

TRANSFORMATIONAL LEADERSHIP AND HUMAN CAPITAL MANAGEMENT IN 21ST CENTURY ORGANIZATIONS

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ABSTRACT

Given the complex nature and competitive environment under which organizations operate in, human capital management, performance management and change management initiatives can be very complex and challenging endeavours. This paper discusses transformational style of leadership and its contribution to management in modern organizations. In so doing, a brief comparison between transformational and transactional leadership is given. The paper goes ahead to suggest transformational leadership as the most appropriate leadership style to be adopted in the modern organizations and societies as it is most compatible with the uncertainties, challenges and perplexities of the 21st century.

Keywords: Transformational leadership, Idealized influence, Inspirational motivation, Intellectual stimulation, Individualized considerations, Modern Society, Transactional Leadership.

INTRODUCTION

Leadership is an issue drawn by researchers since old times. Because of their unique traits, leaders influence the organization and the overall society. In the organizations, transformational leaders could constitute a competitive advantage to increase the efficacy and performance of such organizations. Most often, organizations have to pose some changes in order to align themselves with the environments wherein they operate. These changes could occur in areas such as human resources, organizational aims, strategies, structures, etc. Sometimes, the need for radical and fundamental changes is felt in the organizations. In such cases, transformational leadership is required to implement the radical changes. It should be noted that radical changes are not only prescribed to treat internal problems in emerging organizations but also are also applicable for successful organizations in order to achieve higher performance.

It is generally accepted that the 21st century society came after the Industrial Revolution. Many traditional patterns of communication, values, and norms were replaced by formal communication, new norms (with rational-legal legitimization) and new values that are well understood for a market-conducted space (effort, competition, liberalism). The global market controls the activities of all people and evaluates each effort. Working time is perfectly

delimited by the “rhythm of machines” and *spare time* is available to everyone. Because of the permanent changes and global features of modernity, the importance of readily accepted ideas increases. Lipovetsky (1999) speaks about the “decline of duty”. Human beings have their personal rights, in particular, the right to happiness. Such directed development of modernity brought the importance of freedom of all options in a human life. Modern people seem to stand in front of shop windows trying to find out and then buy their identity. But the aim of the global market is a permanent and never-ending proposal of lucky lifestyles. It is very difficult to find our identity if we have no certainty whether our decision is right (Bauman 2002). In addition, we cannot refer to tradition for a well-arranged society if the modern way of life has been chosen.

The effective role of managers and leaders in radical change and transformations is unavoidable in the organizations. Leadership and management are not identical. In order to carry influence over others, management is depended on formal power while leadership results from a social influence process. Leaders make cultures and their fundamental role is to affect others. In other words, transformational leaders try to make changes that increase organizational efficacy and performance. These are changes that inspire higher aims and expectations in organizations. One of the results of transformational leaders is organizational performance improvement. Transformational leaders provide a ground for long-term organizational changes which facilitate the access of organizational system to higher objectives.

TRANSFORMATIONAL LEADERSHIP THEORY

The original formulation of transformational leadership theory comes from Burns (1978). According to Burns, transformational leadership is a process in which leaders and followers promote each other to higher levels of morality and motivation. Transformational leaders help their followers to look at old problems via a new perspective. They stimulate their followers to attempt higher than usual levels. Transformational leaders inspire their followers to think more than their own aims and interests and to focus on greater team, organizational, national and global objectives. By providing a clear future perspective, such leaders influence over their followers in a manner that they assume that perspective as their own aim and show high efforts to achieve it.

These leaders are able to move the organization toward the ideal perspective by coordinating the employees and integrating all system components (Cacioppe, 2000). At the core of transformational leadership is the concept of transformation, or radical change of the organization. Tichy and Devanna (1986) noted that companies were being asked to make fundamental changes. Transformational leadership best reflects this change (Bass, 1985). Just as Burns (1978) defined transformational leadership as a process in which "leaders and followers raise one another to higher levels of morality and motivation", a chief element of transformation is the ability to cultivate the needs of the follower in a follower centered (person-centered) manner. According to him, focusing on needs makes leaders accountable to the follower. First, he contends that followers are driven by a moral need, the need to champion a cause, or the need to take a higher moral stance on an issue. People like to feel that a higher organizational spiritual mission guides their motives.

The second need is a paradoxical drive for consistency and conflict. Transforming leaders must help followers make sense out of inconsistency. Conflict is necessary to create alternatives and to make change possible. The process of transformation is founded on

empathy, understanding, insight, and consideration; not manipulation, power wielding, or coercion. Tichy and Devanna (1986) defined transformation best as "transformational leadership is about change, innovation, and entrepreneurship". This is what best captures the essence and indeed the driving force in most 21st century organizations.

Few researchers address the link between information management and leadership, and even fewer address the relationship between transformational leadership and knowledge management. According to Klenke (1994), information technology and the actions of leaders create new organizational forms. Leadership is at the center of the interaction between task demands, people, technology, and organization structure. The relationship between innovation and leadership is difficult to articulate given the variety of functional leadership behaviors and the range of information technologies. Technology and leadership have reciprocal effects on each other; a change in one necessitates a change in the other. Brown (1994) speculated that transformational leadership is needed in an evolving technological society that is moving from controlled change to accelerated change nearly beyond control. He asserts that attitude and behavior must be the target of transformational leaders.

The primary reason for technological change failure was fear. The role of transformational leaders was to reform fear into motivation. Transformational leaders must meet market demands faster and better than before, given the increasingly interdependent economy. (Bass & Avolio, 2006). In transformational leadership, the standard approach is an exchange process involves the leader and followers agreeing to do or provide things to accommodate each others' needs. Transformational leaders are referred to as "those ones who try to show the organizations a new route for improvement and progress by generating new ideas and perspectives". They also mobilize the organization by motivating managers, employees and members of the organizations to radical changes, transforming organizational pillars to achieve necessary readiness and capabilities to move in this new route as well as achieving higher levels of idealized performance (Sanjaghi, 2000).

Transformational leaders increase their followers' creativity, motivation and spirituality as well as personal and future interests of their followers. They also emphasize on what their organizations can do for their countries and communities where they operate hence they place a greater emphasis on corporate social responsibility programmes (Ozgoly, 2004). Transformational leaders also change their followers, empower them to develop and create new needs, tendencies and values because that their requirements are met. Therefore, the followers may grow, develop and change to leaders (Barker, 1992). Transformational leaders are concerned with values, ethics, standards and long-term aims and focus on their followers' performance and development in order to increase their capabilities. Often, transformational leaders have strong internal ideals and values (Northhouse, 2001). From this perspective, transformational leadership can be viewed as an informed influence process in individuals or groups to create discontinuous changes in current conditions and organizational performance as a whole. Burns (1978) emphasizes that transformational leaders are vision bearers who challenge others to do extraordinary works. He believes that transformational leaders are able to draw new necessary routes for modern organizations because they are the source of changes. In other words, transformational leaders have complete influence over organizational changes.

This kind of leadership can draw a clearer and better picture of the future, define its vision for employees more effectively and rally their employees to accept their vision as a fact. In 1985 following to Burns' studies, Brown introduced a model of leadership that prescribed

transactional and transformational leaderships for organizational stability and transformation respectively. In 1994, Brown and Alvi expanded this model, defined the aspects of transactional and transformational leadership and even operationalized it in a questionnaire called "Multifactor Leadership Questionnaire (MLQ). In this model, the aspects of transformational leadership include idealized influence, intellectual stimulation, inspirational motivation and individualized considerations. The aspects of transactional leadership include conditional incentives and exception-based management. In this study, the researcher has used this model.

Burns (1978) provided a description of transactional leadership on the basis of a changing profitable relation between leader and follower. Transactional leaders influence over their followers by incentives or punishments according to their performance. However, transformational leadership is a dynamic and complicated process in which the leaders exercise influence over followers' values, beliefs and aims. Changes in followers' behaviors cause changes in leaders' behaviors. Burns believed that transactional transformational leaderships are two separated points in leadership styles continuum (Moghali, 2002). Bass et al. (1993) believes that transformational leadership model is applicable in a universality manner which encourages the followers to neglect individual interests for group or organizational interests and stimulates them to work more than usual. Transformational leaders create an extraordinary motivation by confirming the employees' ideas and values and inspiring them to think about various problems by utilizing modern methods. Transformational leaders change the society by their own words and behaviors. Their followers have a feeling of respect, dignity and loyalty toward them. The influence of transformational leaders is based on their capabilities to inspire others through their words, conversation, insight and initiatives.

Transformational leadership occurs when leaders improve their employees' interests toward themselves. The leaders create the awareness and acceptance of aims and mission of the group. Brown and Alvi (1994) believes that transformational leadership influences over followers' traits and behavior. Transformational leadership is a process in which the leader determines the followers' needs and demands as well as meeting such needs through a comprehensive effort in achieving determined aims. Transactional process addresses needs and demands to perform the tasks.

CHARACTERISTICS OF TRANSFORMATIONAL LEADERSHIP

Charisma (idealized influence)

Charismatic leadership is a component of transformational leadership and idealized influence includes idealized traits and idealized behaviors. Inspiring the honor and pride of followers and their contribution to group interests are, inter alia, most obvious idealized characteristics of a leader. Followers' exaltation, dignity, respect and unquestioned obedience transmit an idealized feeling. Talking about the most important values and a strong feeling to aims as well as spiritual and moral results of decisions are among idealized behavior indicators. Idealized influence causes that leader be a behavioral model for followers. (Bargal, 2000). According to Bass (1993), a transformational leader serves as a role model who is admired, respected, and trusted. Followers of such charismatic leaders "identify with the leaders and want to emulate them" and perceive them to have "extraordinary capabilities, persistence, and determination" and see them as risk takers who are "consistent rather than arbitrary".

Idealized influence shows the capability of trust making and understanding the leadership by followers. It is a radical factor in accepting changes in the organization. Without such trust and braveness, any effort to conduct the organization in order to achieve its aims will be fruitless. A man can lead others when they are ready to be led by him/her. Others will believe and appreciate such person if he/she performs his/her duties well (potential followers). In other words, a man is a leader when he has idealized influence and has expressed it to their own followers. Basically, the followers will try to obey the leaders because of their idealized influence.

However, the most successful leaders achieve a high level of trust and understanding because followers tend to imitate them. Leaders with idealized influence are respected and trusted persons. Followers recognize themselves via him/her and try to imitate him/her. Such leaders "perform right works" and possess high human and moral behavior. Such leaders do not use their leadership power and capacity to achieve personal aims. They try to achieve organizational objectives by conducting and guiding their followers. Charisma explains those individuals who are special and stimulate others to follow their own perspectives (Northhouse, 2001).

Inspirational Motivation

Inspirational motivation is one of the capabilities of transformational leadership that introduces the leader as a figure who encourages the followers to suitable behaviors inspirationally. When transformational changes should be posed in the organization, the leader shall encourage the followers to accept a new belief and idea (change) continuously. Therefore, transformational leaders should behave in a special way and stimulate their followers. Implicitly, such behavior tends to be optimistic and encourages team working. Peter Senge the father of organizational learning believes that inspiration is the basis of motivation. It is this kind of motivation that stimulates the followers' commitment to perform organizational aims. Actually, in inspirational motivation, leaders create a shared insight for followers.

The individuals learn when there is a factual vision not because the leaders tell them but because they themselves like to do that and not because the leaders command them. This insight is higher than the needs hierarchy levels and is inspired among followers by stimulating a shared insight of organizational aims. Generally, inspirational motivation consists of optimistic speaking about the future, enthusiastic speaking about what needs to be done, expressing an attractive perspective of the future, stating the confidence of the fact that the aims will be met, drawing an excited picture of what should be considered and taking up challenging problems (Moghali, 2002)

Intellectual Stimulation

Intellectual stimulation is one of the capabilities of transformational leaders which play an important role in diversifying process of the organizations (change). Transformational leaders try to encourage their followers to creativity and innovation. Such leaders encourage changing in thinking methods about problem solving and often use metaphors and examples. Therefore, they may use new and creative ideas to resolve the problems. Bass (1993) believes that intellectual motivation is a driving force that stimulates the followers to think about beliefs and values as well as being aware of problems and their resolutions. In this line, transformational leadership promotes the followers' capabilities to understand the

organizational nature and difficulties. What is considered here more is paying further attention to creative and developed ideas rather than rapid reactions. The leader creates a challenge for followers in order that they think about what they are doing. Also, this factor is recognized as a tool for the creation of the learning organization.

In general, intellectual stimulation consists of reinvestigating basic assumptions and questioning them, looking for various perspectives when resolving the problems, enforcing others to look at the problem from different views, encouraging nontraditional thinking to address traditional problems and encouraging revising the ideas that are not questioned yet (Moghali, 2002)

Individualized Consideration

Individualized consideration is another characteristic of transformational leadership. Paying attention to others is one of the most important aspects of transformational leadership. Individuals are supported by leaders and leaders are concerned about their personal feelings and needs (Davenport, 1993). Transformational leaders help their subordinates in fulfilling their potential talents and increasing their responsibilities in the organization. Transformational leaders differ from transactional leaders in diagnosing the needs because that transactional leader tries to meet lower needs than higher needs such as development and maturity. Generally, individualized consideration consists of spending time in teaching and coaching, viewing others as persons not just group members, paying attention to others as persons who are the owners of different needs, capabilities, dreams and wishes, helping others to develop and grow their own capabilities, listening to others demands and interests, developing individuality and facilitating individuals' growth (Moghali, 2002). Effective utilization of transformational leaders' skills will indicate traits of these leaders such as creativity, team-orientation, appreciation of others, teaching (learning), and responsibility.

According to Avolio and Bass (2002), the best leaders use more of transformational leadership than transactional leadership, but both when used together are optimally effective. Finally, it is also important to note that transformational leadership can be confused with "pseudotransformational leadership," which focuses on personal power, manipulation, threat, and punishment. Yukl (2006) has offered several guidelines for the use of transformational leadership. First, articulate a clear and appealing vision. In a review of the literature, Tucker and Russell (2004) concluded that transformational leaders can have a major influence on organizational culture and change. Yukl (2006) concluded that in spite of conceptual weaknesses in the theory, the available evidence supports many of the key propositions of the major theories of charismatic and transformational leadership. There have been applications of transformational leadership concepts to human services organizations (Barker, Sullivan, & Emery, 2006; Packard, 2004; Yoo & Brooks, 2005).

In one national study, transformational leadership was correlated with perceived leader effectiveness (Mary, 2005). In a hospital study, transformational leadership was significantly correlated with leader outcomes of effectiveness, satisfaction, and extra effort (Gellis, 2001). Another study found significant positive relationships between transformational leadership and job satisfaction, commitment, leader effectiveness, and satisfaction with the leader (Kays, 1993, cited in Mary, 2005).

Transformational leadership is compatible with the values and principles regarding valuing and empowering individuals which is a key characteristic of the 21st century management

ethos. The rigid culture used traditionally cannot be used in the modern society. When speaking about cultural values, it is useful to emphasize their specific features. The persons or groups in the organization have to know their own roles in accordance to the organization culture. Each member of a society should know the venerated activities. The important thing is that venerated activities are rare. Generally, a rare social capital has a higher value in a society. Social stratification is based on the distribution of rare capital. Let us say that no matter how limited the social vertical mobility is, the hero is celebrated because heroism is distributed throughout the whole culture. Although specific cultures can differ in values and their heroisms, there is no culture without heroes. Thus, it is useful to introduce the terms hero cult and heroic performance (Veblen 1999). A heroic performance is primary; a person-hero is known to have extraordinary ability that has been demonstrated (often many times and in competitions). The hero can be a gifted “being” (god, demigod) or a man who makes efforts. People in the modern society needs motivation for them to be satisfied which enhance performance, and there is no leadership style to fulfill this apart from Transformational Leadership.

From the foregoing, transactional leadership may not evoke heroism effectively as there is a lack of voluntary relationship between leader and follower(s). Burns (1978) says that transactional leadership is a kind of leadership based on transactions between leader and follower in a way that mutual personal tendencies are met. In other words, he believes that in this school, anything is observed from what persons are gaining and the relationship between leader and follower is profit-oriented and based on exchanging one thing to other thing. Transactional leadership points out the relation between leader and follower to provide their personal interests. This approach to leadership emphasizes on the importance of relations between leader and follower as well mutual advantages that are generated via a contract. Based on this contract, leader grants followers the incentives and cognition in lieu of their commitment and loyalty (Robins, 2003). Burns believes that transactional leadership is the ordinary leadership style in the organizations which consists of exchanging the stimulations and incentives by leaders to attract the support of followers. The aim of such leaders is to agree about some actions that will meet separated and immediate aims of both leaders and followers.

On the other hand, the aim of transformational leadership is more than meeting immediate needs. Transformational leaders are look for followers' potential motivations. The distinguished trait of transformational leaders is a common and shared objective. This objective links leaders and followers. Transformational leadership is mainly superior to transactional leadership. It is motivational, supreme and ethical in which human behavior and leaders/followers' ethical tendencies will grow up. On the other hand, transactional leadership with its own static traits will cause the self-attraction and control of subordinates.

Transformational leadership tries to satisfy Maslow high needs hierarchy (Sosik, 1997). Baines (1997) suggested that leaders, first and foremost, were responsible for learning both personally as well as organizationally. Scharmer (2001) charged leaders have a nearly impossible task. Leaders face insurmountable challenges. Leaders must be able to see the emerging opportunities before they become manifest in the market place. Leaders play a crucial role in building and maintaining an organizational culture of learning. Lang (2001) provided further substance when arguing that human relationships within an organization are crucial for knowledge creation, sharing, and utilization. He argues that the real task of knowledge management is to “connect people to people to enable them to share what expertise and knowledge they have at the moment.”

Hitt (1995) also notes that leaders need to empower all members of the learning organization by developing a shared vision, providing resources, delegating authority, celebrating success, and most importantly, by being a learning architect. Politis (2001) looked at the relationship between self-management, transformational/ transactional leadership, and various knowledge management attributes. He found that self-management, transformational, and transactional leadership styles are related to dimensions of knowledge acquisition. Bryant (2003) argued that there is a clear relationship between transformational leadership and knowledge management in organizations.

CONCLUSION

In order to successfully steer 21st century organizations, transformational leaders are needed. These are the kind of leaders who are willing to break all the previously held beliefs and theories on leadership and create a new paradigm shift in the way organizations are managed. Transformational leaders are heroic in nature and enjoy huge following inside and outside their organizations. Like eminent sea captains, these leaders stick to the vision of their final destinations as they sail through the thunder and the storms of their business environments.

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