

Leadership, Coordination and Mission-Driven Management

Patrick Bolton, Markus Brunnermeier and Laura Veldkamp

ABSTRACT:

What is the role of leaders in large organizations? We propose a model in which a leader helps to overcome a misalignment of followers' incentives that inhibits coordination, while adapting the organization to a changing environment. Good leadership requires vision and special personality traits such as conviction or resoluteness to enhance the credibility of mission statements and to effectively coordinate agents around them. Resoluteness allows leaders to overcome a time-consistency problem that arises from the fact that leaders learn about the best course of action for the organization over time. However, resoluteness also inhibits bottom-up information flow from followers. The optimal level of resoluteness depends on followers' signal quality and the corporate culture of the organization.