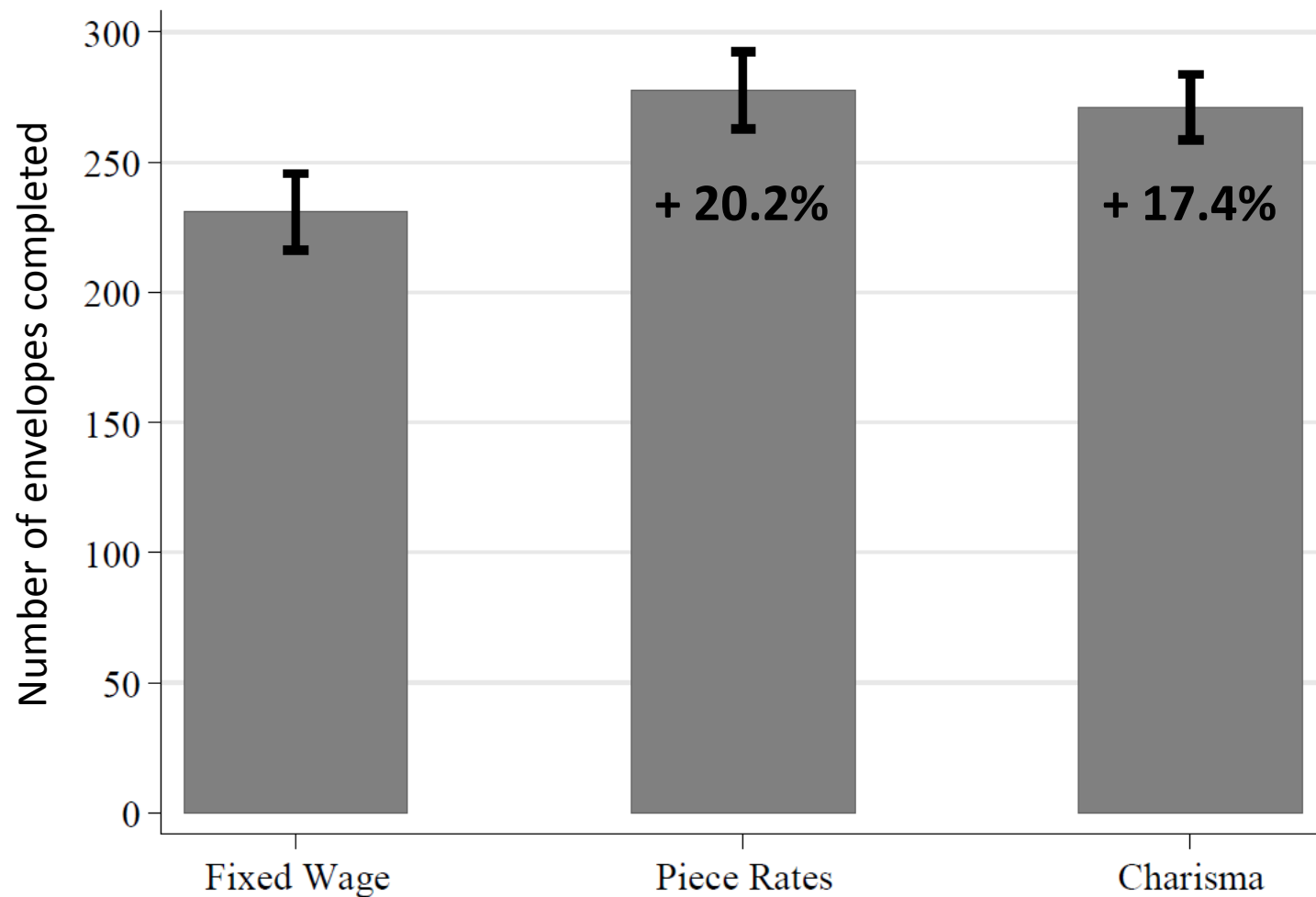


Figure 2: Treatment Effects on Performance (distribution of envelopes completed)



Figure 2: Treatment Effects on Costs Per Letter

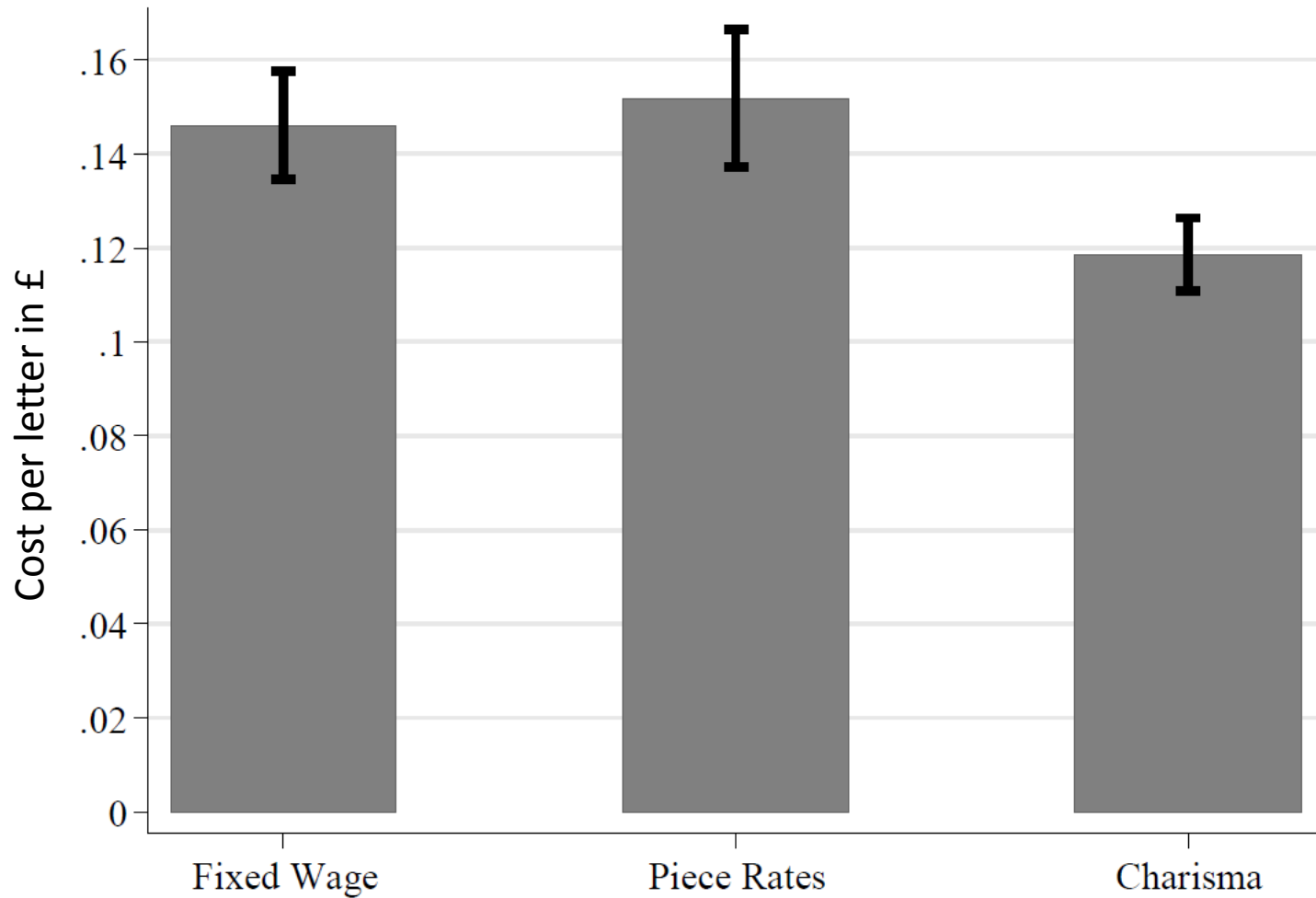


Table 2a: Descriptive Statistics

Treatment	Baseline	Piece Rate	Charisma
Average earnings of workers (in GBP)	28.4	37.2	28.4
Av. number of letters completed	230.94	277.70	271.22
Standard deviation	86.66	79.99	80.76
Max. number of letters completed	340	349	350
Min. number of letters completed	90	60	100
25th percentile	150	250	200
Median	210	317	320
75th percentile	320	330	337
Av. quality index	0.87	0.88	0.89
Rel. freq. of perfect quality	0.22	0.31	0.30
Av. cost per letter completed (in GBP)	0.123	0.134	0.105

Table 2b: Descriptive Statistics

Treatment	Baseline	Piece Rate	Charisma
Av. time spent on the task (in minutes)	245	267	263
Standard deviation	64.57	68.4	97.78
Max. time spent on the task	370	480	480
Min. time spent on the task	150	160	60
Median time spent on the task	240	270	240
Rel. freq. of help from friends or family	0.12	0.19	0.18
Average age of workers (in years)	32.2	32.6	32.6
Percentage of female workers	0.45	0.57	0.61

Table 3: Regression Analysis – Main Variables

Dependent variable	Letters completed	Letters completed	Cost per letter	Cost per letter	Quality index	Perfect quality
Estimation	OLS	Tobit	OLS	Tobit	OLS	OLS
	(1)	(2)	(3)	(4)	(5)	(6)
Piece rate	46.757*	46.757*	0.006	0.006	0.014	0.092
	(20.656)	(20.456)	(0.018)	(0.018)	(0.032)	(0.115)
Charisma	40.277*	42.450*	-0.028*	-0.030*	0.026	0.079
	(19.346)	(19.502)	(0.014)	(0.014)	(0.028)	(0.106)
Constant	230.943**	230.943**	0.146**	0.146**	0.869**	0.219**
	(14.647)	(14.505)	(0.011)	(0.011)	(0.022)	(0.074)
Observations	106	106	106	106	98	98
R-squared	0.059		0.051		0.009	0.008

Notes: In columns (1) and (2) the dependent variable is the number of letters completed at the worker level. In columns (3) and (4) the dependent variable is the cost per letter measured at the worker level. The constant in column (3) does not correspond to the average cost per letter for the baseline treatment reported in Table 2. The reason is that in Table 2 the cost per letter has been calculated at the treatment level (see the notes to Table 2 for more details). The dependent variable in column (5) is an index that measures the fraction of passed items in a set of 20 quality checks at the worker level. The dependent variable in column (6) is unity if all 20 quality checks have been passed and zero otherwise. Because of a coordination problem we have failed to collect the quality information for 8 workers, which explains why we have only 98 observations in columns (5) and (6). Robust standard errors in parentheses; ** p<0.01, * p<0.05.

Table 4: Regression Analysis – Self-Reported Data

Table 4: Regression Analysis of Treatment Effects

Dependent variable	Letters completed	Cost per letter	Time spent on task	Time spent on task	Help from friends/fam.	Help from friends/fam.
Estimation	OLS	OLS	OLS	OLS	OLS	OLS
	(1)	(2)	(3)	(4)	(5)	(6)
Piece rate	45.373** (21.257)	0.007 (0.020)	21.611 (17.569)	23.741 (18.219)	0.071 (0.097)	0.085 (0.097)
Charisma	36.836* (20.165)	-0.025* (0.015)	17.788 (19.251)	13.349 (19.192)	0.058 (0.085)	0.079 (0.086)
Age	0.796 (0.567)	-0.001* (0.000)		1.385** (0.628)		-0.000 (0.004)
Female	9.490 (17.129)	-0.008 (0.014)		-2.739 (17.234)		-0.107 (0.084)
Constant	200.977*** (24.421)	0.171*** (0.018)	245.313*** (11.411)	202.137*** (21.855)	0.121** (0.058)	0.185 (0.158)
Observations	105	105	98	97	98	97
R-squared	0.073	0.064	0.013	0.062	0.007	0.027

Summary of results

- We find that varying “charisma” in a speech delivered by a leader to workers increases output by a substantial margin, over a control speech with fewer charismatic elements
 - Mean output per worker increases by 17.4% with charisma, compared to an increase of 20.2% with performance pay
 - Mean cost per unit of output decreases considerably (18.9%) with charisma
 - Greater proportion of large completions with charisma (10% above 340) with charisma than either in piece-rate (3%) or control (0%)
- Our study indicates that notions of leadership influence through “transformation” and “charisma” merit further attention in economics

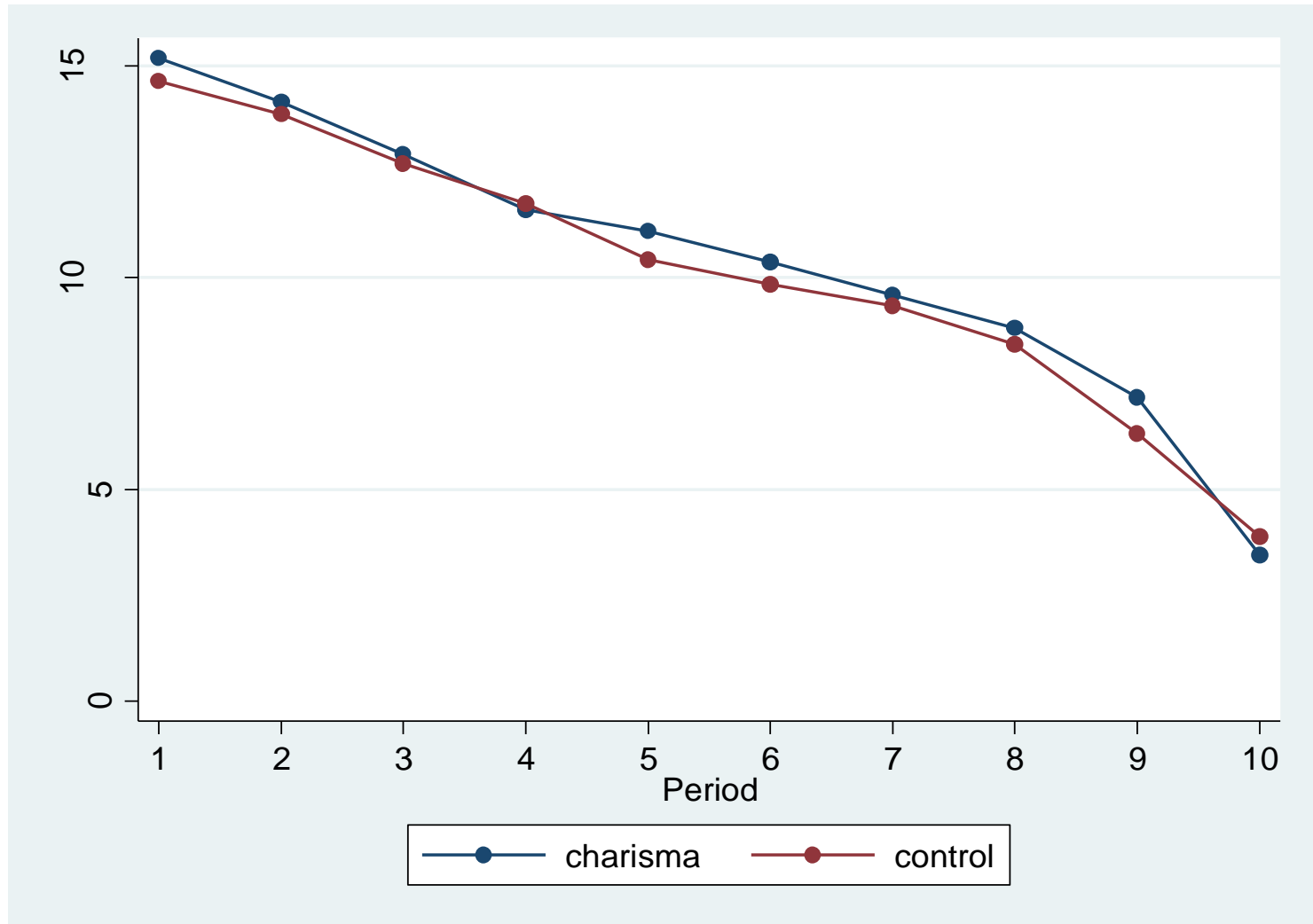
New Questions

- Our findings raise many questions
 - Are there specific elements of charismatic communication that are most crucial for its effectiveness?
 - What are the psychological channels through which charisma works?
 - Beliefs (about performance of others / expectations of others)?
 - Preferences (intrinsic motivation)?
 - How do charisma and incentives interact?
 - Substitutes?
 - Complements?
 - On what types of performance outcomes does it work best?
 - Moral dimension important?
 - How persistent are the effects of charisma?
 - Piece rates work every day, is the same true for charisma?

Next Steps: Lab Study 1

- Charisma and the provision of public goods
 - Participants play a standard four-player public good game (10 periods, partner matching)
 - Before the first period they receive a motivating message from an outsider (“leader”) who does not participate in the game
 - Participants do not have any information about the purpose and origin of the message: “Before your first decision you will see a message”
 - The “leader’s” payoff depends on the group’s contribution to the public good (but participants do not know this)
- Manipulation:
 - We create different versions of leader’s message
 - Original message
 - Modified versions using different charisma tactics

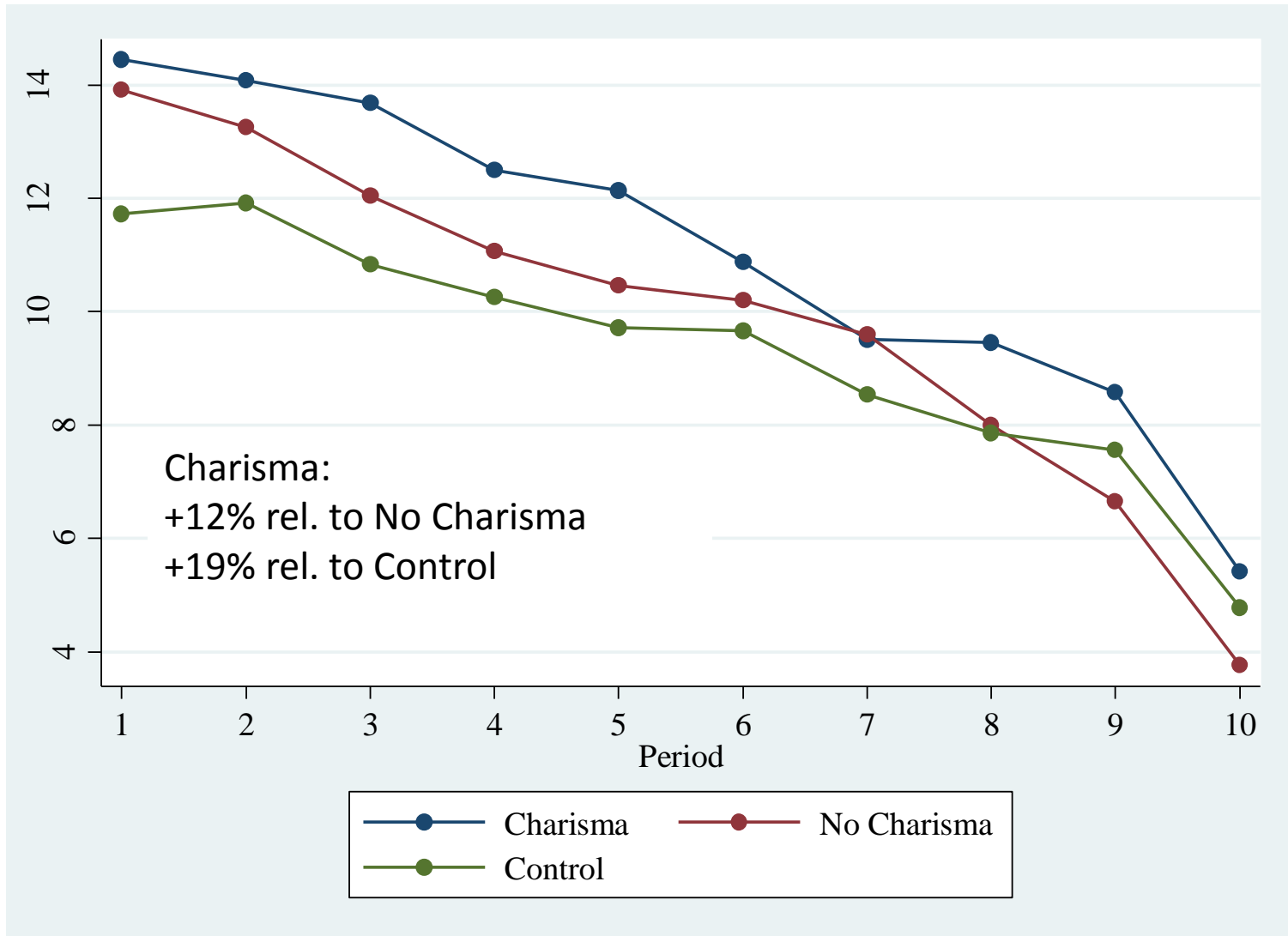
Next Steps: Lab Study 1



Next Steps: Lab Study 2

- Charisma and the provision of public goods
 - Participants play a standard four-player public good game (10 periods, partner matching)
 - Before the first period participants get to see:
 - A charismatic speech about contributions to the public good
 - A non-charismatic speech about contributions to the public good
 - Nothing (control)
- Idea: Charismatic manipulation of experimenter-demand effect

Next Steps: Lab Study 2



If you would like to watch the full
speeches?

www.hec.unil.ch/jantonakis/charisma.htm

WorldViews

This awkwardly solemn speech by the Swiss president is really about the power of laughter



Swiss President Johann Schneider-Ammann's grim delivery during a speech about the medical benefits of laughter was unexpectedly hilarious for many. (Swiss Confederation)

Thank you!