

# Transformational Leadership: Implications for Organizational Competitive Advantage

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## Abstract

There is a growing consensus among scholars and practitioners alike that maximising the potentials of human resources is central to organisational effectiveness and improved performance in the 21st century global market place of intense competition. It has also been suggested that the ways in which organisational leaders manage people can remarkably influence company performances and competitiveness. Despite this realisation however, scholars, managers and practitioners alike disagree on the most appropriate approach to organisational leadership. Indeed, there is an on-going debate about the leadership style that yields the best results for organisations in contemporary times. And whilst the debates rage, an increasingly dominant discourse is that transformational leadership is central to organisational effectiveness and gaining of competitive advantage. This notwithstanding, the most fundamental issue remains how to understand how transformational leadership practices impact on performance in practical terms. Consequently, producing an unequivocal response to the question ‘what does transformational leadership really contribute to organisational performance?’ has remained elusive. It is against this backdrop, that this article critically evaluates the concept of Transformational Leadership (henceforth TL), with a view of highlighting its contributions to organisational effectiveness and performance. Synthesising organisational and leadership theories and integrating literatures in organisational development and HR, the paper argues that there are evidences to suggest that there are clear linkages between TL, organisational effectiveness and improved performance. The paper further contends that emotional intelligence is key to the operationalization of TL and concludes that the greatest challenge remains how to quantify the contributions of TL in practical terms.

**Key Words:** Transformational leadership, Competitive advantage, Emotional intelligence, Organisational performance.

## 1. Introduction

In today’s highly competitive global market place, the survival of any organisation is largely dependent on the effectiveness and efficiency of its leaders. The profound changes in the business environment engendered by globalisation, technological advances, social and demographic trends and legal and ethical issues; and indeed, the changes in the organisation

of work, require that business leaders re-appraise their style and approach in line with these exigencies (Kew & Stradwick, 2008; Jones & George, 2006). The goal of most (if not all) of contemporary business strategy is undoubtedly to achieve and sustain a competitive advantage (Kew & Stradwick, 2008). To do this however, organisational and members' interests, together with that of all stakeholders need to be carefully aligned for maximum efficiency and productivity (Bass, 1999). Herein, lay the task for the transformational leader (Bass, 1999). As Rooke & Tobert (2009, p.136) succinctly argue:

Every company needs transformational leaders – those who spearhead changes that elevate profitability, expand market share and change the rules of the game in their industry. But few executives understand the unique strength needed to become such a leader. Result? They miss the opportunity to develop those strengths. They and their firms miss out.

It is against this backdrop that this article critically examines the importance of the concept Transformational Leadership (TL) as a leadership model, to organisational effectiveness and gaining of a sustainable competitive advantage. While recognising the fact that 'there is no one best way' to lead and manage people, the article affirms that TL with its eclectic nature, offers a viable option for leaders and would be leaders and managers, considering the changing nature and dynamics of organisations external environment. This paper asserts that there is a strong linkage between TL and organisational performance and highlight the fact that Emotional Intelligence is a critical factor in TL. The essay concludes by examining the implications of all these for HR in an era of unprecedented changes and avers that for leaders to be effective, they must combine TL with other forms of leadership approaches and be highly pragmatic (Bass, 1999).

It is instructive to point out, that while TL is applicable to all facets of human endeavours, including politics, military, religion, and etcetera; emphasis in this article is however, cantered on its application in business organisational contexts. Also, while this article recognises the difficulty and controversy in defining and differentiating between leadership and management, it adopts Yukl's (1998) position that management produces order and consistency, while leadership produces change and is the art of influencing people to perform tasks willingly in an efficient and effective manner.

## **2. Conceptual issues**

To ensure lucidity, it is imperative to properly situate some concepts in the context of this article.

### ***2.1 Transformational Leadership (TL)***

A perusal of the large literature on leadership, reveal that the concept of TL has attracted much attention and one that has no univocal definition. As a term, TL first appeared in J.W Downton's (1973) *Leadership: Commitment and Charisma in a Revolutionary Process*, but was popularised as a leadership concept by James MacGregor Burns (1978), who made the distinction between Transformational and Transactional Leadership (Stewart, 2006). Since then, TL has been usually contrasted with transactional leadership (which is an exchange

based relationship), and “comprises idealised influence (charisma), inspirational motivation, intellectual stimulation, and individualised consideration” (Bass, 1989; Barling et al, 2000; Christy, 2009). Transformational leadership “is the leader’s ability to motivate followers to achieve beyond what was originally thought possible” (Sevanathan & Fekken, 2002, p.198).

As Bass (1999) observes, TL may be directive or participative and generally require higher moral development and emotional involvement. TL elevates the followers’ “level of maturity and ideas as well as concerns for achievement, self-actualisation, and the well-being of others, the organisation, and society at large” (Bass, 1999, p.11). It makes subordinates aware of the importance of their jobs and performance to the organisation; and aware of their own needs for personal growth, which motivates them to work for the good of the organisation (Jones & George, 2006). In all, these leaders ‘broaden and elevate the interests of their employees, when they generate awareness and acceptance of the purposes and mission of the group and when they stir their employees to look beyond their own self-interest for the good of the group’ (Bass, 1990). Fig. 1 gives a pictorial representation of TL.

Figure 1: A Model of Transformational Leadership



Source: *Transformational Leadership - Leading Organisational Excellence* (2010).

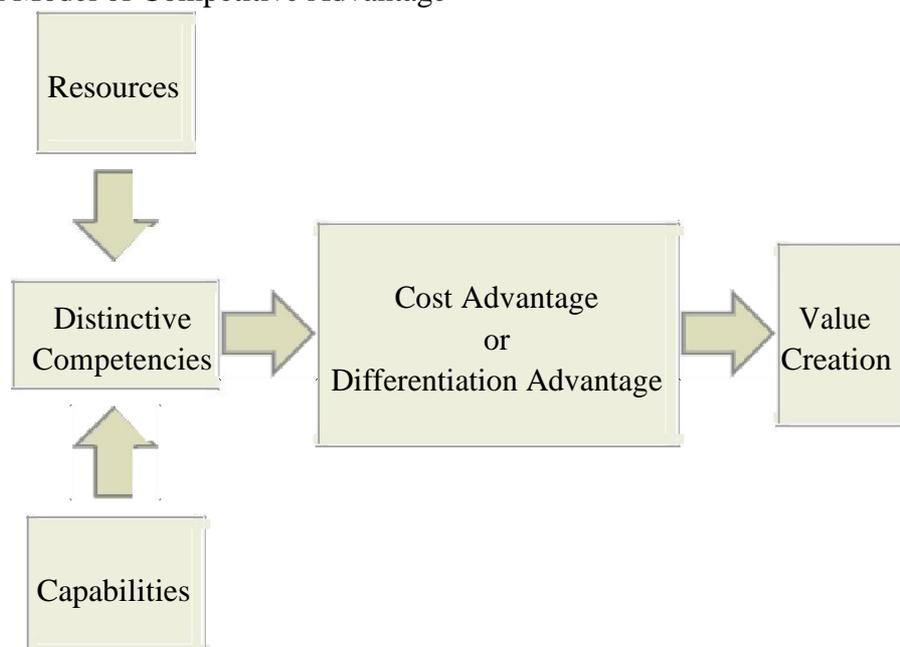
## 2.2. Competitive Advantage

All business (public, private, big/small) strive to achieve competitive advantage by maximizing the utility of available resources. At its most basic level, competitive advantage centres on the ability of one organisation to outperform other organisation because it produces desired goods and services more efficiently and effectively (Jones & George, 2006). Porter (1998) has identified cost and differentiated advantages as two basic types; but customer satisfaction and profit maximisation is at the centre of the idea. Broadly speaking, a competitive advantage can exist in two forms: a) when an organisation is able to deliver the same products and services as its competitors, but at a reduced cost (cost advantage); or b) be able to deliver benefits that exceed those of competing organisations (differentiated advantage). In essence therefore, a competitive advantage enables the firm to create superior value for its customers, while at the same time maximising its own profit. As Ehmke (2011: 1) succinctly put it:

Essentially a competitive advantage answers the question, “Why should the customer purchase from this operation rather than the competition?” For some ventures, particularly those in markets where the products or services are less differentiated, answering this question can be difficult. A key point to understand is that a venture that has customers has customers for a reason. Successfully growing a business is often dependent upon a strong competitive edge that gradually builds a core of loyal customers, which can be expanded over time

Figure two, gives a diagrammatical illustration of a competitive advantage.

Figure 2: A Model of Competitive Advantage



Source: Centre for Management and Business Administration (2010).

### 3. Transformational leadership and organisational competitive advantage: the nexus

As already noted, creating and sustaining a competitive advantage is a paramount objective of all organisations (Jones & Gorge, 2006; Kew & Stradwick, 2008). However, the ability of organisation to achieve this objective lay in the efficacy of its leadership to maximally harness and utilize the potentials of available resources in the face of intense social-Darwinism. Laudon and Laudon (2005, p.43) collaborate this view, when they argue that ‘businesses continuously seek to improve the efficacy of their operations in order to achieve higher profitability.’ This need has been heightened by the dynamics and peculiarities of the contemporary business environment, particularly demographic trends and the changing nature of the organisation of work (Christy, 2009; CIPD, 2009). Bass (1999, p.10) presents a summary of the situation thus:

The end of the cold war placed a premium on the flexibility of employees, teams, and organisations. Jobs for the less skilled were automated out of existence or exported to the third world. Those jobs that remained required better education and training...teams of educated professionals became commonplace. Increasingly, professionals saw themselves as colleagues rather than in superior-subordinate relationship.

These changes, together with profound general attitudinal changes in the face of severe labour shortages, means that organisational leaders need to adopt other approaches other than exchange based relationship (transactional leadership) if they are to maximize the utility of their subordinates to achieve greater efficiency (Steward, 2006). Further, the disappearance of the idea of ‘jobs for life’, or the concept of job security and loyalty to the firm for one’s entire career; or the fact that steady pay, secure benefits and lifetime employment were no longer guaranteed for outstanding meritorious performance, meant that turnover rate became astronomically high with severe implications for organisational performance (Kew & Stradwick, 2008; Bass, 1999; 2008, Laudon & Laudon, 2005).

In the same vein, the increasingly flattening of organisational structure and hierarchy, coupled with a shift in focus to a more service oriented and customer centred strategy, means that leaders need to ‘empower’ their followers, ‘by developing them into high involvement individuals and teams focused on quality, service, cost- effectiveness, and quality of output of production’ (Bass, 199, pp. 9-10).

The consequence of the foregoing, is that organisational members need to be highly motivated, committed, enthusiastic and above all, align their interests with that of the organisation, as a way of achieving maximum efficiency, adding that extra value and gaining the much needed competitive advantage (Podsakoff et al, 1990). undoubtedly, achieving this requires more than just establishing an exchanged based relationship that centres on rewards/punishments (salaries, benefits, reprimands, etc) and services rendered, between employees and employers – i.e. Transactional Leadership. Rather, it requires a shared vision and an unalloyed commitment to organisational goals and objectives centred on mutualism, trust, self-esteem, need for personal growth and an awareness of general societal well-being; even as the pursuit of self-interest are minimised (Bass, 1999; Rooke & Tobert, 2009). Consistent with earlier definitions of TL, this ideal, can only be accomplished by the transformational leader.

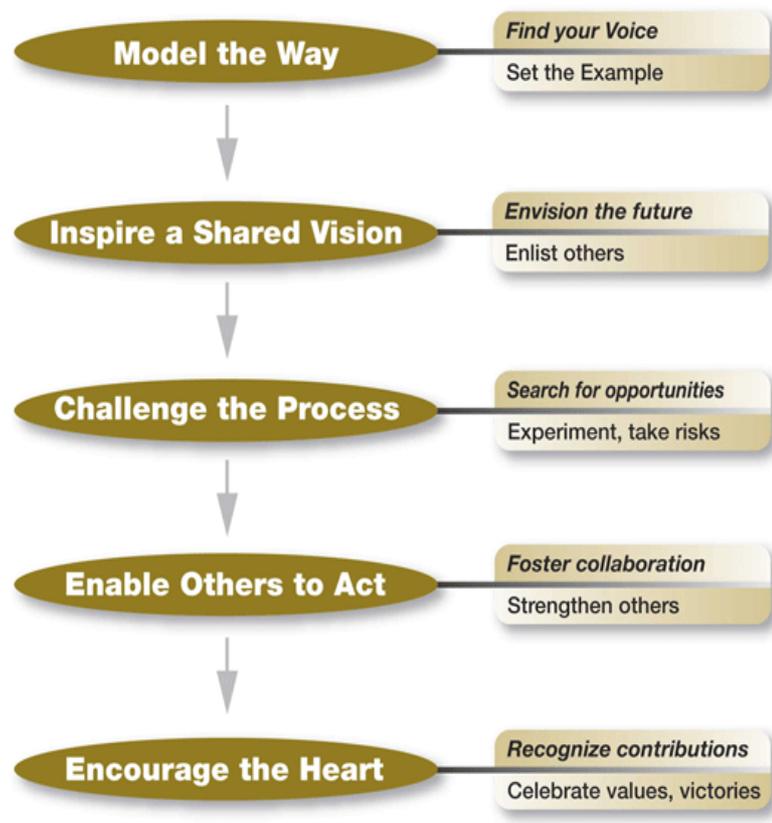
#### 4. Some behavioural patterns of transformational leaders

Perhaps, a critical assessment of the behavioural patterns of transformational leaders, will buttress this point. Epitropaki (2001, p.1) provides a summary of some of these behaviours to include, but not limited to:

- Articulating a compelling vision of the future.
- Specifying the importance of having a strong sense of purpose and a collective mission.
- Engendering the trust and respect of their followers by doing right things rather than doing things right.
- Instilling pride in employees for being associated with them.
- Considering the moral and ethical consequences of decisions
- Getting employees to challenge old assumptions and to think about problems in new ways, even as they spend time teaching and coaching.
- Considering each individual employees different needs, abilities and aspirations.
- Always compassionate, appreciative and responsive to each employee and recognize and celebrate each employee’s achievements.

Fig 3, gives a diagrammatical summary of the foregoing.

Figure 3: Behavioural Patterns of Transformational Leaders

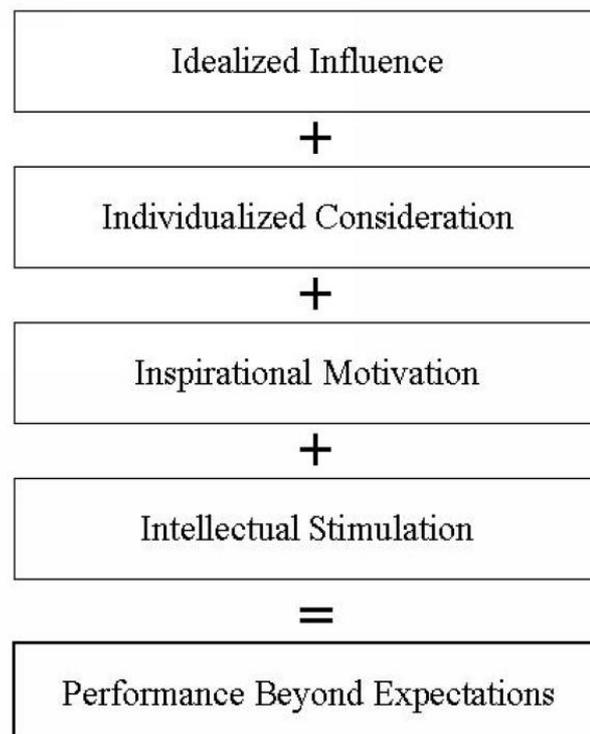


Source: <http://www.safemap.com/common/images/right/leadership.gif> (Accessed 2 April 2010).

## 5 Consequences of transformational leadership behaviours on organisational performance

As a result of the above, there is increased organisational performance, engendered by higher employee commitment, trust in management, healthy organisational citizenship behaviours (e.g. conscientiousness, altruism, etc) and general job satisfaction (Epitropaki, 2001). This invariably promotes customers' satisfaction, increases the quantity and quality of output and ultimately minimises the rate of turnover, with wide-ranging implications for organisations, culminating in a competitive advantage. (See figure 4).

**Figure 4:** Addictive Effects of Transformational Leadership.



Source: Hall, et al., (2009), *Transformational leadership*.

Indeed, several research findings and empirical studies indicate that TL contributes immensely to organisational competitiveness. For example, Barling et al (2000), using Bass and Avoli's (1995) Multifactor Leadership Questionnaire (MLQ 5X – short) found that among 60 managers studied, those with transformational attributes, tended to be more effective and liked by subordinates. In the same vein, Jones and George (2006) point out that in the 1990s, Heienrich Von Pierer as CEO of Seimens Electronics, literarily transformed the company because, he was a 'transformational leader' and emotionally intelligent. This brings us to the question: 'How emotional is TL?'

## 6. Emotional intelligence (EI) as a crucial factor in transformational leadership

Having established the efficacy of TL as a leadership concept, it is imperative to explore factors that can promote transformational leadership behaviours. Such factors will contribute to our understanding of the dynamics of TL as a leadership theory and phenomenon, with a view of improving its practicality, adaptation and the predisposition of leaders to use TL behaviours (Barling et al, 2000; Podsakoff et al, 1990). One of such factors is the concept of Emotional Intelligence (EI).

It is instructive to note, that this essay does not in any way pretend to give a comprehensive analysis on the links between Emotional Intelligence and TL, however, an assessment of some of the salient issues will suffice.

The connection between TL and emotions has long been clearly asserted by Bass (1999:8), when he affirms that ‘leadership is as much emotional and subjective as rational and objective in effect’. Emotional Intelligence centres on ‘the ability to perceive and understand, personal feelings, and those of others’ (CMI, 2007). Goleman (1995) defines it as ‘the capacity for recognising our own feelings and those of others, for motivating ourselves, and for managing emotions well in ourselves and in our relationships’. He further identified five characteristics of EI to include:

- i. Understanding one’s emotions (self-awareness);
- ii. Knowing how to manage them (self-management);
- iii. Emotional self-control (self-motivation and holding back of gratification);
- iv. Understanding others’ emotions (empathy); and
- v. Managing relationships (being able to handle and inspire emotions in others) (Barling et al, 2000; Coaching Leaders, 2005).

Several research and empirical studies (e.g. Palmer et al, 2001; Barling et al 2000) have shown that transformational leaders are very nurturing, less domineering and aggressive, considerate; more emotion oriented and generally involves heightened emotional levels of awareness (Kuppers & Weibler, 2006; Barling et al, 2003; Bass, 1999). The implications of all these are indeed wide-ranging and crucial for the effectiveness of TL. In specific terms , leaders who are emotionally intelligent, who ‘know and can manage their own emotions, and who display self-control and delay of gratification, could serve as role models for their followers, thereby enhancing followers’ trust in and respect for their leaders’ (Barling et al, 2000: 157). This is consistent with, and enhances the notion of idealised influence or charismatic appeal of TL.

Further, from the perspective of understanding others’ emotions or empathy and managing emotions positively, leaders high on EI, will be ideally conditioned to infer the level of which followers expectations could be raised, thus, scoring high in inspirational motivation and individualised consideration (Barling et al, 200; Kuppers & Weibler, 2006). As Barling et al (200: 157) observe, a major component of individualised consideration is the ‘ability to understand followers’ needs and interact accordingly’.

### ***6.1. Limitations of emotional intelligence***

The foregoing notwithstanding, the unsystematic nature, lack of empirical proofs and concrete examples, remain major limitations of the concept of EI. This creates the impression that EI is partly a product of chance and therefore, arbitrary (Palmer et al, 2001; Stewart, 2006). This does not in any way diminish its implications and relevance to the effectiveness of TL as a leadership paradigm that centres more on emotional appeal and charisma (Bass, 1999).

## **7 Criticisms of transformational leadership**

Despite its usefulness as a leadership approach, TL is by no means exhaustive and indeed, has several limitations such as lack of empirical and practical proofs, gender exclusive/paternalistic, ambiguity and what some analysts call ‘theoretical chauvinism’ and aristocratic pretensions (Gronn, 1995; Stewart, 2001). Perhaps, the most scathing criticism of TL is that of Gronn (1995) who summarised some of these shortcomings to include:

- a lack of empirically documented case examples of TL leaders;
- a narrow methodological base
- no causal connection between leadership and desired organisational outcomes; and
- The unresolved question to whether leadership is learnable (Stewart, 2001).

In recognising the above limitations and more, this article suggests for a shift of emphasis from the personality to organisational focus as the transforming agent, because individual impacts on organisations are largely transient. Stewart (2006:15) supports this position when he argues that:

Transformational (TF) models rely too heavily on the transformational skills of the leader; instead, the organisation should develop feedback loops to learn from its mistakes. In this ‘new’ model...organisations becomes its own transforming agent. Instead of empowering select individuals, the organisation becomes empowered as a collective unit.

These limitations notwithstanding, TL theory still provides substantial gains to our understanding and approach to Leadership for improved organisational performance.

## **8. Conclusion, recommendations and implications for people management**

This article demonstrated that transformational leadership indeed, contributes immensely to organisational effectiveness and gaining of a competitive advantage. In a globalising world of intense volatility and changes in the organisation of work, transformational leadership has emerged as a viable model for the maximisation of workers’ potentials to achieve organisational objectives (Sivanathan & Fekken, 2002; Podsakoff et al, 1990).

Yet, it must be noted that organisational leadership is a complex and dynamic process, not merely an exercise in applied management, organisational psychology or leadership studies. That said, it is imperative that leaders re-appraise their style in line with their organisational culture, structure and general context bearing in mind that absolutes and ‘best practices’ are illusionary concepts (Christy, 2009; Stewart, 2001). Efforts should be made to engender the trust, respect and unalloyed commitment of organisational members by ‘doing the right things’ rather than ‘doing things right’ (Epitropaki, 2001). And although there are many important arguments about what precisely constitutes ‘doing the right things’ in the context of organisational leadership, this article accepts Bass’ (1999) view that ‘the best leaders are both transformational and transactional’.

The implication of these for human resource managers centres on the need to critically re-examine the framework for the selection and especially the training of organisational leaders (Christy, 2009). In line with the concept of competency frameworks and the contingency theory in the context of leadership, it seems plausible to advocate for individual coaching sessions and workshops as a way of inculcating transformational behaviours and improving the general leadership skills of organisational leaders (Epitropaki, 2001). This should be done with the realisation that leadership is a continuously evolving process and in Particular, the fact that TL, will continue to evolve with even greater ambiguity in the years to come (Stewart, 2006; Yukl, 1998).

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