

From Transactional to Transformational Leadership

Learn about leadership traits that inspire, motivate, innovate and promote new possibilities through shared vision and leading by example.

A quiet revolution has been taking place over the past few decades. Significant global economic change such as rapid technological change, heightened levels of competition, volatility in oil pricing, and changing demographic structures have created a turbulent, unstable and highly competitive environment in which significant organizational change is imperative. Retrenchment, downsizing and new organizational arrangements have taken their toll on the old social contract of long-term employment in return for employee loyalty. With the need to resolve the apparently contradictory challenge of finding new ways of implementing and managing change, while simultaneously building employee morale and motivation, new approaches to leadership have been needed.

Two basic categories of leadership have evolved, the old-style transactional leadership has quietly been challenged by the newer concept of transformational leadership. The distinction was first made in the early 70's but the idea gained little currency until James McGregor Burn's work on political leaders was published in 1978. Burns distinguished between ordinary (transactional) leaders who exchanged tangible rewards for the work and loyalty of followers, and extraordinary (transformational) leaders who engaged with followers focusing on higher order intrinsic needs and raised consciousness about the significance of specific outcomes and new ways in which those outcomes might be achieved.

Transformational leaders seek to alter existing structures and influence people to buy into a new vision and new possibilities. They use their authority and power to inspire and motivate people to trust and follow their example. Ultimately transformational leadership is a process that motivates people by appealing to higher ideals, defining and articulating a vision of the future and forming a base of credibility. Conversely, transactional leadership is based on bureaucracy and organizational standards. One could argue that it is ultimately a distinction between traditional management and the new ideas of managerial leadership. The differences between transformational and transactional leadership styles can be defined by denoting the transformational style as a leader of innovation and the transactional style as a manager of planning and policy.

Much has been written about the qualities of transformational leaders but for simplification the classification given by Bass and Avolio has been used here. They described four key qualities, the first being "idealized influence." Here the ability of the leader to establish confidence and appreciation amongst followers forms the basis for accepting radical change. They perform their job well and demonstrate that to lead people you must first make them ready to follow you. The leaders with idealized influence are honoured and appreciated, the followers admire and identify with them. Most of all they are imitated within the organization. Leaders do "the right things" demonstrating high moral and ethical behaviour.

The next quality described is "inspirational motivation" which is the ability of transformational leaders to inspire and motivate the followers to appropriate behaviour. They show enthusiasm and optimism, stimulating team work, pointing out positive results and advantages giving praise and showing appreciation.

Thirdly comes "intellectual stimulation". Transformational leaders stimulate the efforts of their followers as regards innovativeness and creativity, stimulate permanent questioning of existing assumptions, stimulate change in the way of thinking about problems, plead the use of analogy and metaphor. They

encourage new and creative ideas from their followers and do not seek to impose their own ideas at any cost.

Finally, “individualized consideration” is the phrase given to the ability of the transformational leader to consider the needs of the followers. Namely, inclusion of followers into the transformational process of an organization implies the need to diagnose their wishes, needs, values and abilities in the right way. A transformational leader must know what motivates any of his followers individually; some want certainty, some want excitement and change, some prefer money and others some free time.

Ultimately transformational leadership is about change and four stages of change under transformational leadership have been identified. First it is necessary to make a compelling case for change. The transformational leader helps bring about change by making a convincing case for it. Second it is important to inspire a shared vision, seeking broad input and encouraging everyone to think of a new and better future. Third, change needs to be led. A sense of urgency must be instilled. Collaboration has to be encouraged and the self-confidence of followers must be increased. Finally, change needs to be embedded. This is achieved by, for example, monitoring progress, changing appraisal and reward systems and hiring staff with a commitment to empowerment and collaboration. Transformational leaders articulate their vision in a clear and appealing manner, explain how to attain the vision, led by example and empowers followers to achieve the vision.

In summary, transformational leaders promote new possibilities and generate a compelling vision of the future. They manifest passionate inspiration and visibly model appropriate behaviours. Their goal is change and their energy, enthusiasm and vision open up new and exciting possibilities within their organizations.

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