



EMBODYING

TRANSFORMATIONAL LEADERSHIP

IN BUSINESS

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EMBODYING TRANSFORMATIONAL LEADERSHIP IN BUSINESS



The leadership in an organization often makes the difference between success and failure. A management team's leadership approach has a massive impact on recruitment, profitability, retention, and reputation. One popular approach to management is transformational leadership.

Leadership and organizational behavior scholar Bernard Morris Bass stated:

“ Leadership makes its presence felt throughout the organization and its activities. We have found that employees not only do a better job when they believe their supervisors are transformational leaders, but they also are much more satisfied with the company's performance appraisal system.

”

WHAT IS TRANSFORMATIONAL LEADERSHIP?



Transformational leadership creates environments where employees and organizations can grow together, united by a shared vision.

A firm transformational leadership definition is hard to pin down, but ideally, transformational leaders create changes in followers that result in better output and develop them into leaders themselves. Transformational leaders facilitate conversations and improvements centered around the common good while still focusing on the individualized needs of stakeholders and employees.

This type of leadership is often a moral commitment. It's about more than output and profitability. An ethics-based approach to management can guide organizations, empower members of businesses, and put a focus on collective values, goals, and objectives to better serve consumers.

In 1978, political scientist, historian, and presidential advisor James MacGregor Burns first popularized the idea in his book *Leadership*. Burns stated:

“ *Such leadership occurs when one or more person engage with others in such a way that leaders and followers raise one another to higher levels of motivation and morality.* ”

Those practicing transformational leadership strive to continually better an organization and followers. Through a shared set of ethics and clear goals, transformational leaders guide their followers to do better work for the collective good.

The Four I's of Transformational Leadership

The four I's of transformational leadership provide a framework of the style. Concentrating on the good of the whole while empowering the individual, organizations practicing the four I's of transformational leadership must devote ample time to each segment for the approach to be effective.

The first two points emphasize the importance of a leader's actions and charisma, while the second two highlight the goal of focusing on followers. The four combined embody transformational leadership in action. They include:

- **Idealized influence:** Leaders act as role models and inspire trust and respect. They live the actions and values they hope to inspire in their followers.
- **Inspirational motivation:** Transformational leaders encourage and challenge their followers to work toward a common vision.
- **Intellectual stimulation:** Leaders encourage creativity and engage their followers in finding solutions and identifying issues. A transformational leader wants to boost innovation and challenge followers.
- **Individualized consideration:** In transformational leadership, leaders mentor and provide personalized opportunities based on individuals' goals, needs, and strengths.



Many scholars contrast transformational leadership with transactional leadership. Transactional leaders may display the following traits and actions:

- **Contingent reward:** Transactional leaders exchange rewards for good performance and withhold rewards or punish when goals are not met.
- **Management by exception:** Transactional leaders often only intervene when needs, rules, and standards are not met instead of actively engaging their employees to self-actualize.
- **Laissez-faire:** Transactional leaders allocate responsibilities and remove themselves from decision-making and follower development.

Transactional and transformational leadership may seem like opposite styles. However, transactional and transformational traits can both exist in a transformational leader.

Bass said in his book *Bass and Stogdill's Handbook of Leadership*, "Many of the great

transformational leaders, including Abraham Lincoln, Franklin Delano Roosevelt, and John F. Kennedy, did not shy away from being transactional. They were able to move the nation as well as play petty politics.”

While it is not advisable for leaders in businesses to play petty politics, it is true that sometimes aspects of transactional leadership, like monitoring adherence to rules and standards, are necessary for leaders. Still, a transformational leader primarily focuses on empowering others instead of managing through restricting, rewarding, and punishing.

Actions of a Transformational Leader

Transformational leaders manage employees through mentoring and modeling behavior, encouraging them to innovate, grow, and make positive changes. While there is no set of rules for how to be a transformational leader, those who are practicing this type of leadership prioritize many of the same activities.

Bass listed the following actions, among others, that transformational leaders take and the effects they have on organizations:

- **Raise awareness of moral standards**
- **Highlight important priorities**
- **Increase followers’ need for achievement**
- **Foster higher moral maturity in followers**
- **Create an ethical climate**
- **Encourage followers to look beyond self-interest to the common good**
- **Provide individual coaching and mentoring**
- **Appeal to the ideals of followers**
- **Allow followers freedom of choice**

Because transformational leaders focus on values and ethics, they inspire followers with a shared purpose in a way other types of leaders cannot. Transformational leaders motivate people to act not through the fear of retribution or the promise of reward, but by emphasizing that followers’ work is part of a higher moral and ethical purpose.

At the core of transformational leadership is the idea of stimulating positive change, in both people and organizations. Transformational leaders believe that by striving to higher moral standards with the good of everyone in mind, a company will be more successful.

HOW DOES TRANSFORMATIONAL LEADERSHIP **IMPACT** **A BUSINESS?**



Transformational leadership may affect companies in many positive ways. Moral standards, commitment to individual employees, and focus on the common good all resonate with both workers and consumers in today's marketplace.

Here are just a few of the benefits transformational leadership can have on organizations.

Morale and Motivation

Studies show that a transformational leader is more likely to build strong relationships with employees that lead to increased morale, job satisfaction, and better performance.

A [2015 article](#) in a SAGE publication stated that a transformational leader “helps to bring valuable and positive changes among the followers by exhibiting the role model characteristics, providing intellectual motivation, and showing individual concern for followers.”

Motivated followers want to feel as though they are involved in the day-to-day mission of an organization and believe their company will help them grow. Transformational leadership brings individuals into the process and takes their needs into account, improving their overall morale.

Employee morale positively impacts businesses in a multitude of ways. According to an article from Gallup researchers, “organizations that are the best in engaging their employees achieve [earnings-per-share](#) growth that is more than four times that of their competitors.” Those in the top quarter of companies successfully engaging their employees see 21% higher profitability than those in the bottom quarter.

Happy employees take 66% less sick time than those who are unhappy in their jobs.

Good morale is good for people working in an organization as well. Followers with high morale are healthier than their counterparts. Happy employees take [66% less sick time](#) than those who are unhappy in their jobs.

Engagement and Retention

Transformational leadership can increase employee engagement and lead to better retention. A 2016 study of health care workers by Macrothink Institute titled “Relationship between Transformational Leadership and Employee Retention among Healthcare Professionals in the United States” found that employee turnover decreased when transformational leadership tactics were engaged. The study stated, “Organizations who strive to build a culture in which leaders exhibit transformational leadership behaviors will likely mitigate turnover intentions.”

Retention is central to the health of businesses’ bottom lines. Turnover and lack of engagement can be quite costly to organizations, especially those in industries experiencing professional shortages. The Center for American Progress found it [costs 21%](#) of an employee’s annual pay to replace a salaried skilled worker.

Even if a person does not leave the company entirely, they can begin to cost the business money and time, leading to decreased profits and output. Workers looking for new employment are less engaged in their work and lead to [lost productivity](#) long before a company must invest money in replacing them. The Predictive Index pointed out that underperforming employees can drain management time and energy, increase training costs, lead to errors and missed opportunities, and cause poor company reputation due to substandard public encounters.

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An engaged workforce will be more focused on the company’s mission and less likely to idle during their workdays. Most importantly, they’ll stay at the company long-term, developing into transformational leaders. A leadership style that reduces turnover while increasing engagement will keep skilled employees engaged, growing, and working hard toward a shared goal.

Reputation

Today's consumers care about a company's values. They also care about who the companies they purchase from put in leadership roles. Sixty-five percent of consumers globally say the words, values, and actions of leaders at a company impact their purchasing decisions. Transformational leaders, who operate through moral imperatives instead of through devotion to output and profits, resonate with today's consumer.

Now more than ever, it is imperative leaders exhibit traits that target consumers respect. Social media allows any ethical or business misstep to be broadcast immediately and widely. Alternatively, when employees and customers share good experiences and leaders make a positive influence, customers take note. Business Wire stated that 62% of consumers say their purchasing choices are driven by a company's values and authenticity.

Reputation does not just affect sales, though. It can also cost more to hire if a company has a bad reputation. According to Harvard Business Review, a company with 10,000 employees could spend up to \$7.6 million in additional wages if the company has a poor reputation as an employer. Employees want to work for a company that shares their vision for the world. Transformational leadership ensures that employees' values are respected, and their needs are met.

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With numerous benefits to transformational leadership, many companies want to find a way to foster this leadership style in their business. Transformational leadership takes time and determination, but the results are worth it.

IMPLEMENT TRANSFORMATIONAL LEADERSHIP



Implementing transformational leadership relies on people and their actions. It cannot be instated without buy-in across the organization.

“Change doesn’t really happen at a company; it happens with people, so in order to lead change, you have to know how to lead people,” CIO Executive Council’s Executive Women in IT chairwoman Pamela Rucker said.

Encouraging change through people is especially vital when it comes to transformational leadership. Implementing transformational leadership in an organization is a conscious choice that takes effort, planning, and development. In many cases, it requires leaders to reevaluate and adjust their outlooks and actions.

To encourage a transformational leadership approach, consider the following steps:

Clarify the company mission

A clear company mission will help leaders model organizational values and encourage the right growth in followers. Knowing what their organizations stand for will guide the actions of transformational leaders. For leadership to focus on a greater good, the overall purpose of an organization must be defined.

To make followers and leaders able to implement a mission in a transformational way, consider the following questions:

- **What value does the organization offer?** Consider what problem a product or service solves for target consumers, customers, or clients.
- **What image does the organization want to portray?** Remember, consumers are operating with values in mind. Know the target market and craft a mission statement that resonates with them.
- **Do the organization’s values and goals inspire?** Transformational leaders need to inspire their followers to achieve through positive change and growth. Ensure the mission gives them something to strive toward.

- **Are the objectives clear?** Don't bog down a mission statement with buzzwords. Ensure leaders know exactly where an organization stands so they can execute the mission succinctly.

The best missions for transformational leaders incorporate moral outcomes that inspire employees to strive for more. Employee software company Emplify stated, "Employees should feel that they are being led and engaged with (not to) — that [the mission, vision, and values](#) capture something true about themselves and their role in organizational success."

Even though transformational leadership unites followers around a common goal, the strength of a transformational company mission lies in the final two I's of transformational leadership — intellectual stimulation and individualized consideration. Only when these two parts of transformational leadership are engaged will employees feel they truly connect with the organizational mission.

Open lines of communication

Often, companies focus on top-down communication. While transparency from top-level leadership is important, there's more to communication when leading in a transformational way. Transformational leaders must ensure that communication moves upward as well.

In an article for Forbes, career and executive coach Kathy Caprino pointed out what she thinks is the key trait that makes transformational leaders successful. She said, "It's the ability to [listen and connect wholeheartedly](#) — with compassion, respect, and emotional balance — with all people, regardless of their different ideologies and beliefs."

The goal of fostering a genuine connection between leaders and their followers turns traditional employee communication and feedback techniques upside down. When employing transformational leadership, an employee survey or quarterly town hall is not enough to engage in the level of two-way communication needed.

The individualized aspect of transformational leadership requires that leaders truly connect with their followers, learning their values, goals, and problems intimately. Employees must feel they are heard and cared for within the organization.

When focusing on listening to followers, leaders should:

- **Ask questions:** Leaders should always ask clarifying questions when approached with issues to make it clear they are interested in solving the problem and ensure

they can. Leaders should continually ask questions of all team members to learn more about followers and encourage them to be introspective and engaged.

- **Give full attention:** Avoid distractions when speaking with followers, so they feel they are important, prioritized, and heard. In this way, leaders will get the most out of employees' feedback.
- **Watch body language:** Pay attention to what employees aren't saying. Leaders should keep their own body language in mind, as well, to ensure they don't impede communication with unspoken cues.
- **Follow up:** To show they're truly listening to what employees are saying, leaders should follow up about any issues. Show genuine interest in whether followers' needs are being met and previous issues resolved.

When a follower communicates their wishes, problems, or concerns, transformational leaders can translate those issues into solutions that bring a sense of togetherness and community to an organization. Transformational leaders should always listen to learn and improve. Open communication between leaders and followers helps organizations achieve their missions as teams.

Caprino went on to say, "In this way, these leaders support not only their particular interests but the interests of a world that lies beyond their limited, isolated agenda."

Focus on leadership development

A transformational mindset does not happen overnight. Leaders must be taught to think in a transformational way before they can lead others to do so. Frequently, the best transformational leaders have been trained in lower levels of a company and understand the business from the inside.

Unfortunately, not all companies feel their employees are ready to lead. Level Up Leadership stated [71% of businesses](#) do not feel their leaders can lead the organization into the future. Leadership development at all levels is vital to transformational leadership lasting in a business.

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It's also imperative to ensure current leaders are in line with transformational principles. Examining those in leadership roles based on the morale of their team, their employee retention rates, and their overall leadership style can help determine who is ready to lead your organization in a transformational way and who needs further development. That said, just because a leader is not embodying transformational leadership qualities doesn't mean they can't be trained to do so.

For many businesses, this is easier said than done. Most organizations want to develop leaders, but few know how to do it well. Level Up Leadership pointed out that only 19% of organizations claim to be very effective at developing leaders.

In a transformational leadership environment, mentorship and career development should be at the forefront of a company's growth strategy. Opportunities must be individualized based on the relationships that leaders build with their followers with the company's mission in mind.

To develop influential transformational leaders, consider the following:

- **Inspire curiosity:** Allow employees to explore things they care about in the context of the organization. It's easier for a leader to embody transformational leadership when they believe in the causes they're working toward.
- **Look for more than intellect:** Hiring smart employees is important, but with transformational leadership, it's equally important to hire passionate people. Transformational leaders see their careers as more than just a paycheck. Hire those who believe in the company's mission and empower them to lead.
- **Think outside of organizational charts:** A person should not have to be already designated as a manager to lead in an organization. Transformational leadership allows everyone to inspire others, no matter their level in the company. Ensure everyone has a voice so future leaders start developing their skills long before they're given the title of manager.

Leadership development ensures the way a company operates is not dependent on one or two transformational leaders. Companies implementing transformational leadership should have a good idea of which employees would be willing and capable successors when current leaders leave the company or retire. New leaders have been mentored and developed by transformational leaders who had a clear view of the company mission and have kept lines of communication open. With that goal, transitions in leadership should be smooth and ensure consistency.

DEVELOP TRANSFORMATIONAL LEADERSHIP SKILLS

Transformational leadership requires a continual commitment to growth. No transformational leader will finish learning if they keep striving for change that will transform organizations into morally sound and empowering places.

To develop the skills to become a transformational leader, consider earning an MBA from Aurora University Online. AU's [online MBA program](#) focuses on critical business topics in marketing, organizational behavior, finance, accounting, and leadership. The program offers a leadership series option of three courses that can be taken as electives to enhance team building and change management skills.

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