CHAPTER 14

The Capability Approach
A Guiding Framework for Work Capabilities and Leadership

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Introduction

Leadership is the process of influencing and guiding individuals or groups towards achieving shared goals and fostering motivation, collaboration, and innovation to achieve desired outcomes [1]. From the perspective of the capability approach (CA), leadership refers to the process of expanding the capability sets of individuals and groups, enabling them to achieve functionings they value and supporting their well-being and agency [2, 3]. The concept of leadership intertwined with the CA offers a comprehensive framework for enhancing organisational and individual potential.

The CA emphasises enhancing individuals' real freedoms to pursue valued life courses, which, when applied to organisational contexts, shifts the focus from organisational needs to individual freedoms [4]. Focusing on expanding individuals' freedoms and opportunities to achieve well-being is closely aligned with leadership styles that accentuate empowerment, autonomy, and development. Leaders create opportunities by enabling individuals and teams to develop their capabilities, ensuring an environment where they can achieve meaningful and valued outcomes, and promoting well-being, autonomy, and inclusivity. It aligns leadership practices intended to enhance human flourishing and social justice in the workplace. The CA in leadership emphasises ethical and moral reasoning, encouraging leaders to consider the broader impact of their decisions on employees and the community.

Evaluating the key concepts of the CA within the context of leadership in work and organisational settings (see Table 14.1) highlights their relevance in promoting individual and collective growth, well-being, and ethical decision-making [2, 3, 5, 6].

By considering all four concepts, leaders can adopt a holistic approach that goes beyond managing performance to foster employees' overall well-being and development. Leaders who are mindful of conversion factors

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Table 14.1 *Relevant CA concepts for leadership.*

Concept	Relevance to leadership
Capabilities	Leaders play a crucial role in expanding the capabilities of people. By enhancing capabilities, leaders can create an environment where employees can develop skills, pursue career goals, and engage in meaningful work.
Functionings	Effective leaders support their team members in converting their capabilities into valued functionings by removing barriers, offering encouragement, and creating conducive work environments.
Agency	Leaders who empower employees and foster a sense of ownership and autonomy in their work enhance employees' sense of agency.
Conversion factors	Leaders must be aware of and address various conversion factors to ensure that employees can fully realise their capabilities.

and aim to enhance capabilities while respecting agency are more likely to build equitable and inclusive organisations where diverse talents and perspectives are valued. When leaders promote capabilities and functionings, they align individual aspirations with organisational goals, creating a more motivated and committed workforce that contributes to sustainable organisational success (see also Chapter 7 and the 'Integration with Other Chapters' section).

Leadership Models and Employee Capabilities

The following section focuses on leadership styles that relate to the CA: empowering leadership, authentic leadership, leadership as a coach, engaging leadership, and inclusive leadership.

Empowering Leadership

Kim and Beehr describe empowering leadership as "a specific form of leadership that, by its definition, is especially relevant to providing personal resources to subordinates (in the form of autonomy, developmental support, and development of employee competence)" [7, p. 2022]. Empowering leadership is a leadership style in which leaders allow autonomy, ensure involvement, and facilitate a process in which employees take initiative and control.

Various studies have revealed a positive relationship between empowering leadership and psychological empowerment across various contexts

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[8–12]. Spreitzer identified four dimensions of psychological empowerment: meaning, competence, self-determination, and impact [13]. Research has focused on conceptualising and developing instruments that measure leader-empowering behaviour. These instruments include dimensions such as self-directed decision-making, delegation, accountability, coaching, information sharing, opportunistic thinking, self-development, encouragement, showing concern, and interaction with the team [8, 14–17].

The outcomes of leader-empowering behaviour include increased autonomy, performance, psychological empowerment, organisational commitment, job satisfaction, unleashed potential, increased motivation, allowing employees to be more agile, job performance, extra-role behaviours, improved work engagement, and decreased turnover intention [18–24].

Integration of Empowering Leadership and the Capability Approach

Although the CA does not prescribe a fixed list of capabilities [25], relevant capabilities for the work environment may include development by acquiring knowledge and skills as well as employment to provide a livelihood and ensure material well-being and social relationships where people engage in social activities.

Empowering leadership is in alignment with the CA, which stresses the importance of equitable access to opportunities by ensuring that all employees have equal chances to develop their capabilities and contribute meaningfully. The alignment focuses on increasing individuals' freedom and opportunities to optimise their potential and make meaningful choices in their personal and work lives [26].

In an organisational context, empowering leadership can be seen as a practical application of the CA to agency, as it promotes a workplace where employees take ownership of their development rather than being passive recipients. Development as a characteristic of empowering leadership involves expanding capabilities by providing individuals with the autonomy, resources, and support needed to make decisions and take initiative [14, 15]. This leadership style promotes self-efficacy, feelings of competence, and decision-making that support personal growth and enhance meaning, aligning itself with the focus of the CA on enabling individuals to live the lives they value.

The development of people will increase their employability. Enhancing competence, supported by an inner feeling of self-efficacy, self-determination, and knowing that one can make a difference, leads to higher motivation levels and positive work experiences [7]. At the same time, individuals will be more confident and optimistic when applying for

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another position. Pearce and Sims [16] identify self-development, whereas Konczak et al. [15] mention skills development and coaching as part of their empowering leader constructs.

Arnold et al.'s approach to empowering leadership strongly focuses on empowerment within a team [14]. They identify interacting with the team as one of four empowering leader dimensions. Effective teamwork with high levels of trust, cooperation, and healthy team dynamics addresses social interaction needs. Empowering leaders do not practise individual-focused micromanagement, leading to bureaucratic processes and limiting team or individual initiative [27]. When leaders share information, it is beneficial in assisting employees in establishing trust and building sound relationships [28]. Leaders should ensure the inclusion of all team members.

Authentic Leadership

Luthans and Avolio define authentic leadership as "a process that draws from both positive psychological capacities and a highly developed organisational context, which results in both greater self-awareness and self-regulated positive behaviours on the part of leaders and associates, fostering positive self-development" [29, p. 243]. Walumbwa et al. add to the definition "positive ethical climate to foster the four core dimensions of authentic leadership, enabling positive follower self-development" [30, p. 94]. The four dimensions include balanced processing, an internalised moral perspective, relational transparency, and self-awareness [31].

Authentic leaders can inspire and motivate subordinates to identify and take ownership of their work [32], resulting in positive outcomes such as organisational citizenship behaviour, psychological safety, commitment, satisfaction, trust, psychological empowerment, work engagement, and performance [30, 33–36].

Integration of Authentic Leadership and the Capability Approach

The CA stresses that employees have the freedom and opportunities to identify work values and to be enabled to live these values in their work [37]. According to Van der Klink et al. [6] and Abma et al. [38], work values become capabilities if employees find these values important in their work, are enabled by contextual factors to achieve these values, and can achieve them. The challenge for leaders is to facilitate a process to identify what capabilities employees value and whether they are enabled and able to achieve such values in the workplace.

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The CA is concerned with employees' freedom to achieve well-being. Kleynhans et al. reported that leaders with insight, who act fairly, share information transparently, and create healthy relationships contribute to employee wellness, with an expected positive impact on organisational health [39]. According to the CA, well-being is about available resources and capabilities that allow employees opportunities to do what they value. Both authentic leadership and CA emphasise enabling people to optimise their full potential and well-being ethically and transparently. Authentic leadership prioritises moral behaviour, transparency, and integrity, whereas the CA focuses on justice and fairness.

According to Gardner et al., authentic leadership creates a culture characterised by participation, care, and support for one another; increased engagement; and a focus on developing strengths [40]. Balanced processing, one of the dimensions of authentic leadership, refers to behaviour where the leader considers the opinions of others in decision-making to reach conclusions [30, 31]. This enables employees to make self-directed decisions and solve problems in a psychologically safe and positive work environment. When involving employees in decision-making, leaders should ensure that they set clear goals with employees, clarify expectations, allow ownership, and have a process to manage the achievement of outcomes.

The relationship between leaders and employees depends on the maturity of both groups. According to Kleynhans et al., healthy relationships are the cornerstone of a positive work climate, which is a prerequisite for building trust and enhancing employees' well-being [39]. This strengthens employees' willingness to deal with challenges and cope with a complex business environment. Authentic leaders have insight into who they are, what they believe, and what they value. They behave according to their values and beliefs while transparently engaging with others [41].

Authentic leaders are likely to foster positive social exchanges, which can affect team members' well-being [42]. Chen and Sriphon link authentic leadership to social exchange relationships and trust [43]. The need to belong is a basic human need that is satisfied by supportive and positive relationships and the transparency with which authentic leaders interact [33]. Relational transparency focuses on genuineness and openness when individuals share information and express thoughts and feelings [30]. When leaders set an example of transparency and ethics, they create trust and meaningful relationships [44], leading to healthy and supportive work environments where people feel valued and supported.

Experiencing a leader as transparent and acting with integrity can motivate employees to trust the leader and the organisation [34, 44] and

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to feel comfortable enhancing their self-awareness in a safe space. Kleynhans et al. reported that leaders' self-awareness and balanced processing could increase employees' self-acceptance, personal development, and mastery of their work demands [39].

In conclusion, as with empowering leadership, the relationship between authentic leadership and the CA lies in a shared commitment to empowering employees, promoting ownership and autonomy, and creating work environments that support human flourishing. According to Albuquerque et al., little research has been conducted on leadership and the CA [25].

Leader as a Coach

Disruptive work practices and environments require leaders in organisations to be transactional and focused on ensuring that employees are encouraged to excel in such environments. Therefore, leaders must shape organisations into systems that are able to adapt, learn, and grow. Leaders are required to build performance cultures that can enhance employee skills and organisational performance. Leaders are, therefore, seen as coaches who can drive employees and organisations forward by defining and practising positive cultures of performance [45]. The leader plays a pivotal role as a coach in their employees' careers. To cultivate this role effectively, the leader needs to understand the employee's capabilities and how to unlock them for optimal performance.

The leader, as coach, is seen as one who motivates, encourages, and provides feedback to individuals and the team [46]. Furthermore, the leader, as coach, creates learning opportunities and empowers their employees. The liberating leader creates an environment that ignites the employee's initiative and creativity [47]. Liberated employees are those who can engage in stimulating work activities and enhance job performance. Employees' sense of purpose is linked to engagement and productivity, highlighting the value added to the bottom line of the organisation [48]. The leader, as a coach, should empower employees to be involved in decision-making and ensure that they have the freedom to act in accordance with their own needs [48].

The role of the leader as a coach is to identify employee potential and harness it by encouraging employees and motivating them [49]. Therefore, coaching leaders enhance their employees by developing their capabilities through understanding what employees value and influencing their feelings and attitudes at work [50]. As coaches, leaders are also responsible for creating psychologically safe environments for employees to explore their

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potential and attain aspects of the work they value. Psychologically safe environments are environments where employees can express their views and opinions and take positive action without any fear of retaliation or reprimand from their leaders and colleagues [51].

Integration of the Leader as Coach and the Capability Approach

The CA fosters an environment where the leader, as a coach, can thrive in ensuring that employees are able to attain work capabilities that they value. The leader, as a coach, has the opportunity to capitalise on the value aspects of employees in accordance with the CA by ensuring that employees are involved in valuable aspects of their work. Creating environments that stimulate employee performance requires the leader to act as a coach, creating opportunities that positively influence the functioning of employees in their roles.

Human development is a core principle of the CA; the focus on the human development aspect falls on individuals being agents of change, building associations with 'freedoms' [52]. Freedoms are seen as an expansion of individual capabilities [2]. However, this expansion is influenced by internal and external factors that can support the freedom to achieve or restrict it. The leader, as a coach, has the opportunity to positively influence the outcome by utilising the opportunities associated with the freedom to achieve. Leaders in organisations can enhance this perspective by developing environments that allow for growth through opportunities and competency development [53]. Employees must have the agency to attain opportunities and outcomes that they value [54].

The coaching leader's role is to remove any obstacles that may deter employees from achieving their values. The leader does this by building a safe environment for employees to share their thoughts; the leader shares their expertise, motivates, and provides quality feedback [55]. Talent management is regarded as attracting, developing, engaging, and retaining talent [56]. Related challenges linked to talent management include identifying and retaining talented employees, technology, limited skills and capabilities, globalisation, and, in some cases, the resulting effect of a lack of resources, which mostly creates these challenges [57].

Engaging Leadership

The concept of engaging leadership focuses on leaders' ability to empower employees in organisations by granting them freedom of choice in their work, ensuring competence, and forming connections between employees

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[58]. Engaging leaders seek to enhance employee performance by granting employees the freedom to participate in collaborative team efforts, providing opportunities for self-development, and ensuring autonomy in employee roles [59]. The positive link between work engagement and employee performance indicates that leaders are pivotal in ensuring that employees are engaged [60]. Predictors of work engagement are often personal resources and job resources that lead to work performance [61]. Schaufeli (2021) expand on this by highlighting the role of leaders in attaining work performance by being supportive, recognising employees, and ensuring effective teamwork [62]. Engaging leaders support the notion of work autonomy, relatedness, and competence.

Integration of Engaging Leadership and the Capability Approach

Engaging leaders can motivate, inspire, strengthen, and empower their followers [63]. A constantly changing environment requires employees to be offered support and opportunities to thrive in it. Positive leaders are required to ensure high levels of engagement from employees in such dynamic environments [58]. However, the interaction depends not only on leaders; employees also need to ensure that they play a major role in achieving organisational performance. Employee capabilities are essential in the co-creation of high performance of the organisation. Therefore, appealing to a leader's characteristics, such as support from employees and offering organisational resources, is similar to the job demands-resources model [64]. This notion is reinforced by the self-determination theory, which supports autonomy, effective functioning, relation to others, and competence of employees [65], resembling the CA, which highlights similar elements of enhancing employee performance and wellness [66]. Engaging leaders can integrate the CA by ensuring that they offer employees support for projects, activities, and other elements of work. Enabling this support by offering employees autonomy and opportunities to explore elements of work that they value can increase employee engagement and satisfaction [10, 67].

Employee capabilities can be enhanced by environments that are positive for employee behaviour, thus positively influencing how employees function in their work environments [68]. For leaders to engage with their employees effectively, work environments need to be enabling, offer opportunities to employees, support employee vision, and integrate employee values and organisational strategies in how they manage their employees [69].

Employees with satisfied psychological needs are more engaged [70]. The CA allows the engaging leader to interact with employees by

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understanding what motivates them in their work environments, thus allowing them to discover what employees value. This understanding builds a foundation of what influences how employees function and how they can be utilised to influence human flourishing in organisations [71]. Therefore, the engaging leader style can be integrated with the CA to effectively manage, motivate, develop, and enable talented individuals to flourish in the workplace.

Inclusive Leadership

A key role for leaders is to create and frame initiatives to facilitate a workplace that promotes inclusion [72]. Shore et al. define inclusion as "the degree to which an employee perceives that he or she is an esteemed member of the work group through experiencing treatment that satisfies his or her needs for belongingness and uniqueness" [73, p. 1265]. Similarity to others fulfils the need to belong, whereas differences from others fulfil the need to be unique. Therefore, leaders and co-workers are essential resources for fulfilling the need for belongingness and building the work capabilities of employees [73]. On the basis of Shore et al.'s research, four leadership orientations can be distinguished: inclusion (high belongingness and uniqueness), exclusion (low belongingness and uniqueness), assimilation (high belongingness but low uniqueness), and differentiation (high uniqueness but low belongingness).

Shore et al. developed the concept of inclusion based on optimal distinctiveness theory, which states that individuals are more likely to feel included when they feel that they are part of the group and feel valued for their unique attributes [73]. According to the common in-group model of social identity, inclusive leaders can foster a sense of belonging by emphasising how different subgroups share a common identity [74]. Within social identity theory, mutual intergroup differentiation [75] promotes recognition of the expertise of each subgroup, which is in line with the value of the uniqueness that inclusive leadership must simultaneously ensure [76].

Practices that make diverse individuals feel included will be ineffective unless they adopt an inclusion perspective that balances employees' need for belongingness and uniqueness [73]. In organisations, leadership behaviour is critical in fostering inclusion [77]. Various leadership behaviours, such as leader–member exchange [78], transformational leadership [79], and authentic leadership [80], have been linked to diversity and inclusion. Nembhard and Edmondson introduced the concept of leader inclusiveness

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(i.e., leader behaviours that invite and appreciate others' contributions) [81]. However, these models and approaches do not provide a sound conceptualisation and operationalisation of inclusive leadership that is distinct from other forms of leadership [82, 83]. Furthermore, most research has not focused on the importance of the leader inclusion of employees with marginalised social identities [84].

Randel et al. argue that leadership creates the context for inclusion to be perceived [76]. Consequently, inclusive leadership has been defined as "a set of leader behaviors that are focused on facilitating group members feeling part of the group (belongingness) and retaining their sense of individuality (uniqueness) while contributing to group processes and outcomes" [76, p. 191]. Leader inclusion behaviours that enhance *belongingness* involve (a) supporting individuals as group members, (b) ensuring justice and equity, and (c) sharing in decision-making. Shore et al. argue for creating conditions for inclusion that the leader can enact: (a) providing access to critical information and resources and (b) displaying respect for the individual [84]. The combination of these latter two behaviours also increases members' experience of belonging. Randel et al. argue that two leader behaviours facilitate member experiences of being valued for *uniqueness*: (a) encouraging diverse contributions and (b) helping group members contribute fully [76]. Shore et al. suggest additional leader behaviours for enhancing member experiences of being valued for uniqueness: (a) prioritising psychological safety for all team members; (b) displaying respect for employee identity groups; and (c) supporting displays of authenticity for themselves and team members [84]. Inclusive leadership increases psychological safety, work group identification, and psychological empowerment [76, 85], which makes it a relevant construct linked to work capabilities.

Integration of Inclusive Leadership and the Capability Approach

Inclusive leadership fits the CA and offers a transformative framework for fostering equity, agency, and flourishing in organisational settings. Inclusive leadership emphasises creating environments where diverse individuals feel valued, respected, and empowered to contribute meaningfully. The role of inclusive leadership in fostering psychological safety, encouraging diverse voices, and establishing participative practices that build trust and collaboration is closely aligned with the CA, which prioritises expanding individuals' freedoms and opportunities to achieve valuable functionings. By adopting inclusive leadership, organisations can enhance employees' capability sets by removing barriers to participation, addressing systemic inequalities, and enabling autonomy. Leaders who embrace

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inclusivity act as enablers of human development, creating work environments that ensure belongingness and uniqueness.

Integration with Other Chapters

The leadership styles we have described aim to enable leaders in organisations to facilitate and promote the achievement of capabilities by employees. This is important because it shifts the focus from increasing the value of the organisation in purely financial–economic terms to increasing value, which also includes the well-being, value realisation, and autonomy of the employee. This is complementary to the approach in Chapter 7, which focuses on managerial capabilities. In Chapter 7 (Figure 7.1, Box B), the managerial capability set is elaborated as follows: "Managerial capability set to achieve direction, stakeholder empowerment and stakeholder self-realisation."

The basic premise is that managers have the ability and freedom (capability) to evaluate what are important capabilities for employees and the possibilities and limitations to achieve them. In Chapter 7 it is elaborated that Kulkarni refers to the following key managerial capability [86, p. 18]: "the ability to evaluate stakeholder [employee] capabilities and provide freedom to stakeholders [employees]. This capability involves managers using their knowledge of stakeholder [employee] capabilities. For example, this knowledge may involve an understanding of not only the factors that contribute to stakeholder [employee] voice but also the impediments in implementing processes that encourage stakeholder [employee] voice." (Kulkarni uses the term 'stakeholder'; the term '[employee]' has been added for clarification/specification.)

Implications for Research, Practice, and Policy

The CA emphasises enhancing individuals' freedoms to live valued lives [87]. When applied to organisational contexts, it shifts the focus from organisational needs to individual freedoms [88]. However, collective capabilities can sometimes conflict with individual capabilities, as social institutions may use coercion to override individual freedoms [89]. The approach has been applied to labour regulation, promoting worker well-being and participation [90]. In leadership, it supports the development of a democratic learning society [87] and can help leaders cope with challenges such as the COVID-19 pandemic [91]. The concept of 'living well together' is proposed as an extension of Sen's approach, which considers

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social structures and institutions [92]. Decent work and robust capability sets are associated with employee flourishing [71], whereas leadership that enables flourishing for all is identified as a pressing challenge [93].

The CA has various implications for leadership. First, it emphasises the enhancement of individuals' overall development and well-being, not just their productivity. It recognises that people have diverse aspirations and that work should be a space to grow, develop, and achieve a balanced, fulfilling life. Leaders using the CA emphasise skill development, autonomy, and the ability to engage meaningfully in work. They aim to help individuals expand their capabilities, fostering an environment where everyone can contribute to the success of the organisation while achieving personal fulfilment. The CA encourages organisations to move beyond a narrow focus on profit or output and instead promotes environments that support employees' physical, mental, and emotional well-being.

Second, the CA values autonomy and agency, emphasising that employees should have the freedom to make choices and pursue goals that are aligned with their values and aspirations. In work and organisational settings, this translates to leadership and management practices that empower employees, giving them a sense of ownership and control over their work.

Third, the CA is grounded in principles of justice and fairness, making it particularly relevant for creating inclusive and equitable work environments. Different individuals may face different challenges and barriers (conversion factors) that affect their ability to achieve their potential. This insight helps organisations identify and address inequities related to gender, race, disability, or socio-economic status. Organisations can create more inclusive policies and practices by focusing on expanding capabilities for all employees, ensuring that everyone can develop their skills and contribute meaningfully.

Fourth, the CA helps align individual aspirations with organisational objectives by focusing on the development of capabilities that are valuable to both parties. Organisations that invest in developing employees' capabilities often experience greater commitment to, and alignment with, organisational goals because employees see their personal growth and well-being as being directly connected to their work. This alignment can lead to greater engagement, performance, and retention levels, benefiting both the organisation and its employees.

Fifth, organisations can better prepare employees for the changing nature of work by focusing on capabilities. This approach encourages the development of a diverse skill set and promotes lifelong learning, enabling

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employees to adapt to new roles, technologies, and work environments. It also supports the concept of sustainable employability, ensuring that employees have the skills, resources, and opportunities they need to remain employable and fulfilled throughout their careers.

The CA provides a moral framework for leaders and managers, emphasising the importance of promoting well-being, fairness, and justice in the workplace. It encourages leaders to take a broader view of their responsibilities, considering economic outcomes and the ethical implications of their decisions for employees and the wider community. This approach can foster more ethical and socially responsible organisational cultures, which are increasingly valued in today's globalised and interconnected society.

Finally, when organisations invest in developing capabilities and creating supportive environments, employees feel valued and supported, which enhances their engagement and productivity. Employees who experience autonomy, growth opportunities, and alignment between their personal and professional goals are more likely to be motivated, committed, and willing to go beyond expectations in their roles.

Opportunities for Future Research and Practice

Future research and practice on leadership from the perspective of the CA offer rich opportunities for exploration and innovation. Leadership development programmes can be designed and evaluated to help leaders understand and apply the principles of the CA in their practices, supported by coaching and mentoring frameworks that emphasise enabling employees to achieve their potential. Organisational policies and practices that facilitate capability development, such as flexible work arrangements and participative decision-making, can promote leadership accountability by fostering inclusive and equitable opportunities for employees. Cultivating organisational cultures that prioritise individual and collective well-being alongside performance goals is essential for creating environments where employees feel valued, respected, and empowered to contribute meaningfully.

Conclusion

In conclusion, the CA integrates diverse leadership styles, which in turn enrich the application of the CA and provides a transformative framework for leadership in organisations, emphasising the importance of promoting individual and collective well-being. These styles emphasise

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autonomy, participation, ethical decision-making, individualised support, and diversity, collectively fostering human flourishing and sustainable development.

By shifting the focus from performance metrics to the development of capabilities, the CA prioritises equity, autonomy, and human dignity. Leaders guided by the CA create inclusive and supportive environments that address systemic barriers, enabling employees to achieve valued functionings and align their aspirations with organisational goals. By addressing contextual factors, leaders can remove barriers, expand freedoms, and ensure equitable access to opportunities. Ultimately, the CA underscores the moral responsibility of leaders to advance social justice, promote well-being, and create workplaces that enable employees to lead meaningful and fulfilling lives while contributing to organisational success.

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