

# **MANAGERIAL STRATEGIES AND ORGANISATIONAL CULTURE**



## THE IMPACT OF TRANSFORMATIONAL LEADERSHIP ON ORGANIZATIONAL EFFECTIVENESS

Dina Maria Luț, Alina Lazoc

***Abstract:** People are the most important asset that managers have in the organization. The important role that managers must also assume in the organization is leadership. Often, managers make the mistake of believing that they are leaders just because they hold the position of manager and, therefore, people have to follow them. Manager position, only denote a function and not necessarily leadership. To be an effective leader, the manager needs to know how to influence employees to achieve organizational goals.*

*Different managers employ distinctly different leadership styles, ranging from relatively hands-off, facilitative styles to autocratic, micromanaging styles.*

*The question is how do leaders create and sustain revolutionary changes in the organization and what style of leadership is needed to motivate subordinates to undertake these organizational changes. The answer to this problem can be given by the difference between leadership styles practiced in organizations.*

*In this situation appears the concept of **transformational leadership**.*

*This paper presents the concept and the elements of transformational leadership and also highlights the impact that this style has on organizational effectiveness.*

***Keywords:** leadership, leadership styles, managers, transformational leadership, transactional leadership*

### Introduction

In today business world, the manager profession is a very complex profession, requiring for a person to be effective in many activities. Today, more than ever, managers are called to solve the problems facing the economy at the beginning of the third millennium, and on this basis, to solve many social problems of humanity.

In a very aggressive environment, in terms of competitiveness and totally unpredictable, managers encounter many difficulties when they implement successful strategies or when they adopt methods and techniques to enhance efficacy. In terms of managerial efficiency, the circumstances compel managers to become as effective as possible. A truly efficient and effective management, professional managers exercised, is the main “supplier” of performance in areas managed.

Efficiency implies the existence of effects in relation to efforts to obtain it. Effectiveness is to achieve objectives and also to exercise of managerial tasks, in the temporal and qualitative pre-conditions. Effectiveness is focused on achieving performance management.

People are the most important asset that managers have in the organization. The important role that managers must also assume in the organization is leadership. Often, managers make the mistake of believing that they are leaders just because they hold the position of manager and, therefore, people have to follow them. Manager position, only denote a function and not necessarily leadership. To be an effective leader, the manager needs to know how to influence employees to achieve organizational goals.

Overlapping aspects of management and leadership concepts and the relationships between them, are very much discussed in the literature. Some experts in the field believe that the manager and leader are synonymous terms and use them alternately. Others, believe that there is a clear distinction between the two terms. We share the opinion of many experts who believe that leadership and management are actually different sizes of people in leadership: leadership is the ability to cause people to act. The manager is the person who provides organizational goals through planning, organizing and guiding the work end. Therefore, a person can be an effective manager without the capabilities of a leader.

Different managers employ distinctly different management styles, ranging from relatively hands-off, facilitative styles to autocratic, micromanaging styles. Managers can also employ different motivational strategies and techniques to boost employee performance or accomplish internal change.

Leadership is the ability of a person to establish some goals and influence others to follow him in their implementation, based on a strong emotional and operational involvement.

Traditional paradigm of leadership was that of command and control, there is a clear distinction between the role of leaders and the people that follow them. In this model, the relationship between leaders and those that follow them are based on the authority of leaders and subjecting others. In a decentralized society based on information, organized as a network, this classic model of leadership is losing ground. Relationships between leaders and those who follow them have changed. Authority is not as compact as before, hierarchies have declined in many organizations, and from the many social changes, including the emergence of mobility and opportunity to work, today's leaders must obtain a stronger commitment from supporters not only

their consent. As a result, today's leaders must find ways exceeding authority they have to influence actual supporters.

The question is how do leaders create and sustain revolutionary changes in the organization and what style of leadership is needed to motivate subordinates to undertake these organizational changes.

The answer to this problem can be given by the difference between leadership styles practiced in organizations.

In this situation appears the concept of **transformational leadership**, in opposition to transactional leadership. Transformational and transactional leadership are polar opposites when it comes to the underlying theories of management and motivation.

### **The concept of transformational leadership**

The term “transformational leadership” was coined in the late 1970s and continues to be a leadership style that proponents say allows leaders to not only achieve success, but to transform the thoughts and actions of individuals, groups and even organizations. This style of leadership requires passion, charisma and the ability to motivate others.

In 1978, **James MacGregor Burns** defined the concept of a “**transformational leader**”. According to Burns, transformational leadership can be seen when “leaders and followers make each other to advance to a higher level of morality and motivation” (*Burns, 1978*). Through the strength of their vision and personality, transformational leaders are able to inspire followers to change expectations, perceptions, and motivations to work towards common goals. Unlike in the transactional approach, it is not based on a “give and take” relationship, but on the leader's personality, traits and ability to make a change through example, articulation of an energizing vision and challenging goals. Transforming leaders are idealized in the sense that they are a moral exemplar of working towards the benefit of the team, organization and community. Burns theorized that transforming and transactional leadership were mutually exclusive styles.

Later, in 1985, researcher Bernard M. Bass expanded upon Burns' original ideas to develop what is today referred to as Bass' Transformational Leadership Theory. (*Bass, 1985*) According to Bass, transformational leadership can be defined based on the impact that it has on followers. Transformational leaders, Bass suggested, garner trust, respect, and admiration from their followers.

Bernard M. Bass explained the psychological mechanisms that underlie transforming and transactional leadership. Bass introduced the term “*transformational*” in place of “*transforming*”. Bass added to the initial concepts of Burns to help explain how transformational

leadership could be measured, as well as how it impacts follower motivation and performance.

According to Bernard Bass, there are few key characteristics to a transformational leader. The first is *charisma*. Charisma is defined as “a compelling attractiveness or charm”. Charisma is what propels individuals to follow a leader. A transformational leader must also have *vision*. Successful transformational leaders are able to articulate a vision of change that their followers can identify with. The vision becomes the common goal. Transformational leaders also must have *the ability to inspire others* to do their best, challenge themselves and achieve.

Within leadership, the effectiveness of the transformational versus transactional leader is often debated. Transactional leadership relies more on a “give and take” understanding, whereby subordinates have a sense of duty to the leader in exchange for some reward. Transformational leadership, on the other hand, involves a committed relationship between the leader and his followers.

Finally, in contrast to Burns, Bass (1990) suggests that the two approaches, the transactional and the transformational, can be simultaneously integrated in the management process. (*Bass 1990: 19-31*)

### **The basic elements that underlie transformational leadership**

In 1985, industrial psychologist, Bernard Bass, identified and wrote about four basic elements that underlie transformational leadership. (*Bass, 1985*)

#### **1. Idealized Influence**

Transformational leaders act as role models and display a charismatic personality that influences others to want to become more like the leader. Idealized influence can be most expressed through a transformational leader's willingness to take risks and follow a core set of values, convictions and ethical principles in the actions he takes. It is through this concept of idealized influence that the leader builds trust with his followers and the followers, in turn, develop confidence in their leader.

#### **2. Inspirational Motivation**

Inspirational motivation refers to the leader's ability to inspire confidence, motivation and a sense of purpose in his followers. The transformational leader must articulate a clear vision for the future, communicate expectations of the group and demonstrate a commitment to the goals that have been laid out. This aspect of transformational leadership requires superb communication skills as the leader must convey his messages with precision, power and a sense of authority.

Other important behaviours of the leader include his continued optimism, enthusiasm and ability to point out the positive.

### **3. Intellectual Stimulation**

Transformational leadership values creativity and autonomy among the leader's followers. The leader supports his followers by involving them in the decision-making process and stimulating their efforts to be as creative and innovative as possible to identify solutions. To this end, the transformational leader challenges assumptions and solicits ideas from followers without criticizing. She helps change the way followers think about and frame problems and obstacles. The vision the leader conveys helps followers see the big picture and succeed in their efforts.

### **4. Individualized Consideration**

Each follower or group member has specific needs and desires. For example, some are motivated by money while others by change and excitement. The individualized consideration element of transformational leadership recognizes these needs. The leader must be able to recognize or determine - through eavesdropping or observation - what motivates each individual. Through one-on-one coaching and mentoring, the transformational leader provides opportunities for customized training sessions for each team member. These activities allow team members to grow and become fulfilled in their positions.

Each element is connected because there is a basis of respect, encouragement, and influence that is involved in transformational leadership. The personality of the leader has to be genuine because any chance of inconsistency for the followers and all trust is gone, and the leader has failed.

## **The benefits of transformational leadership and its impact on organizational effectiveness**

A transformational leader is a manager with charisma who can make subordinates feel passionate about the success of the company. The benefits of transformational leadership are seen in nearly every aspect of operations from training to corporate planning, such as:

### **1. Motivation and individual growth and development**

A transformational leader uses her belief in the vision of the company to inspire the staff to be more productive and work towards company goals. The drive behind a transformational leader is to find ways in which she can get the entire staff on board with corporate

strategy and planning. When the entire company is on the same page with the corporate vision, it can make achieving that vision easier.

Transformational leadership impacts individuals' self-growth. Abraham Maslow's hierarchy of needs places self-actualization at the top of the needs pyramid and defines it as a person's full realization of his potential. Transformational leadership helps transform members of a group into individuals who transcend beyond self-actualization and their own self-interests for the sake of the group or organization. Along with this includes individual moral development. Transformational leaders commit themselves to selfless ideals and align their personal principles and values with that of the organization, group or even society. The leader nurtures his followers' moral development to internalize these same values and principles.

Transformational leadership develops followers who can perform beyond their own and others' expectations.

## **2. Corporate planning**

Inspirational managers do not focus their energy solely on motivating the staff. A good transformational leader has broad visions for the company's future, and those visions can become instrumental in company planning. Whether it is refining the overall business plan or affecting individual marketing programs, the transformational manager has ideas and visions for the future of the company that he wants to share with the management team and work to turn those plans into reality.

## **3. Employee retention**

The idea of transformational leadership is to reach out to each employee and bring out the best in them. An inspirational manager spends time with each employee discussing ways to make the employee's job easier, and helping to create plans for developing the employee's career. This individual attention that is offered by transformational leaders helps to create a strong bond between the manager and his employees that will reduce employee turnover.

## **4. Organizational development and change**

A manager that is not intimately involved in the growth of the company and the development of her staff can start to struggle with managing her department as the company grows. A transformational leader is constantly involved with the growth of the company and the ongoing development of employees. As the company grows, the transformational leader maintains that close contact to the company and employees and can make the process of growing a more involved experience for new and veteran employees.

The impact of transformational leadership reaches every level of an organization and also this leadership style improves organizational effectiveness. (*Bass & Avolio, 1994*). At the team level, we can find members that care, stimulate, inspire and motivate each other. Bass and colleagues, termed the effect that transformational leadership has throughout an organization as the “falling dominoes effect”. (*Bass & Riggio, 2006*). Upper-level transformational leaders set an organization's direction and vision, influencing how lower levels of an organization operate. Transformational leadership can also help a company meet new challenges, such as during a company's reorganization, strategic redirection or downsizing.

## Conclusions

Transformational leadership styles are crucial to the strategic development of a small business. Small businesses with transformational leaders at the helm shoot for ambitious goals, and can they achieve rapid success through the vision and team-building skills of the leader. (*Alimo-Metcalfe, Alban-Metcalfe, 2001*).

Different management styles are best suited to different situations. (*Pielstick, 1998*). When it comes to front-line supervisors of minimum-wage employees, for example, a transactional leadership style can be more effective. Shift supervisors at a fast food restaurant will be much more effective if they are concerned with ensuring all of the various stations run smoothly, rather than spending their time thinking up better ways to serve hamburgers.

On the other hand, CEOs or sales managers can be more effective if they are transformational leaders. Executive managers need the ability to design and communicate grand strategic missions, passing the missions down to transactional leaders for implementation of the details.

Transformational business leadership can result in extraordinary changes in direction. An example would be a new chief executive officer revitalizing a company and returning it to profitability. According to City University of New York professors Hershey H. Friedman and Mitchell Langbert, characteristics of transformational leaders include vision, confidence, courage and a willingness to make sacrifices. (*Friedman & Langbert, 2000*)

Transformational leadership can also come from organizations. For example, companies that were at the forefront of the computer revolution changed the course of business history.

There have been many transformational changes in technology and undoubtedly there will be many more. The development of computing technology by Apple, IBM, Intel, Microsoft and others in the

late 1970s and the early 1980s was a transformational event. Apple co-founder Steve Jobs and others transformed business processes through software applications and high-speed microprocessors. The Internet marked another technological transformation in the early 1990s. Yahoo! and Google have built Internet roadmaps via search engines, Amazon and eBay pioneered e-commerce, while Apple continued its technology leadership with mobile devices.

Diversified businesses operate in multiple industries. Warren Buffett transformed a clothing manufacturer, Berkshire Hathaway, into a giant holding company that consistently outperforms its stock market peers. Jack Welch joined General Electric as its chief executive officer in the early 1980s. He set about transforming a bureaucratic organization into a lean and agile powerhouse. He motivated his business managers to strive to be among the best and they responded.

Other examples of transformational business changes include outsourcing and total quality control. Outsourcing has created business process efficiencies. It has also generated thousands of jobs in impoverished regions of the world. By developing statistical methods for quality control, teacher and consultant W. Edwards Deming transformed the way Japanese, U.S. and other business managers integrate continuous improvements in their operations.

Transformational leadership can be applied to a variety of settings. According to Bass in his 1999 article published in the "European Journal of Work and Organizational Psychology", transformational leadership is more effective than transactional leadership. (*Bass, 1999*). For instance, it can effectively be applied to militaristic, industrial, hospital and educational settings. It's also applied frequently to businesses. Transformational leadership can improve the capability of a sales force, help a company reshape its image in the marketplace and create a positive environment for employees. (*Bass, 1998*).

Transformational leaders are everywhere in daily life, not just at the helm of major corporations. To gain a better understanding of what constitutes a transformational leader, we need look no further than the community in which we were raised. In the family environment, parents can be considered transformational leaders, because they are tasked with developing children into the adults they become. The relationship a child has with his parents often dictates the type of person he becomes. Coaches and religious leaders are also considered transformational leaders, because they use their vision and charisma to mould the players or members of their organizations.

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## Notes on the authors

**DINA MARIA LUT** is Associate Professor in Management and Human Resource Management, at "Dimitrie Cantemir" Christian University in Timisoara. She holds a PhD in Management since 2008. Her research interests focus on the areas of management in the context of knowledge-based economy, management and leadership within Romanian organizations.

**ALINA LAZOC** is lecturer in Consumer Behavior and Public Relations at the "Dimitrie Cantemir" Christian University in Timisoara. She holds a PhD in Marketing since 2011. Her research interests focus on the areas of experience marketing, consumer behaviors in the digital age and corporate communication strategies.