

An Examination of the Business Strategy and Transformational Leadership Symbiosis

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ARTICLE INFO

Available Online December 2013

Key words:

Leadership;

Transformational leadership;

Business strategy.

ABSTRACT

Leadership is recognized as critical in shaping the direction of organizations because of its central position in driving the behaviour of the human element throughout the strategy process. This theoretical paper identifies and examines a symbiotic and mutually-supporting relationship particularly between business strategy and Transformational leadership. It therefore recommends the adoption of Transformational leadership as the most appropriate approach by managers saddled with the task of strategy making and implementation in organizations.

1.0 Introduction

Clearly, leadership comes into focus in a significant way once strategy needs to be formulated, changed, altered or re-engineered in an organization. This is because from the outset, it is the human elements that will identify an existing or impending problem with the current direction or focus of the organization; it is still the human elements that will scan, observe, collect and collate data and other information from the environment. People will yet be the ones to analyse and diagnose information about the organization's internal and external environments. The same humans will also create the scenarios that may emerge from a permutation of the alternative lines of action that are available for the firm to take. Above all, the human elements are the ones to put together the other organizational resources and implement, monitor, evaluate and control or take on-going measures required to keep the chosen strategy on track. This therefore puts the human element in the front, centre and back of the strategy process. Given the implications of this, a managers' success (or failure) will be explained to a large extent by the competence exhibited in understanding and managing the organization's human resources.

Although many challenges confront the manager in today's organization, the greatest of these is arguably that of articulating a clear and suitable direction in which the organization should be headed. Establishing an attractive vision is, as such, an important skill needed by the manager. Beyond creating a vision, competence in pervading the system with the visualized concept is even more critical in making the manager an effective agent for realizing the organization's goal(s). Unfortunately however, only a third of all organizations have an effective vision (Robbins & Judge, 2012). The ability to recognize those elements and factors in the environment that have some impact on the organization's activities and operations, and understanding the import of the changes occurring in them, lies at the core of dealing with the problem. Arising from a good analysis and diagnosis of the environment, the manager then becomes equipped with the necessary informational resources to determine the purpose or mission, direction, scope, goals, objectives and values of the organization. To bring to life, in an effective and meaningful way an action-plan that delicately juxtaposes these constructs, the manager is required to put together the financial, physical and human resources of the organization in a functional way. Of these three sets of resources, the human element usually presents a difficulty for the manager. Nevertheless, the problem posed by this enigma can be converted into an opportunity once the manager understands how to galvanize the workforce in the appropriate direction for achieving the set goals of the organization. The skill needed to accomplish this is that of *strategic leadership*.

This study examines the relationship between leadership and business strategy, and particularly contextualizes transformational leadership in the strategy process since it theoretically features attributes such as visioning, communication, innovation, motivation and empowerment - which are important drivers of a good strategic plan (Carless, Wearing & Mann, 2000). The objective is to provide an understanding of how the fit between transformational leadership and strategy evolves.

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2.0 Why leadership in strategy?

In leadership, the manager is required to secure the cooperation and collaboration of people towards accomplishment of the goals that have been set at the various organizational levels. In doing this, the manager instruments a process that is designed to influence employees to willingly and enthusiastically strive towards a direction that will end in the achievement of group goals (Weihrich, Cannice & Koontz, 2008). During the process of exercising this influence, the leader is normally impacted, in varying degrees or intensity, by a number of factors including the environment, the followers, the nature of the task and the leader him/herself (Cole & Kelly, 2011). Regarding the environment or situation, elements such as external pressure, internal resources, cultural issues and ethical concerns come into play. For the followers or team members, their personal skills, ability or competence, personal objectives, needs, expectations, aspirations, motivation, understanding of the task and other internal dynamics influence the manager's ability to lead them. The nature of the task, in terms of its complexity, importance and urgency equally affects leadership. The leader's personal skills, ability and knowledge, his/her education, training and/or learning, personality, values, principles, personal objectives and judgment play crucial roles in shaping leadership.

While no particular 'best' leadership style, approach or option has been commonly agreed upon by either management practitioners or scholars, it is generally accepted that the efficacy of leadership is often reflected in a manager's ability to strike a balance between the needs of the stakeholders on the one hand, and those of the organization on the other hand, under a given situation. This therefore means that the various descriptions or classifications of leadership into trait, style, behaviour and contingency have some inherent relevance in providing an understanding of the elements that lead to or contribute towards managerial effectiveness. Nevertheless, because strategy is in itself a medium/long term plan, an appropriate leadership type recommended for a manager with such responsibility is one that necessarily takes a long-term perspective. And, of all leadership style descriptions, *Transformational leadership* unarguably has the 'best fit'.

3.0 Understanding Transformational leadership

As it has now been widely acknowledged, Transformational and *Transactional* types of leadership are not necessarily opposing or contrary styles, rather they are inherently mutually-supporting and complementary (Robbins & Judge, 2012). Indeed, Transformational leadership is understood to be best built on the foundations of Transactional leadership. Superior performance is known to ensue when Transformational leadership adds to, or augments, Transactional leadership. Indeed, the best leaders are those that are at once both transactional and transformational in approach. Transactional leaders focus on guiding or motivating subordinates extrinsically in the direction established by the organization mainly by setting goals, clarifying tasks, roles and the requirements of the job. They seek and attempt to secure compliance with organizational rules and expectations. They nevertheless recognize accomplishments and provide or exchange rewards that are contingent upon the level of performance, usually in a *quid-pro-quo* way. This, they may do by using such approaches as *Active Management by Exception* (where the manager watches, searches for deviations from the rules and standards and takes corrective actions/measures) or *Inactive Management by Exception* (in which the manager intervenes only where/when/if subordinate has not met the standards set) or *Laissez-Faire* (in which the manager largely avoids making decisions or simply abdicates responsibility). In its most basic form, Transactional leadership is a command and control style of leadership (Kreitner & Kinicki, 2007; Robbins & Judge, 2012). Unfortunately, this Transactional approach to leadership demonstrably falls short of producing levels of follower effort that lead to superior individual and group or organizational performance.



FIG. 1 Transformational vs. Transactional leadership

3.1 The concept of Transformational leadership

First identified by Burns (1978), the Transformational leadership concept became subsequently developed by Bass (1985) into a recognizable pattern that has now clearly formed into a formidable leadership template. Transformational leadership is principally anchored on visioning. A vision here describes an attractive, yet realistic and plausible future for the organization (Kreitner & Kinicki, 2007). It involves creating an ambitious, but reasonably achievable scenario of what the organization should be in future and raising the awareness and commitment of followers towards making changes that will support effective achievement of the vision. When this vision is articulated clearly enough for the followers to see the direction in which the group is headed, it becomes the basis for arousing, inspiring, exciting and inciting people towards better performance.

Transformational leadership understandably pays greater attention to people-issues than production concerns. In particular, it emphasizes the development of followers' capacity to look at old or existing problems in fresh and more critical perspectives. In this way, it enhances the sense of awareness of followers and provides the impetus needed for coping with challenging situations. Typical Transformational leaders function by: (i) encouraging and nurturing followers towards becoming more innovative, empowering them to be creative and more entrepreneurial, risk-taking or adventurous; and, (ii) setting big, ambitious, audacious, 'hairy' and competitive goals for themselves and their followers to emulate - and if the results are seen as being personally important to followers, they (the followers) end up becoming self-driven (iii) being trustworthy themselves and developing trust in their followers (iv) exhibiting self-sacrifice (v) acting as moral agents and ethical beacons (vi) transcending the more immediate needs of self and group members (vi) engendering loyalty and commitment of the followers and, (vii) building good organizational climate and relationships (Kreitner & Kinicki, 2007). The concentration of Transformational leaders is therefore on the development (in the followers) of such intangible qualities and elements that help to bolster shared ideas, shared vision and values (Bass, 2007). Transformational leadership also focuses more on intellectual stimulation of followers, than say, *Servant-Leadership* - which concentrates on facilitating the development of followers' personal potential and growth. This Transformational leadership emphasis on intellectual stimulation enhances creativity and innovation, risk-taking and promotes the use of effective processes and systems (Lowder, 2009).

3.2 The Transformational leadership model

Transformational leadership is operationalized mainly by creating changes in the followers' goals, objectives, values, beliefs, needs and aspirations. Such change is practically effected by appealing to followers' personal values and identities through generating, broadening and/or changing their awareness, interest and acceptance of the group purpose and mission in a way that encourages them to look beyond their own immediate or self-interests (Krishnan, 2003). Indeed, superior follower performance will only

ensue when followers' values are transformed from lower to higher level ones (Bass, 1985). Followers can be influenced in a number of ways, including: by the things the manager spends time on; what the manager consistently pays attention to; and, the employee behaviours the manager recognizes and rewards. Besides these, openness, transparency and creation of a sense of psychological safety are equally strong drivers of value transmission from leader to follower (Popper & Lipshitz, 2000). Figure 2 expresses the Transformational leadership dynamics.



FIG. 2 Transformational leadership dynamics model

As suggested by Kreitner and Kinicki (2007), Transformational leadership is influenced by *Individual Characteristics* (personal traits; life experiences; cultural background); *Organizational Characteristics* (organizational purpose; organizational culture); *Leadership behaviour* (inspirational motivation - using emotional arguments to establish an attractive vision of the future, expressed optimism and enthusiasm; idealized influence (sacrificing for the group, becoming a role model and displaying high ethical standards. Through their actions they model the desired values, traits, beliefs and behaviours needed to realize the vision; individualized consideration by exhibiting behaviours associated with providing support, encouragement, empowerment and coaching to employees; intellectual stimulation - by encouraging employees to question the status quo and seek innovative and creative solutions to organizational problems); *Effect on followers and work groups* (increased intrinsic motivation, achievement orientation and goal pursuit; increased identification with and trust of leader; increased identification and cohesion with group members; increased self-esteem, self-efficacy and intrinsic interest in goal achievement; increased role-modelling of transformational leader); *Outcomes* (personal commitment to leader and vision; self-sacrificial behaviour; organizational commitment; task meaningfulness and satisfaction; increased individual, group and organizational performance).

3.3 Requirements for effective Transformational leadership

There are no clear-cut or specific attributes that a person must possess in order to successfully apply Transformational leadership. For instance, while research has established that more female managers tend to use Transformational leadership style than male managers, the relationship between such personality traits and effectiveness of the Transformational leader has however consistently been found to be weak or insignificant (Avolio & Shamir, 2002; Eagly, Karau & Johnson, 1992; Greer, 2005). This therefore means that Transformational Leadership skills can be inculcated and learned using a skills-set applied through training,

coaching and mentoring. Indeed, the performance of units and firms under managers who undergo Transformational leadership training have been found to be superior after training than those that do not undergo such training (Robbins & Judge, 2012).

Implementing Transformational leadership in a way that empowers followers for performing organizational functions mainly consists of intellectual stimulation, individualized consideration, individualized influence and behaviour (Meyerson & Kline, 2008; Ismail, Mohamed, Sulaiman, Mohamad & Yusuf, 2011). However, to effectively drive these, the manager requires the capacity to communicate complex ideas in simple ways; an ability to build and play in teams as well as trouble-shoot. More critically, visioning skills are required. To realize this, competences including those of environmental analysis and diagnosis, knowledge of internal dynamics of local, national and world markets, and organization and implementation need to be developed. A proclivity to constantly scan the environment and detect new or emerging developments is also essential. At a personal level, there must be enthusiasm for learning, while a high level of self-confidence, focus and self-direction is important.

3.4 Transformational leadership and business strategy symbiosis

One of the key roles of the manager is to determine or define the strategic goals of the organization, while also attempting to align the efforts of group members with the set goals (Messick, 2005). Beyond defining the strategic direction, they develop or adopt tactics that will ensure that followers understand, pay attention to and remember the direction as codified in the vision (Emrich, Brower, Feldman & Garland, 2001).

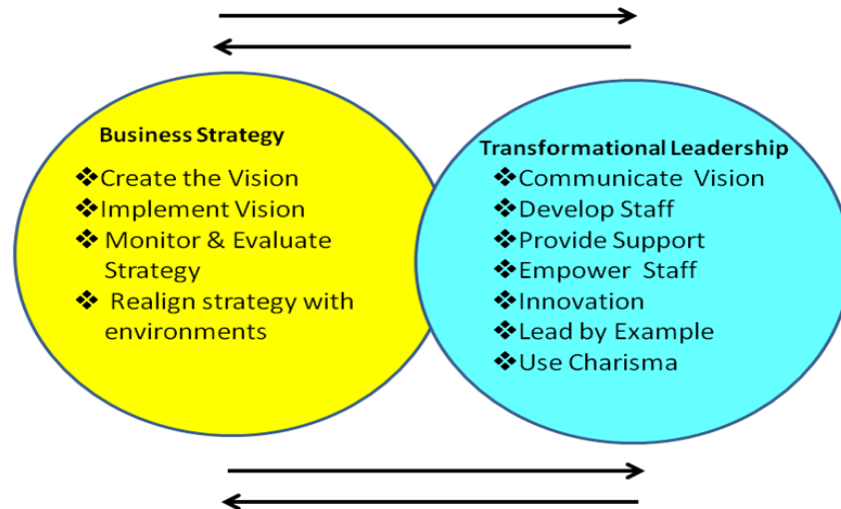


FIG. 3. Transformational leadership and business strategy relationship

Figure 3 shows a symbiotic relationship existing between business strategy and Transformational leadership, wherein one feeds, interfaces or logically leads to the other. In strategy making, creation of the vision is the outcome of analysis and diagnosis of the various environmental factors that affect or are capable of impacting the organization's operations. Upon its creation, the vision is communicated in a way that is clear and understandable to members of the organization. After communicating the vision, implementation follows. At this point of implementation, Transformational leadership is imperative and a number of initiatives and elements identified with it become required, including staff development and empowerment, provision of support, innovation, leadership by example and the use of charisma. Effective monitoring and evaluation of the strategy with a view to ensuring its continued congruence with the internal and external environments are both actions that are best facilitated by Transformational leadership. These linkages confirm that Transformational leadership and business strategy relate in a mutually-supporting and dependent way.

3.5 Benefits of Transformational leadership

In Transformational leadership, the followers' values, motives and attitudes are basically transformed from a lower to a higher plane of arousal and maturity (Krishnan, 2003). Nevertheless, both the leader and the follower tend to elevate each other in terms of their purpose, values and motivation in a mutually

reinforcing relationship. This in a sense leads to mutual stimulation and helps convert the follower to a leader and the leader into a moral agent (Burns, 1978). The linchpin in this process is the merger of the values of both parties. Ultimately, at some point the separate value systems of either converge. It is when both parties' values become properly synchronized that the follower is likely to pursue the goals set by the leader, which invariably will lead to accomplishment of overall organizational goals (Lau, Liu & Fu, 2007). In creating team-wide consciousness of the importance of goal congruence among members, the Transformational leader galvanizes the individual efforts of followers in a way that translates to superior organizational performance (Colbert, Kristof-Brown, Bradley & Barrick, 2008). This process is especially facilitated by a recognition by the leader that current individual values are not fixed, but transformable (Krishnan, 2002). However, followers are generally better disposed to trust, identify with and internalize the values of leaders who display charisma and other transformational leadership behaviours (Brown & Trevino, 2009).

Empirical studies have associated Transformational leadership with superior individual and group performance (Fu, Tsu, Liu & Li, 2010). Specifically, higher quality output, productivity and employee job satisfaction rates have resulted from the application of Transformational leadership. When properly implemented, Transformational leadership tends to empower followers better in performing organizational functions effectively (Avolio, Zhu, Koh & Bhatia, 2004; Ismail, Mohamed, Sulaiman, Mohamad & Yusuf, 2011; Meyerson & Kline, 2008). It is also known to lower labour turnover, employee stress and burn-out rates than Transactional leadership, for instance. And, more significantly, Transformational leaders tend to facilitate a friendlier leader-member exchange as well as support better reasoning on the part of followers (Krishnan, 2003). Followers of Transformational leaders have been found: to set goals that are consistent with those of the leader; to be more engaged in their work; to have higher levels of intrinsic motivation; and, to experience higher levels of group cohesion (Avolio, Zhu, Koh & Bhatia, 2004; Beson & Avolio, 2004;). Transformational leadership is positively associated with followers' satisfaction with the leader as well as with group or organizational performance as a measure of the leader's effectiveness (Judge & Piccolo, 2004). It also influences group dynamics and group-level outcomes. Organizational commitment is similarly influenced by Transformational leadership (Bycio, Hackett & Allen, 1995; Dubinsky, Yammarino, Jolson & Spangle, 1995; Ismail, Mohamed, Sulaiman, Mohamad & Yusuf, 2011). Critically, Transformational leadership is found to have a positive relationship with corporate social responsibility performance in firms (Verissimo & Lacerda, 2011).

In view of this, Transformational leadership is important in modern organizations especially as people now tend to work more in groups and teams, in inter-dependent and collaborative ways. However, it needs to be understood that Transformational leaders can either be ethical or unethical - the ethical ones enable followers enhance their self-concepts, whereas unethical ones tend to produce compliant, obedient and dependent followers. As such, value congruency will necessarily inform some correlation between the leader's ethical behaviour and that of the follower (Grojean, Resick, Dickson, & Smith, 2004)

Proof of the effectiveness of Transformational leadership is typified in the managerial success achieved through the creation and implementation of good business strategies by organizational leaders such as Steve Jobs of Apple, Richard Branson of Virgin Group, Jim McNerney of Boeing, Andrea Jung of Avon, Jack Welch of General Electric, Larry Weinbach of Unisys, Michael Dell of Dell Computer, John Chambers of Cisco Systems (Robbins & Judge, 2012).

4.0 Conclusion

Arguably, the most challenging aspect of the organizational manager's job is that of visualizing and then engineering the *bolts and nuts* of the business strategy in a way that ensures that it works effectively when implemented. The skills required for these are especially valuable during circumstances of internal crisis or reorganization occasioned by a change in the strategic direction of the firm such as in a merger, acquisition or integration, where employees are expected to align their values with those of new leaders or a new business direction or strategic focus (Bosch, 2013). This study examined the relationship between business strategy and Transformational leadership, and identified strong nodal connections between the attributes of both phenomena. Of all the known styles, Transformational leadership arguably features attributes that extend resources needed for conceptualizing and following through with the vision, such that when the conceptual skills are properly developed and honed, superior individual and organizational level

performance is often attainable. Apart from facilitating higher levels of motivation, job satisfaction, empowerment and performance, Transformational leadership demonstrably enhances stronger staff commitment and buy-in levels - which are important for bonding organizational members into formidable cult-like groups that hold onto the core values and remain focused on the set goals. Importantly, it helps in developing followers into leaders through empowering exchanges. As has been argued, formulation of strategy calls for the skills of visioning. Where a manager is unable to foresee and predict the future, the ability to craft and implement a successful strategy will understandably be weak and questionable. And, since such skills have been found to be strongly exhibited under Transformational leadership, this approach comes highly recommended for managers, especially those that operate in perennially turbulent business environments that need to be understood and constantly monitored. Finally, since the evidence shows that managerial performance tends to improve upon training and adoption of the Transformational leadership, this approach comes highly recommended for organizational managers.

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