
The transformational-transactional leadership model in practice

James C. Sarros

Department of Management, Monash University, Caulfield East, Victoria, Australia

Joseph C. Santora

Daedalus Consulting Group, Normandy Beach New Jersey, USA

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Abstract

Explores the nature of transformational and transactional leadership among business executives. Comments reveal that most executives believe there are weaknesses as well as strengths with both leadership constructs in practice. Overall, major leadership strengths are in the role modelling, coaching, and consideration behaviors of executives. Major weaknesses are in failure to motivate and challenge workers beyond the expected outcomes. Other facets of each of the four transformational and two transactional leadership behaviors are examined in this article. Lists leadership strategies and approaches for achieving positive results and implications for future research are also provided.

Every few hundred years in Western history there occurs a sharp transformation. Within a few short decades, society – its world view, its basic values, its social and political structures, its arts, its key institutions – rearranges itself. And the people born then cannot even imagine a world in which their grandparents lived and into which their own parents were born. We are currently living through such a transformation (Drucker, 1993).

Times are changing, more rapidly than we ever imagined. Our knowledge and practice of leadership must accommodate themselves to these changes if they do not want to be left behind. Today's business imperatives of speed and quality mean that executives must try harder and work longer hours to achieve results not merely intended to keep up with their competitors, but to blast them out of the water. What these approaches to business mean for leadership can only be guessed at, but we can say that when we talk of business leadership today, it is not what it used to be.

With changes like these comes the need for a more strategic form of leadership. The focus has shifted irrevocably from the Chief executive officer (CEO) as bean counter and line manager to CEO as consultative counsellor, strategic planner, and facilitator. This paper explores these elements of caring, visionary, role modelling and team building leadership through the transformational-transactional leadership model first articulated by Burns (1978) and later modified by Bass (1985a, b) and Bass and Avolio (1990a, b; 1994). The paper makes a contribution to the literature in terms of what leaders do, as distinct to managers (e.g. Hales, 1986, 1999; Mintzberg, 1973; Willmott, 1984, 1987, 1996).

Leadership dimensions

Heifetz and Laurie (1997) identify the pressing demands on leaders to mobilize workers throughout the organization to be adaptive in a changing workplace, claiming that: ... instead of maintaining norms, leaders have to challenge "the way we do business" and help others distinguish immutable values from historical practices that must go.

Examples of challenging established convention through leadership occur everywhere. For instance, when speaking about the changing culture at CRA Limited, an Australian holding and management company in major mining and industrial companies with around 19,000 employees, former Deputy Chairman John Ralph said: ... team building means getting people to operate as coaches rather than bosses, leading and encouraging rather than command and control ... it's about trusting them and gaining their trust, and really generating an enthusiastic team.

What Ralph was really saying was that leadership works best when leaders and workers agree where it is they want to go and what mechanisms and strategies need to be used to get there.

When Ray Smith, CEO of Bell Atlantic, gave the keynote address at the Princeton University 7th Annual Conference in November 1995, he gave his vision of the new type of leadership emerging in US corporations. Smith spoke of:

... a dialogue – a true intellectual engagement with the people who deliver the goods; and a new social contract – a moral commitment to our employees that we will be their partners in allocating the corporation's resources and realizing the company's vision.

Here Smith was clearly acknowledging the contributions of employees to achieving

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organizational goals. The linkage between visionary leadership and its appeal to a common core of values among management and workers is clear in Smith's address.

Agreeing the direction of the company and the means to get there rests on good leadership and core value propositions. If the values of management diverge significantly from those of the workers, leadership success by definition is impossible to achieve. So leadership is about alignment, understanding, and change.

So what type of leadership is best in a world undergoing massive transformations? Obviously what worked in the past may not necessarily work today. What this article reveals is that when leaders use specific leadership behaviors consistent with their deeply-ingrained values, they can achieve great things. We explore these leadership behaviors through the dimensions of transformational and transactional leadership.

It is informative to see how leaders strive for transformational results, but are often frustrated in reaching their goals because of unpredictable external factors or internal problems among staff. Generally, executives indicate that there is a reticence among their colleagues to tackle the hard issues, like making their companies more globally competitive or devolving responsibility to their workers. The executives we interviewed for this study did not hesitate in identifying both the weaknesses and strengths of their approaches.

This qualitative study of leadership addresses Bryman's (1995) concern that:

...we need to know what the people we study make of leadership in their own terms, not just what we leadership researchers make of it.

An analysis of this nature "allows the significance of the specific circumstances or organizational types to be outlined in detail" (Bryman *et al.*, 1996), and makes a significant contribution through its extensive examination of the context in which leadership occurs, as well as the processes involved in the manifestation of leadership. Biggart and Hamilton (1987) best capture this important relationship:

Leadership is embedded in social and cultural beliefs and values, [and] cannot be fully understood apart from the context in which it exists.

Another perspective on what leaders do in organizations is through their role modelling of appropriate behaviors and their use of language, symbol, and sheer hard work. For instance, Field (1998) and Andrews and Field (1998) have spoken of the need to further

explore the practice of leadership through the use of metaphors and behaviors. This article addresses some of these issues by examining the leadership behaviors of executives as they make sense of the transformational-transactional model.

Theories of transformational and transactional leadership have underpinned the multifactor leadership questionnaire (MLQ), (Bass, 1990a). Studies based on the MLQ have provided important insights into the nature of effective leadership, but the MLQ suffers from some serious response biases. For example, the four transformational behaviours (encouraging performance beyond expectations) are so highly intercorrelated in many studies that their separate effects cannot be clearly determined. A further limitation relates to the MLQ measuring leadership behaviors but not the underlying influence processes. By exploring some of the underlying processes by which executives articulate each of these leadership approaches, the current study provides a clearer picture of the transformational and transactional model.

The study

Executives in the top 500 companies in Australia were contacted, of whom 181 agreed to be surveyed, interviewed, or both. Most executives were male (91 percent), over 50 years of age (54 percent), possessed a formal tertiary qualification (72 percent), and earned over \$150,000 annually (15 percent of respondents did not provide details about salary). The majority of executives had been in their current position for under 10 years, and 52 percent fewer than five years. Overall, executives were fairly evenly distributed in terms of total management experience, with 46 percent indicating 15 or fewer years as an executive, and 50 percent 16 years or more experience. Administration was the main functional area of expertise, and in industries as diverse as the public sector, education, manufacturing, retail, and health services. Most executives were in medium to large sized organizations (500 or more employees).

The MLQ (Form 5S) (Bass, 1985a) was used initially to assess the leadership profiles of the executives along four factors of transformational leadership, two of transactional leadership, and a non-leadership or *laissez faire* factor of leadership. A total of 31 executives provided additional commentary, both written and verbal, on how these leadership behaviors

were operationalized in their companies. It is these comments which are detailed below.

Transformational leadership

Transformational leaders raise the consciousness of followers by appealing to higher ideals and values such as liberty, justice, peace, and equality. The four types of transformational leadership used by the executives in this study in order of most often to least often used (ranked on the basis of mean score responses by executives to the MLQ where 0 = not at all and 4 = frequently, if not always) are individualized consideration (mean = 3.07), inspirational motivation (mean = 3.02), intellectual stimulation (mean = 3.00), and idealized influence (mean = 2.89).

Individualized consideration

Individualized consideration deals with the fundamental transformational leadership behaviors of treating individuals as important contributors to the work place. Leaders who use this style of leadership show consideration for their workers' needs, and are prepared to encourage and coach the development of appropriate work place behavior.

When we asked the executives in our study to comment on individualized consideration as a leadership behavior, we received interesting and diverse responses. During interviews, executives were asked to answer the question:

Our findings indicate that generally, Australian executives use a caring leadership style, which treats people as individuals. Is this a style of leadership behavior you see among your peers, or are Australian executives likely to use a different leadership style? What other types of styles do you think executives use?

Leon Daphne (Managing Director, Nissan Australia) said:

I think there are many styles of leadership used, moving from caring to autocratic I suppose. I think at different times you can use all those particular styles. I think Australian executives by and large are more caring.

According to Daphne, the situation in large measure determines the leadership style used:

If you look at the manufacturing sector you would find that there is probably a whole spectrum of leader styles used every day which would range from caring to autocratic.

June Roche (CEO, South Australian Lotteries Commission) agrees that the autocratic or "directional" approach is needed at times:

...but generally it is more democratic ... certainly it is a more consultative approach today than it was even ten years ago when it was very autocratic. I don't think that anyone in an executive role can afford to be so autocratic in today's environment.

Similarly, while Richard Guy (Managing Director, Crystal Industries, Chairman, Bank of Bendigo) agrees that:

Australian managers and executives do have a caring leadership style, there are some that certainly don't give a damn about their people and are bottom line driven. The people involved don't matter at all.

This strong, tough approach is seen as necessary in achieving results. Caring leadership is fine for building workplace morale and teamwork, but according to Ian Penman (Vice President and Managing Director, Compaq Australia) "it is not how you get results".

Again, the ability to switch from one leadership style to another to suit the situation is important in maximizing results: ...executives use all different types depending on the situation, the company they are in, the work force that they are in charge of or responsible for. I think they use an autocratic style at times, they can use participatory styles at times. It is a case of not being particularly myopic about one particular management style but having the ability at times to perhaps translate the requirements of the organization across a couple of styles.

Overall, the executives were ambivalent in their interview responses to this section. Where their survey responses showed that executives liked to believe they adopted caring approaches to their workers, treating workers as individuals and stimulating learning experiences on the job (all key characteristics of the leadership style of individualized consideration), they were aware nonetheless that some degree of control and direction was necessary in achieving results. AB best highlighted this predicament:

I think there is a transition taking place. Perhaps the younger generation of managers is adopting that caring style, whereas the older generation probably has a more directive style. There are also some who are quite autocratic.

David MacKay (Managing Director, Sara Lee) agrees that the younger managers are more likely to use a caring, individual approach to leadership:

There has been a lot of turnover in the senior executive level and there are a lot of younger people coming in who are more in the open style rather than the dictatorial, authoritarian style that was fairly common five, ten years ago.

In summary, key elements of individualized consideration include encouragement, caring for and coaching of individuals, and a consultative and open approach.

Inspirational motivation

Raising the consciousness of workers about the organization's mission and vision, and encouraging others in understanding and committing to the vision is a key facet of the transformational leadership style of inspirational motivation. Inspirational motivation addresses the principle of organizational existence, rather than the personality of the leader. For example, Brian J. Neill, Group Manager, Human Resources, of the large utility company United Energy, claims that leadership is about:

... understanding what motivates the people we are meant to be leading, and making sure we are doing what is necessary to impact the culture of that business or that environment in which we are operating. To do that it is important that everyone is really clear about the vision and values of the organization but in a practical way, so they can understand exactly what is their role in the business and what the business is trying to achieve and how they can make a contribution to it and achieve the success of the business.

Many of the executives we interviewed were critical of their peers when speaking about inspirational motivation. They believed that instead of encouraging workers, executives stifle their creativity. For instance, Geoffrey Stooke (Managing Director, Standard Wool Australia) mentioned that:

... while there are executives who do encourage and challenge their people, I believe that one of the problems we do have is that many executives suffocate their employees and you never see the best of them.

But preventing experimentation and stifling creativity only frustrate workers who want to contribute to the organization. You don't get better by wanting to control everything in the company. This tendency to control and plan is limited by its short-term approach. In comparison, inspirational leaders work actively in drawing out the best in their employees, not holding them back. Alan Barnes (Deputy General Manager, MSAS Cargo International) puts these views into the international arena:

We have got to get through to our people that we are all part and parcel of a very large scene, we are not unique. We are part of a global situation and we have got to have all the best practices of global type organizations. By encouraging people in their active work involvement is the way to get them to achieve more. You give them encouragement or autonomy to make

decisions themselves, so long as you give them the tools to make these decisions.

These views are reiterated in the comments by John Shingleton (Managing Director, Rover Australia) who comments on the ... massive changes in most companies now, with the Chief Executive in particular adopting different lifestyles which are much more restrained and they are leading by example.

The message appears to be relatively clear: leaders who use inspirational motivation as a leadership behavior set high standards, communicate their ideas and vision to their workers in unambiguous ways, and encourage workers to develop beyond the norm so that they and the organization grow and develop. Ken Dredge (Managing Director, Dominion Mining) best sums up these leadership attributes:

The executives who are succeeding in today's environment are the ones who are active with their people – they inspire and reward them and correct them and if the people don't do their job, they replace them. It gives people the opportunity, the chance. The opportunity to succeed or fail, or to be somewhere in the middle.

In summary, key indicators of inspirational motivation are organizational vision, communication, challenging workers, encouragement, working with workers, and autonomy.

Intellectual stimulation

Leaders who intellectually stimulate workers encourage creativity and accept challenges as part of their job. They keep their cool, working out ways of dealing with problems in a rational manner. These leaders cultivate the same skills in their workers. They work through difficulties with their staff in a calm, calculated fashion, and use problem solving techniques for reaching decisions that reflect a mutual consensus between leaders and employees.

The intellectual stimulation leadership approach reflects in large measure the coaching, morale building strengths of individualized consideration. Both leadership approaches build character as well as organizational skills through caring leadership behaviors that coach and challenge. David MacKay (Managing Director, Sara Lee (Aust)) speaks about intellectual stimulation as:

... having a high degree of honesty and integrity and having a very open and egalitarian approach to how you treat and work with people. I think there are fundamental issues. More and more leaders today have those qualities than probably was

true in the past. That reflects the fact that people understand from the psychological perspective that to get the best out of people working with them, supporting and helping them is more productive than trying to drive them with a whip or dictate to them.

Key elements of intellectual stimulation are problem solving ability, creativity, and challenging the status quo. These approaches rely on different talents to those associated with individualized consideration (caring) and inspirational motivation (encouraging). Intellectual stimulation (challenging) relies on “tough love” to work; in other words, the ability to get people to think in different and creative ways. As Stephen Blanch (Managing Director, Eastern Energy) says:

We have got too much focus on short term management as leaders in our business. And we are not tough enough. Because of our caring style, we often are nowhere near as firm and hard as we should be on key decisions that need to be made, when they affect the work force. The words “tough love” work. We need to be able to do that a little better.

Challenging workers intellectually assumes that certain abilities exist in leaders and workers. For example, presenting an intellectually demanding task means first understanding it yourself. Second, the task will be meaningless and a wasted effort if workers have not access to the materials and resources needed to complete the challenge, or lack the required skills and training for the task. In other words, leaders who use this leadership approach need first to unravel the complexities of the challenge, making sense of what it means for them and their workers before promoting worker involvement in the challenge. Lynton Till (Director, General Manager, Corinthian Industries (Holdings) Pty Ltd) comments on the need to first define the situation and terminology clearly ahead of wading into unknown problems and territories:

There are different levels of intellect and different levels of what individuals’ intellect is anyway. Certainly there is encouragement to work actively, I’m sure that is true. Involvement in people, involvement in the job, all that is right. But the weakness is in individuals’ abilities, not so much their management. Not everybody in management roles is equipped to challenge people intellectually or even to get terribly involved in some of the work that the employees do. An example of that may be the person in a fairly senior management role who would not be involved in the finance of the company. You could be a general manager of a business and hardly have any involvement in the finances of it. You might have a person who has that finance expertise directly reporting to you.

Your ability to intellectually stimulate them and your ability to get involved actively in their work will be curtailed by the fact that you probably don’t have the educational background to do it anyway. That is why you get these gaps between people who produce and people who account.

To summarize, key indicators of intellectual stimulation are creativity, rationality, consensus decision-making, coaching, challenging, supporting, and involvement.

Idealized influence

Idealized influence is behavior that encourages followers to use their leaders as role models. Another term used to describe this form of leadership is charisma. At the core of idealized influence is the creation of values which inspire, provide meaning for, and instill a sense of purpose in people. For example, as a charismatic leader, Dr Martin Luther King inspired people through superb oratorical skills, dynamic personality, and persistence to personal and social goals in the face of uncompromising resistance.

Idealized influence is inspirational because it hones in on feelings and attitudes about what is important in life. The Tomb of the Unknown Australian Soldier at the Australian War Memorial in Canberra has three stained glass windows, one of each facing south, west, and east. Each window represents specific qualities that epitomize the strengths of fighting men and women. These qualities apply just as well to everyday life, and they capture the inspirational elements of idealized influence as a form of leadership.

1 *The south window (personal qualities):*

- resource;
- candour;
- devotion;
- curiosity; and
- independence.

2 *The west window (social qualities):*

- comradeship;
- ancestry;
- patriotism;
- chivalry; and
- leadership.

3 *The east window (fighting qualities):*

- coolness;
- control;
- audacity;
- endurance; and
- decision.

Idealized influence is often associated with charismatic leadership (e.g. Shamir *et al.*, 1993; Yukl, 1999). Charismatic leaders project their self-confidence onto others. And even

though self-confidence and self-esteem are universal traits of charismatic leaders, it is their “display of confidence in a follower’s willingness to make self-sacrifices and an ability to accomplish exceptional goals” that is a powerful motivating force of idealized influence and role modelling behavior (House and Shamir, 1993). Leaders who have confidence in their workers can achieve great things. This Pygmalion effect involves significantly increasing the self-esteem and confidence of followers through positive reinforcement of their work behaviors and ongoing encouragement of their capacities to do well. Leary and Kowalski (1990) have shown that maintaining self-esteem is one of the most powerful and pervasive of all social needs.

Leaders who are high in idealized influence also have a strong sense of emotional stability and control. These leaders rise above inner conflicts and believe strongly in their capacities to be masters of their own destinies. House and Shamir (1993) have said that charismatic leaders:

...demonstrate determination, optimism, self-confidence, and confidence in themselves and the collective ability to accomplish the mission and realize the vision.

So, leaders high in idealized influence have a positive sense of self-determination; that is, they are in control emotionally. They have the conviction that transforming their followers through communication, role modelling, and encouragement are appropriate strategies for achieving the mission and goals of the company. John Marshall (CEO, Solaris Power) sees his role of mentoring workers and learning from others as key responsibilities of leaders in the context of idealized behavior:

Leadership, like most things in life, is best learned from a mentor. There is nothing wrong with the apprenticeship scheme. The whole point about an apprenticeship is that you learn from somebody. I think if you want to be an effective leader then it is something you are going to have to learn. The only way you are going to learn it is to participate and do it and watch other people who do it very well.

Based on this perspective, leaders whose message is delivered through idealized influence leadership model and acquire the appropriate behavior continually. They are role models to others, but never stop learning from other leaders in return.

To summarize, key indicators of idealized influence are role modelling, values creation and articulation, providing meaning, sense of purpose, confidence in followers, self-esteem,

emotional control, confidence, and self-determination.

Transactional leadership

Transactional leaders pursue a cost-benefit, economic exchange with followers. In this relationship, followers’ material and psychic needs are satisfied in return for expected work performance. Transactional leadership consists of two factors: contingent reward (mean = 2.50), and management by exception (mean = 1.89). *Laissez faire* (mean = 1.13) is a form of non-leadership. These factors are examined below, in their order of priority.

Contingent reward

Contingent reward leadership achieves results. People appreciate tangible, material rewards for their efforts. Where transformational leadership recognizes individual talents and builds enthusiasm through appeals to emotions, values, and belief systems, transactional leadership promotes compliance by appealing to the needs and wants of individuals. Executives who use contingent reward are expected to show direction to workers so the job gets done.

Darrell Butcher (Managing Director, Torque Group of Companies) speaks of the need to lead from the top as a form of contingent reward leadership:

You can’t expect people to do something that you are not prepared to do yourself.

Showing and sharing leadership like this promotes work commitment and rewards others for their efforts:

Leadership is more effective if the senior management are seen to be taking innovative steps and applying leadership within the organization through to the next level of management and right down to the forman on the shop floor.

Ian Penman (Vice President and Managing Director, Compaq Australia) identifies the mutual exchange relationship between leader and followers as hallmark characteristics of contingent reward:

To be a really good leader you have got to have every confidence in your team to get the job done. You can focus them on bringing the whole organization to focus on issues like the missions you’ve got, the objectives you have all agreed.

From this perspective, contingent reward is a positive reciprocal relationship between leaders and followers who exchange ideas and skills in the pursuit of company goals and individual needs.

The negatives associated with contingent reward however cannot be ignored. At times, executives see performance in dollar terms, and forget that organizations exist as living cultures that rely on mutual transactions among leaders and workers to achieve synergistic outcomes. Taking a narrow focus on limited constituencies and performance indicators compromises these transactions. In this latter case, leadership is limited to material instead of meaningful outcomes.

An example of this weakness in contingent reward leadership is provided by Roger James (General Manager, VHA Trading Company). His views show how some executives view financial success as the key performance criterion in order to gain rewards. There are other performance indicators which are just as important, but which tend to be ignored:

I've seen this word "stretch target" coming through from this new 40 year old group of senior leaders and I think the use of the term is absolutely terrible. This isn't going to achieve anything. What it means is that here is the corporate goal, you add 20 percent to really tax the executive, to grind him or her into the ground, give him or her no room to participate in that and people will just get fed up and disillusioned. I think the term "stretch target" has got to be taken out and replaced with cooperative, participative management. Another thing is the unbelievable element of greed coming through. A very large Australian company advertised for a general manager whose third KPI [key performance indicator] was "to create shareholder wealth". Now this is a path for disaster. Shareholder wealth underlies all our principles in business, but to blatantly put that as a corporate goal is really going over the top. There are many parties to the dollar of business: there are the customers, the staff, there are the suppliers, and there are the owners. They are all stakeholders and they deserve a consideration.

In summary, key indicators of contingent reward include material rewards for performance, direction setting, reciprocity, and confidence in the team.

Management by exception

Management by exception is not the abdication of leadership, characterized by *laissez faire* leadership. Leaders who practise management by exception have implicit trust in their workers to finish the job to a satisfactory standard, and avoid rocking the boat. These leaders do not inspire workers to achieve beyond expected outcomes. As long as the target is achieved, the system has worked, everyone is happy, and the business exists to face a new day. There is little sense of adventure, new horizons, or white water

strategies with management by exception leaders. Ian Penman (Vice President and Managing Director, Compaq Australia) calls this leadership the "control factor rather than the inspiration factor".

Mark Anderson (Director of Finance, City of Melbourne) identifies the indifference of this type of leadership to change unless a need or challenge arises:

To make a change there needs to be a need created, otherwise leaders just keep going on at the same level of whatever they have been doing.

As head of one of Australia's key car manufacturers, Leon Daphne (Managing Director, Nissan Australia) blames poor communication skills for poor management. He suggests that managers are unwilling to identify poor performance, as it may reflect derisively on them. It seems that managers need to address their own weaknesses first before they attempt to solve those of their workers, or redress more fundamental organizational problems. Management by exception reflects this inability in some executives to communicate their message, or to confront their weaknesses:

Australian executives probably don't communicate poor performance well. They tend to gloss over or to mumble communication of performance that is not satisfactory and then take a very quick reaction to poor performance by terminating people without due consideration for a process of improvement.

To summarize, management by exception consists of trust in workers, maintenance of the status quo, poor communication, and lack of confidence.

Laissez faire

Laissez faire behavior is not really leadership at all. In fact, it is referred to as non-leadership. The major indicator of *laissez faire* behavior is the manager's or leader's incapacity to get involved. The leader works intentionally on avoiding involvement or confrontation, keeping personal interactions to a minimum. This approach indicates a leader fast losing his or her power base, out of touch with their workers, and a daily reminder to the organization of anachronistic work practices. Individuals who take a *laissez faire* approach are on the express elevator to early retirement.

Laissez faire behavior reflects a lazy, sometimes cynical and non-committed attitude among executives. This approach merely damages organizational goodwill and frustrates hard working employees. Phillip Moore (Vice President and General Manager,

Asia Pacific Case Corp) talks of executives who:

...“don’t walk the talk”. They talk about encouraging the work place environment and all that but they don’t do that. They are lazy and generally speaking it is one of the reasons why our competitiveness has dropped off behind the US and Japan in particular.

Similarly, Ken Dredge (Managing Director, Dominion Mining) speaks of:

... [a] lack of intensity and purpose in some leaders ... The average Australian manager is complacent and we have a lot of mechanisms that reinforce resistance to change.

Executives we interviewed seemed to pick up on this element of executive ambivalence being driven in part by character flaws as much as by history. Either blame the victim (in this case, the executive) or blame the system (in this case, Australia’s penal beginnings and resistance to change or success as indicative of our inbuilt abhorrence of anything or anyone representing authority). David Reid (General Manager, Hospitals Contribution Fund of Australia) speaks of the character flaws when he says that executives:

... may be too soft with their people in that they may water down their demands of what they expect their people to achieve.

John Marshall (CEO, Solaris Power) identifies the resistance to change and success arising from:

... mateship and team bonding which can sometimes get in the way of middle managers saying it like it is and making it clear that things are actually going to change.

In summary, *laissez faire* behavior is identified by non-commitment, laziness, complacency, avoidance, and abdication of responsibility.

What works, what does not

So what do these anecdotes tell us about how leadership works? First, they suggest that there still remains a large degree of ambiguity about the leadership role among business executives. The executives in this study feel most comfortable in coaching their people to achieve results, but see the need for direction and some autocratic behavior when the occasion demands. Balancing these opposite ends of a fairly problematic leadership continuum presents ongoing challenges for the executives in this study.

Next, leaders who aspire to the new leadership style of nurturing and caring for their workers while still setting high standards for themselves and their companies need to enhance their

interpersonal skills of communication, compassion, and consistently high ethical behavior. This means that leaders will need to focus more on the meaning behind the message, not just the content of the message itself. It means that leaders will need to develop an acute appreciation of what each job in their company consists of in terms of duties, accountabilities, and overall contributions to the strategic plan. Showing appreciation for others’ efforts requires first an understanding of what those efforts entail and how they can be enhanced. Praising people for doing a good job means that leaders know the difference between good and bad in every job, not just in their own. This new approach to leadership means hard work at understanding more about the workers and their personal contributions to the company. And this approach is arduous, demanding, but ultimately rewarding.

The executives we spoke to believe they’re accountable for their company’s successes and failures. There is little indication in these results that executives attempt to deflect blame to others, or that they keep valuable information to themselves. There is a strong indication however that executives are aware of the need to exercise control in certain circumstances, and that role modelling the appropriate behavior is one of the most significant ways of making their thoughts known about a subject. Matthew Whelan (State Manager (Vic), Pacific Waste Management) highlights the balance between control and concern:

You can either be an autocrat when you need to be, but you can be a facilitating, caring manager when you need to be. I think the leadership skill is to know when to correctly apply what leadership style.

In particular, leaders are being driven into unfamiliar territory where change remains the only constant. How leaders handle that change has a massive impact on the success of their business, the morale of their workers, and the social and economic stability of their country. As reported in this study, the successful leaders understand innately what leadership means to them. They go beyond the superficial understanding of the “how” of leadership as a mechanism, to the “what” of leadership as a process and a symbiotic relationship between leader and followers. And understanding the “what” of leadership goes beyond management which deals with the “now”. Instead, leadership deals with the future, with the “what if” scenarios of change, creation, strategy, vision, and transformation.

Other findings from this study reveal that the executives we interviewed were confident in their abilities to encourage workers in new ways of thinking about problems (intellectual stimulation). They also allowed workers greater scope to be accountable for their own successes and failures (management by exception) and promoted the latent skills of workers to help them excel in work on the basis of their own initiatives (inspirational motivation, intellectual stimulation). The findings suggest that the Australian executive as represented in this study is ambivalent about using appeals to emotion, and instead is more likely to get the most from his/her people by nurturing and promoting the skills and talents of individuals in pursuit of the corporate mission and goals.

This leadership approach may reflect a culture where appeals to emotions and a sense of pride are in many cases unacceptable. Australians by nature are unwilling to and uncomfortable in expressing emotion related to work, or in adulating achievement as a result of hard work and initiative. At times, they "lop the tall poppy" by intentionally frustrating individuals' achievements and aspirations (Feather, 1989, 1993, 1994). The findings suggest that when Australian executives encourage individual success, this encouragement is seen to be well-earned and deserved, and is placed firmly in the context of organizational success and culture. Picking individual winners is anathema in a work culture where everyone is a winner, or there are no winners at all.

Some observations need to be made concerning the use of the MLQ to identify initially the leadership profiles of executives before we took the next step to interview and survey. Northouse (1997) contends that transformational leadership theory lacks conceptual clarity as the parameters of transformational leadership often overlap with other similar conceptualisation of leadership, thus raising doubts concerning construct validity. For example, Bryman (1992) suggests that transformational and charismatic leadership are often treated synonymously even though in some models of leadership (eg. Bass, 1985a, b) charisma is treated as one component of transformational leadership (Shamir *et al.*, 1993). Further, behaviors generally classified as transactional cannot always be clearly differentiated from transformational leadership. For example, contingent reward, a transactional behavior which involves an impersonal exchange process includes providing recognition to subordinates which

is more personal and may involve transformational leadership (Yukl, 1999). This finding has been confirmed in this present study, which shows that contingent reward can substitute for transformational leadership on occasions.

A further criticism relates to the tendency to view transformational leaders as individuals who have special qualities that transform others. These images accentuate a trait characterisation of transformational leadership and therefore, training people in this approach becomes more problematic because it is difficult to teach people how to change traits (Northouse, 1997). Another major weakness of Bass and Avolio's (1994) full range leadership theory relates to the omission of important leadership behaviors (Yukl, 1999). For example, task-oriented behavior such as setting specific task goals and leader interaction with others involving networking and negotiating have been excluded from the theory. Thus, the conceptual weaknesses reduce the capacity of the theory to explain effective leadership. While it may be said that transformational leadership represents leadership behaviors and transactional leadership represents management behaviors, the differentiation between these approaches in the MLQ is ambiguous and unclear (Yammarino and Bass, 1990).

The qualitative data presented in this paper help clarify the elements of these leadership traits and behaviors more comprehensively. That is, transformational leadership is shown to consist of caring behavior that listens to employees and encourages autonomy, creativity, and a sense of importance and self-esteem. Transactional leadership in comparison is more focused on achieving results through organizational processes such as reward structures and implementation of policies and procedures. Where transformational leadership addresses the needs of the person, transactional leadership addresses the organizational process. Nonetheless, both person and process are important in generating positive outcomes.

Concluding note: the journey is just as important as the destination

In the changing work place of today, it is not only technologies that change. The needs and value orientations of people reflect both their upbringing as well as the norms and mores of society generally. What we reveal in this study is how executives identify their leadership styles in a problematic

organizational and social context. These perceptions are associated with, and possibly emanate from, the increasing pace of work-life and its focus on technological breakthroughs, globalization, joint venture markets, and competitive advantage. This is a world where competition rather than cooperation drives business success.

What remains indisputable however is that achievement will always be important in a society that relies on competitiveness instead of cooperation for success. Ultimately, executives need to come to terms with what this achievement means, and on how they achieve results. Achievement for the sake of personal success and self-aggrandizement produces limited, short-term results. However, when business leaders promote achievement, responsibility, and creativity among work colleagues as a sign of their own professional and personal success, both the organization and the individual benefit.

Leadership strategies and approaches

The following leadership approaches summarise the key findings of this paper and may provide guidelines for leadership development, theory, and practice:

- Management deals with systems and structures, leadership with people and ideas.
- People do not necessarily need management. Systems and procedures need management. People need leadership. Feelings, ideas, and teams need leadership.
- Today's business imperatives of speed and quality mean that executives must try harder and work longer hours to achieve results not merely intended to keep up with their competitors, but to blast them out of the water!
- We cannot ignore the simple practicalities of leaders needing to become more attuned to the shifts in cultural attitudes and social conscience to ensure their businesses remain relevant and competitive.
- Leadership works best when leaders and workers agree where it is they want to go and what mechanisms and strategies need to be used to get there.
- If you want to be treated as a leader and trusted by your workers, you need to model ethical and consistent work behavior that inspires trust and commitment.
- Leadership is about taking people in the desired direction by example.
- Leadership comes down to trust, respect, honesty, and integrity.
- Leadership is the personal side of management.
- Contingency leadership is often driven by the bottom line rather than the needs of society, or the values of workers.
- Transactional leadership is the transaction that occurs between leaders and followers, where followers are rewarded on the basis of their work performance.
- Transformational leadership differs from transactional leadership in that it motivates workers to perform beyond expectations.
- Successful executive leadership will need to become more cognitive and intuitive, in addition to being interpersonal and strategic.
- If you want to be treated as a leader and trusted by your workers, you need to model ethical and consistent work behavior that inspires trust and commitment.
- Leadership success is only as good as the "what" (leadership behaviors) and "why" (personal values) of how you lead.
- Successful leaders go beyond the "how" of leadership as a mechanism, to the "what" of leadership as a process and symbiotic relationship between leader and followers.
- Successful leaders see themselves as giving more responsibility back to the workers, making them more accountable for their own successes and failures.
- Caring leadership is fine for building workplace morale and teamwork, but it may not be how you get results.
- Leadership styles respond to the organization's culture as well as the business climate generally.
- Executives feel most comfortable in coaching their people to achieve results, but see the need for direction and some autocratic behavior when the occasion demands.
- Executives who succeed in today's environment are active with their people – they inspire and reward them and correct them and if the people do not do their job, they replace them.
- Leaders inspire others to achieve through their hard work, commitment to people, and commitment to the organization.
- Leaders who are high in idealized influence also have a strong sense of emotional stability and control. These leaders rise above inner conflicts and believe strongly in their capacities to be masters of their own destinies.
- Leaders high in idealized influence are in control emotionally and believe that transforming their followers through communication, role modelling, and encouragement are appropriate strategies for achieving the mission and goals of the company.

- Inspirational leaders work actively in drawing out the best in their employees, not holding them back.
- Contingent reward leadership relies on mutual transactions among leaders and workers to achieve synergistic outcomes.
- Leaders who practise management by exception have implicit trust in their workers to finish the job to a satisfactory standard, and avoid rocking the boat.
- Leaders will need to focus more on the meaning behind the message, not just the content of the message itself.
- Driving commitment and a sense of achievement through the organization rests on technical as well as interpersonal expertise; you can't lead others without first understanding the systems in which they operate.

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