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Transformational Leadership in the Coming Decade: A Response to Three Major Workplace Trends

Emily Tuuk
Cornell University

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Abstract

Human resources professionals today are faced with information on dozens of major workplace trends and expected to prioritize them appropriately, develop an HR strategy to respond, and then execute it for the benefit of the organization. This is no easy task – and it is not getting any easier. The next decade will undoubtedly bring major change to how businesses are structured, how they are led, and how these changes affect employees and shape their experiences. The most pressing concerns will vary from company to company. However, three trends – women in the workplace, increased focus on employee empowerment, and the importance of internal branding – are sweeping trends for all organizations to consider. These trends will affect the performance evaluation and leadership development areas of HR in the next ten years. A sharp focus on transformational leadership and corresponding balanced performance evaluation systems will be needed to respond effectively.

Comments

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**TRANSFORMATIONAL LEADERSHIP IN THE COMING DECADE:
A RESPONSE TO THREE MAJOR WORKPLACE TRENDS**

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Human resources professionals today are faced with information on dozens of major workplace trends and expected to prioritize them appropriately, develop an HR strategy to respond, and then execute it for the benefit of the organization. This is no easy task – and it is not getting any easier. The next decade will undoubtedly bring major change to how businesses are structured, how they are led, and how these changes affect employees and shape their experiences. The most pressing concerns will vary from company to company. However, three trends – women in the workplace, increased focus on employee empowerment, and the importance of internal branding – are sweeping trends for all organizations to consider. These trends will affect the performance evaluation and leadership development areas of HR in the next ten years. A sharp focus on transformational leadership and corresponding balanced performance evaluation systems will be needed to respond effectively.

Trend #1: Women in the Workplace

Women now make up over half of the current workforce and are increasingly becoming the major breadwinners or co-breadwinners of their families.[1] Yet there is stagnant growth of women in some positions and the demographic makeup of top leadership remains largely unchanged. It is hard for women to enter the upper echelons of the workplace, as evidenced by the fact that just 3% of *Fortune* 500 CEOs and less than 15% of corporate executives at top companies worldwide are female.[2] Just over 5% of executive management positions in *Fortune* 500 companies are held by women.[3] A full 75% of Fortune 500 companies report no women as top earners.[4] Organizations will have a unique opportunity in the next ten years to reconcile this discrepancy between women's apparent advancement and the reality of an entrenched "glass ceiling."

Trend #2: Employee Empowerment

As companies become increasingly global they are transitioning to a "transnational" operating structure.[5] This movement "beyond the matrix" is characterized by flexibility, interdependencies through all levels, bottom-up innovation, and learning. It is less of a specific organization structure than "a concept and direction of development."[6] One important effect of transnational operating structures is an increased focus on employee empowerment. This is characterized by employee freedom, employee power to fully participate in organizational life, and employee knowledge of information needed to make more decisions. 74% of CEOs report being more "participatory, more consensus-

oriented, and rely more on communication than on command in today's global environment." [7]

Trend #3: Internal Branding

In a recent study, well over half of companies surveyed were focusing their employer brand management (i.e. how the company positions itself to candidates) as much internally as externally.[8] Employer branding has become a more popular topic due to an increase in the power of brands, an increase in focus on employee engagement, a tight labor market and "war for talent," and HR seeking to be seen as a more credible business partner. Studies suggest that deliberate and careful management of employee value propositions can bring as much as a fourfold increase in employee commitment. [9] Internal branding also influences how employees view the company brand;[10] as employees' values increasingly align with those of the company, internal branding can shape external branding and customers' perceptions in powerful ways. [11]

The factors that go into an internal brand are far-reaching but some specific attributes of companies deemed "best places to work" through various surveys include: a supportive, communicative, and visible leadership team that promotes honesty, integrity, respect, collaboration, and trust; a culture of high performance with an effective rewards system; and "Best Employer HR practices" such as effective performance management, corporate citizenship promotion, effective training and development, and inspired leadership.[12]

Transformational Leadership as a Response

One viable option to address the above trends is to craft a leadership paradigm that focuses on transformational leadership attributes. As opposed to transactional leadership, a style characterized by offering rewards for productivity and denying rewards for a lack of productivity, transformational leadership aims to stimulate and inspire followers to reach beyond what they thought possible and elicit extraordinary results. It looks to achieve true commitment and involvement from the follower by involving his or her self-worth in the work. Four I's characterize transformational leadership, the most studied style of leadership:[13]

I. Idealized Influence, in which the leader communicates the values, purpose, and organizational mission in a way that motivates respect and pride
II. Inspirational Motivation, where the leader shows visible optimism and excitement about the future
III. Intellectual Stimulation, where a leader encourages examining new ways of solving problems
IV. Individualized Consideration, demonstrated by a focus on mentoring followers and attending to their development and needs

Transformational leadership is not simply an obscure form of leadership with little empirical support. Instead, it has been shown to be the most effective form of

leadership.[14] A growing number of studies, including meta-analysis, are finding transformational leadership induces better performance than other styles.[15] It leads to more committed, loyal, and satisfied followers. The current results show that transformational leadership's 4 I's are the most effective characteristics of a leader, followed by contingent reward (transactional leadership), then active management-by-exception, then passive management-by-exception, and then laissez-faire leadership.[16]

Transformational leadership effectively addresses the women in the workplace trend. Transformational leadership, encompassing stereotypically feminine characteristics, is an avenue to start a change in the perception of the content of leadership roles – to start an "opening up" of what it means to be a leader. Transformational leadership has been shown to be more aligned with communal qualities than with agentic qualities.[17] Women, in general, view job and people orientation (the masculine and feminine sides of management, respectively) as more interdependent than men.[18] Transformational leadership, likewise, focuses on how these two facets are interdependent. One avenue for getting more women into leadership roles is defining leader roles in less masculine terms.[19] Thus, widespread acceptance of transformational leadership as a schema for recognizing leadership may mean more women are recognized as top leaders.

Transformational leadership, with its unique emphasis on "Intellectual Stimulation" and "Individualized Attention," can also effectively help address the second major trend of empowering employees. Transformational leaders show consideration for each individual they are leading and motivate them to find part of their identity in the work they are doing.[20] These leadership behaviors will help employees become more knowledgeable, more confident in making their own decisions, and more integrated into organizational activity. Employees rely on their manager or leader to model the behaviors expected of them and give them the space to grow and develop. The transformational leadership style allows for exactly this.

Lastly, transformational leadership is needed to set the right internal brand—the third major trend discussed above. Transformational leaders inspire and motivate followers to develop and grow, feel connected to the larger vision or mission of the organization, and work with others to attain common goals. Organizations rely on their leaders to set the tone for other employees and show that the company is acting in line with their employee value propositions. The "Idealized Influence" and "Inspirational Motivation" attributes of transformational leaders will help ensure employees feel they are working under a visible and inspired leadership team that promotes honesty, integrity, respect, collaboration, and trust. This, in turn, contributes to a well-perceived internal brand and increases the likelihood of being named to prominent "Best Places to Work" lists.

Managerial Implications

To bring about this emphasis on transformational leadership in the next ten years I argue for, and predict changes in, performance management. Specifically, organizations will need to increase focus on balanced performance evaluation techniques such as 360-degree feedback[21] and the Balanced Scorecard.[22] These evaluation systems encompass

transformational leadership competencies and results as well as financial profit/stock price. They take into consideration bosses, peers, direct reports, customers, and many different aspects of business. They could better identify women's leadership potential and facilitate their development and promotion. They could better assess how well a leader is empowering his or her employees and promoting an appropriate internal brand.

A second area of change needed is in the leadership development space. Though current leadership development models and trainings within organizations encompass *some* elements of transformational leadership, there can be more robust education and development of transformational leadership attributes. Greater knowledge and awareness of transformational leadership among all levels of employees may be one way to effectively encourage transformational leadership in the workplace. Companies will need to get more creative with their approach to developing transformational leaders, possibly implementing systems with more varied job experiences (e.g. externships), better access to learn from more experienced organization members, and formal training where goals and results are measured and tracked over time.

Jim Collins, author of bestselling book Good to Great, says, "Those who build great companies understand that the ultimate throttle on growth for any great company is not markets, or technology, or competition, or products. It is one thing above all others: the ability to get and keep enough of the right people."[23] HR executives that care about the effectiveness of their managers and also care about empowering female leaders should put in place, or increase their dependence on, the balanced scorecard, 360-degree feedback, and revamped leadership development models. The challenge managers and executives face in adopting balanced performance evaluation systems and stressing the importance of transformational leadership is that it represents a change from the past. Many managers and executives who want the standard status quo to remain may try to keep the old systems in place. Though the coming ten years will entail difficult transitions out of old paradigms for how work gets done and who leads such work, the decade also holds tremendous potential for women in leadership, empowering employees, and creating a powerful internal brand. א

Emily Tuuk is a student at Cornell University, pursuing a MILR at the School of Industrial & Labor Relations. At Cornell, she works as a research assistant for the Center for Advanced HR Studies (CAHRS). Upon graduation, she will join Dell's HR Rotational Program in Austin, Texas. This essay received the third place prize in the Cornell HR Review 2012 Essay Competition.

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