Transformational Leadership

What it's for & how to use it.

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Introduction.

Digital transformation needs inspirational leaders.

Bringing digital change into a company takes hard work from people who are inspired, motivated and intellectually capable of making it happen. Digital transformation is taking place worldwide, and if businesses don't keep up, they will be left behind.

If you're reading this then you're probably about to lead a digital transformation programme at your company, or you already are, and you're wondering what the best leadership approach might be. And why might you be wondering this?

Because transformation programmes are hard work, they're continuous (digital transformation should never really end), and more often than not, your own people (potentially thousands of them) will resist your efforts at every step of the way.

You've probably also heard about *transformational leadership* and possibly *transactional leadership* too. If that's the case, then I'm pleased you're here because I've summarised what you need to know about how you can use a transformational leadership style to deliver a successful digital transformation programme, when it's appropriate, what it looks like (using examples) and when you can also use a transactional leadership style.

There is light at the end of the tunnel.

Creating and leading a successful digital transformation programme can often feel impossible, when you think about the **barriers and challenges to overcome**. These include meeting customers' expectations, applying new methodologies, and migrating to new systems while still being operational and competitive! It's a tall order for any CEO or CIO, even if you are already a **leadership expert**.

With the right kind of transformational leadership, however, you can pull it off. Transformational leadership will also help you achieve your digital goals on time and within budget.

Transformational leadership theory.

Transformational Leadership Theory was developed by James Macgregor Burns and involves ways to improve the work of organisations and to inspire the people in them. According to the theory, workers learn to support each other and their company and work harder because of trust, loyalty, and respect for their leader. This is different from *transactional leadership*, which works by offering and taking away rewards and benefits.

Using transformational leadership theory for digital change.

Everything in business is 'going digital', and a company that doesn't follow will find it difficult to be profitable. **Employees typically don't like change**, so business change/transformation leaders (often Chief Executive Officers (CEOs) and Chief Information Officers (CIOs)) need to find ways to get them excited about it .

Transformational leaders focus on **four ways to get workers on board**, according to researcher Bernard M Bass:

- Inspirational motivation
- Individual consideration
- Idealised influence
- Intellectual stimulation.

We'll cover these techniques later.

Read on...

What is transformational leadership?

So, what do I mean by the **term transformational leadership**? It might sound like a business buzzword, but it means using leaders whose style inspire others. Transformational leadership lets people reach new heights in ownership and good working principles. It means leaders who do more than just supervise the company's change-over to digital systems, they motivate the workers too.

This type of leadership builds up your company's culture through coaching and mentoring of the staff. It's a known fact that **transformational leadership styles** will allow your team to grow and improve. Starting from having an interest only in their own benefit, they can develop to be more focused on the common good.

Why transformational leadership is important.

So far this sounds good, right?

But why is transformational leadership important, and what does it have to do with changing your business to using technology?

The most important aspect of digital transformation is the need to change the *culture* of your business. It's not just about the systems you use; it's about the way you do everything, from the values you follow to the mission and **vision of the future** your company holds.

There's also a huge difference between **transforming and transactional leadership**. These two types of leadership are complete opposites of each other. **Transactional**

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leaders are more focused on maintaining the **status quo** and keeping people motivated using the old "carrot or the stick" idea. Strong, transformational leadership does more than just make the company use technology better, however. It aims to inspire your employees to care personally about the company's success. It also teaches them to be:

- more responsive to the demands of technology,
- more open to change, and
- willing to try new ways of doing things.

Does transformational leadership work?

Transformational leadership works because it results in good, strong growth and develops followers into future leaders. Most management teams will spend money to transform a company digitally only if they are certain it will succeed. Research shows there is a strong link between transformational leadership and company success, and there are examples that transformational leadership goes beyond just supervising, to motivate employees to adopt company values and goals as their own.

In a TED talk, Al Gore's former speechwriter Dan Pink says motivation encourages creativity, which is important to digital transformation. Trying to make the move to digital *without* transformational leadership, in that case, would probably not work.

The four elements of transformational leadership.

There are four main elements at the root of transformational **leadership theory,** which are:

#1: Idealised influence.

A **transformational leader** is a role model who influences others through values, convictions, and principles followed in their actions. These factors help them to build trust with their followers and confidence in their leadership.

#2: Inspirational motivation.

Motivating staff depends on a leader's ability to inspire confidence and purpose in employees. A good leader needs to have a clear vision for the future, be able to explain what he expects and be committed to company objectives. Strong leaders sound like they know what they are talking about and inspire staff to reach **higher levels of morality**.

#3: Individualised consideration.

Everyone is motivated by different things, so blanket consideration of your staff isn't going to work. True transformational leaders find out what works for each person, and make it happen it in a way that gives each employee a sense of personal ownership.

#4: Intellectual stimulation.

To get the best from workers, a strong **leader encourages** them to see the big picture. This changes how they think about company problems and involves them in important decisions. It also challenges them to try and be more innovative and creative in their work.

How company culture affects digital transformation.

Transformational leaders need to remember large-scale changes like this are about **people, not processes**. Going digital begins by changing the mindset of workers away from the fear of being replaced by robots, artificial intelligence, or computer processes.

People need to have common goals, be excited by the new technology, and understand the possibilities it offers. That means having to change company culture if you want your digital agenda to succeed, empower your workers, and get them to support the transformation.

Employees have to accept how their way of working will change and the new training they might need to do their jobs. Communications will change because of new technology such as social media, instant chat, and video conferencing options. The Internet of Things will affect the way equipment is serviced and maintained, and how customers buy goods.

Workers who don't feel positive about the digital changes are likely to cause delays and to be less successful in learning the new methods.

Developing a digital transformation strategy.

Digital transformation is happening everywhere. Research by Gartner shows over 125,000 companies started going digital in 2016 and believe they will increase revenue by more than 80% by 2020. The problem is, only 27% of businesses actually have a strategy for doing so.

To escape the status quo and make digital change work for your organisation, it's important to put a strong culture change in place using transformational leadership styles.

Developing a workable strategy means:

- **Creating a vision, based on your long-term goals.** Focus on what you want to achieve and the experience you want your customers and employees to have. Look at what you need to do to get there, and the short-term actions you will have to take to do so. Be realistic about what's possible and what isn't, or your workers will be overwhelmed and unable to be excited.

- **Analyse your market to find out where your competitors are headed.** Make sure you are able to offer the same products or services in the future as they are going to. Keep up to date with new ideas they have, to avoid getting left behind. You might have to go outside your industry to look for new ideas that will keep you competitive.

- **Design the experience you want to give your staff and clients.** Research shows 93% of business leaders think their success depends on the digital

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experience their customers have. Figure out how you want digital transformation to add value to your users. For customers, this might mean a better experience shopping online. For staff, it could be a faster, simpler way of doing their work with a new software application or platform.

- **Assess where you are now.** This enables you to map out the route between your current position and end vision, with all the gaps in between. Look carefully at your current digital situation, and find out what you'll need to get (and do) to reach your goal. Set your priorities and consider the cost involved, and how you will finance the process.

- **Get the skills you need to make the shift.** Whether this means a leadership expert, a professional consultant, or a technology specialist, you should either employ or partner with the right person to oversee the change. Train your staff in the skills they will need for the new ways of working or get help from the software companies you're working with to do so.

By becoming a transformational leader and a role model for digital change you can make sure your company avoids "Digital Darwinism", which happens when technology and society change faster than companies can keep up. This caused the loss of almost half a billion jobs when companies like Blockbuster, ToysRUs closed down because they were unable to adapt.

Transformational leadership advantages & disadvantages.

Transformational leadership advantages.

#1: Lowers turnover costs.

Inspiring leaders keep staff more often and for longer than other types of leaders. They are usually also able to keep customers, too, because of the appeal this kind of leader has. A transformational leader tries to satisfy both the company's needs and his/her own at the same time. This means all workers feel like they have a specific role to play in the team, which keeps them engaged and lowers the cost of staff turnover.

#2: Gets staff engaged.

Getting your staff engaged and motivated is vital for reaching the highest possible productivity levels. A transformational leader is good at recognizing the needs of their followers, which enables them to find ways to inspire people to do their best work.

#3: Drives change.

For companies to improve they must be willing to change. Transformational leaders get staff on board and excited about new happenings. They can sell the idea of changes better if they believe in the process themselves, which results in everyone reaching their full potential.

#4: Spots gaps.

One of the most important aspects of the advantages and disadvantages of transformational leadership is the ability to spot gaps and problems in a vision and come up with changes to solve them quickly. Leaders can also "sell" the new solution to their followers, which means it gets adopted right away.

#5: Creates passion.

Excitement is catchy, and when people see others happy and having a good time they want to share in the experience. If workers see their leader excited about a new vision or goal they get interested as well, which leads to better team spirit, a higher level of productivity, and less turnover of both staff and clients.

#6: Encourages learning.

A transformational leader does more than just work towards a final goal or vision. He or she also encourages staff to learn new skills. This helps to build a healthy culture in the company and ends in better detail orientation and good overall work from the staff.

#7: Solves problems.

When we compare this type of leadership to transactional leadership that loads making all decisions and solving all problems on the leader, it's easy to see why transformational leadership promotes collaboration between workers. This leads to them being more creative and coming up with new ideas more often.

#8: Improves communications.

One of the biggest problems in companies relates to the way they communicate with workers. When staff don't have the right information about their jobs, what managers expect or the needs of a project, they can't do their work properly. An advantage of using a transformational leadership style is that managers must provide regular

feedback to their followers to keep them headed in the right direction. This forces better communication, which delivers better results.

#9: Boosts morale.

Companies that have struggled with low staff morale or indifference, whether over the short term or long term, can boost morale and change the working environment by bringing in transformational leaders to break workers out of the routine. This type of leadership understands that strong, healthy relationships are at the heart of all business operations, and boosting morale helps employees to want to improve their relationships with each other and with customers.

#10: Focuses on ethics

Ethical behaviour plays a large role in a transformational leadership style, which aims to change a company's corporate values to include higher levels of fairness and justice. This type of leadership gives a wider view of leadership than other methods, while emphasising the followers' needs, values and morals. An authentic approach to work means team members are always focused on doing the right thing in the right way.

Transformational leadership disadvantages.

Of course, few things in life have no disadvantages, and transformational leadership is not an exception. The secret is to assess whether the pros outweigh the cons in your particular situation and to make the decision that's best for your company. Here are some of the issues to watch out for:

#1: Not hitting the mark.

Research shows that in some instances, employers thought they were providing transformational leadership when in fact they weren't. From the worker's viewpoint, the way they were managed was actually a transactional focus, which is the opposite. Instead of treating workers as real members of the decision-making process, leaders were treating employees as subordinates and trying to exchange rewards for performance.

#2: Doing things by committee.

This happens when employees feel everything needs to be decided by a large group of people, which leads to some withdrawing and refusing to take part, while others get involved in constant conflict. In a small business, transformational leadership can work well because of the limited number of people, but in a large corporation, it works better when selected employees represent the others—rather than trying to have everyone involved equally.

#3: Difficulty and risk of abuse.

Transformational leadership is a complex idea arising from several different leadership theories. This makes it difficult to learn or to teach, and true transformational leadership is more of a personality trait. It also carries a risk of being abused, because the leader's position in this model is mostly unchallenged. When that happens, leaders may be able to abuse their power, for example in the way Adolf Hitler did.

Overall, transformational leadership advantages and disadvantages both need to be taken into account if your company is considering making the shift to a digital environment, but the effort is more worthwhile than you can imagine.

Transactional vs transformational leadership.

Being chosen to lead and carry out a digital transformation programme is both exciting and scary, and business leaders who want to succeed often find it hard to <u>overcome the barriers they experience</u>.

With a clear understanding of the differences between <u>transactional</u> vs transformational leadership models, however, you'll be able to meet your company's expectations.

Defining the different styles.

There are several different <u>styles of leadership recognised in business</u> these days, but two of the most common are based on transformational and transactional leadership theories developed by James Macgregor Burns and Bernard Bass.

As previously mentioned, these models are almost complete opposites because while transactional leaders focus on maintaining the status quo, usually through careful organisation, staff supervision and group results, transformational leaders challenge the status quo and emphasise creating change inside an organisation.

Transactional leaders use disciplinary power and a range of incentives to encourage good employee performance. The "transaction" that takes place is the act of exchanging reward for performance.

Companies under this kind of leader usually operate smoothly, enjoy high productivity, and can deal with small operational changes easily. This makes it an effective management style for many traditional companies.

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[Transformational leaders](), however, go beyond the day-to-day operational management and work hard towards taking their organisation to higher levels of success. Methods used to do this include promoting teamwork, inspiration and co-operation between employees at different levels, to make sure they carry out corrective actions to improve performance.

This style of leadership is great for developing and growing small to medium-sized businesses, which need creative thinking to expand.

Both of these leadership styles have a place in successful companies. However, many organisations are now facing an urgent need for [digital transformation, which often depends on making cultural changes](). So for large businesses, a transformational leadership style is needed too.

Applying a transformational leadership style to digital change.

The concept of transformational leadership can apply to almost every industry, including healthcare, education and government agencies, but it's especially important in IT as companies set goals and start their journeys towards [digital transformation](). Adapting to quickly-changing technology takes innovation and strong leadership to stay ahead of the pack and continue to be competitive. And since digital transformation is basically about people, achieving a successful digital agenda begins

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by changing the mindset of a company to increase the emphasis on its people.

Research by the Harvard Business Review shows that any changes made that don't empower employees typically don't succeed and that **empowering people through change is the only way to have the lasting digital transformation needed for companies to grow**.

Transformational leadership style is based on four pillars, which can all be applied to achieving digital change in an organisation:

- **Intellectual stimulation**, which includes creating a company setting where workers feel safe to be creative, voice their ideas, and challenge current thinking. Where a transactional leadership style of "command and control" might achieve some success, teams do better by having guidance and the opportunity to solve problems on their own.
- **Individualised consideration**, which transformational leaders achieve by adapting their methods to match the skills and the people in their teams.
- **Inspirational motivation**, which requires leaders to pay attention, have a clear vision and strategy, and to be able to passionately communicate their vision to their teams. By using ways that help them to see the big picture, transformational leaders enable workers to go beyond the immediate task and aspire to be part of something larger.
- **Idealised influence**, which means leaders need to base their actions on accepted values, work towards the greater good, and lead their teams by example. This ensures that the results are supported by strong morals and ethics, and they can stand up to close examination.

- **Transformational leaders don't always have to be managers**. Anyone can be (or become) a transformational leader in the field of digital disruption. The actions needed to make the shift to a digital universe effective depend to a large degree on the needs of the business and the organisational culture. In some instances, it might be necessary to use some transactional leadership methods, too.

For example, all processes across an organisation going through digital disruption will have to find new digital solutions, which could mean restructuring departments, starting to use new tools, and making changes to tasks such as:

- the way sales are made,
- placement of orders,
- preparation of reports,
- changes in skill-sets,
- and monitoring of processes.

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Many of these activities are done well as a result of the structured methods of organisation and the supervision of staff **by the transactional leader**, which helps them to achieve their goals.

Advantages and disadvantages of using transactional vs transformational leadership styles.

Both styles of leadership have their pros and cons, particularly when it comes to [digital transformation](). And we have covered the main advantages and disadvantages of transformational leadership styles above.

Transformational leadership is recognised for its ability to quickly assess a company's situation, set goals for improvement and growth, and to create a positive work environment for the team. By using the four pillars listed above, this leadership style results in motivated and inspired workers, who typically deliver better efficiencies and results.

It can also face difficulties, though, such as a challenge with detail orientation that is obvious in transactional leadership methods. Also, transformational leaders occasionally get so passionate and excited that they overlook reality and truth, resulting in less-than-ideal use of logic and research. And not every transformational leader is good. For example, Osama bin Laden was an example of this type of leader because he was able to motivate his followers to put aside their individual interests and work together towards a common goal.

Transactional leadership style advantages.

The [benefits offered by transactional leadership]() methods, on the other hand, include:

- **Employee motivation** through rewards and punishment, which is often effective in particular industries.
- **The presence of achievable short-term goals** that are realised in a shorter timetable, which makes them easier to fulfil and less demoralising for workers.
- **A clear, concise structure** that allows workers to understand and achieve

exactly what is expected of them.
- **Sound management of productivity and costs** based on short-term goals that enable workers to get things done according to a strict plan.

Transactional leadership style disadvantages.

Disadvantages of this leadership style include the fact that it is usually viewed as "stiff" by employees and has negative factors like job suspension and termination. It limits creativity and makes it hard for workers to present ideas that aren't in line with existing goals, and also it discourages employees from aiming for higher positions in the company.

Employees often don't take enough accountability and ownership, because they are given their tasks and expected to complete them within the framework provided. And since the rules usually exist for a reason and can't easily be changed, employees have less concern for the company's welfare than they would if they felt personally accountable for success.

Which style is right for you?

Since digital transformation is fundamentally about people, getting it right mostly requires transformational leadership.

However, leaders might need to adapt their style to account for instances when transactional leadership is needed as part of the transformation process.

Examples of this include the healthcare environment, where strict guidelines and transactional management styles apply even during a larger transformational process. This is because healthcare employees still have to operate according to fixed programs and tasks, making the environment more suitable to the transactional style.

Therefore. leaders could well find themselves using a combination of transactional and transformational leadership styles in different circumstances.

Transformational Leadership Examples.

There are lots of ways to skin a cat, or so the saying goes. While we aren't in favour of skinning any creatures, we understand leadership has many faces. These transformational leadership examples show several different styles and characteristics that have been used successfully over time.

Characteristics usually shown by leaders include:

- self-management,
- keeping ego in check,
- appropriate risk-taking,
- decision-making ability,
- adaptability, and
- a clear understanding of the organisation's collective consciousness.

Companies wanting to go digital might know they need high quality, thoughtful managers, but it's hard to know where to start. Here are some of the best-known transformational leadership examples to help guide you.

Transformational Leader #1: Steve Jobs.

It's not difficult to choose the late Steve Jobs of Apple Inc. as one of the most transformational leaders we've seen.

After starting Apple in 1976 with partner Steve Wozniak, the pair worked out of Jobs' garage building computer systems for sale to non-corporate customers. Long before anyone else fully got to grips with the possibilities of a personal computer, Jobs had the foresight and vision to follow his dreams, make difficult decisions, and influence people across the world.

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Steve Jobs used inspirational motivation to challenge his team to think outside the box and stimulated them intellectually to develop products we didn't even know we needed.

Characteristics of Jobs' leadership were his decision-making ability and adaptability, and in later years he was willing to take risks appropriate to his achievements.

Transformational Leader #2: Nelson Mandela.

Transformational leadership doesn't only happen in digital circumstances. Nelson Mandela will go down in history as one of the most inspirational role models of all time.

After years spent leading the struggle for democracy in South Africa and being imprisoned in difficult conditions for 27 years, he was freed when the country reached a tipping point in its struggle against oppression.

Despite everything Mandela had experienced, he came out of prison to lead the country as its next President, promoting forgiveness and unity. By doing so, he transformed South Africa into a democratic nation without the predicted bloodbath of racial revenge that the public feared and expected.

Mandela demonstrated an idealised influence leadership style and was respected by his followers and society in general because of his ethics and morals. His complete lack of personal ego and his excellent self-management showed that his values went beyond personal gains, and his actions were all seen to be for good of the country.

Transformational Leader #3: William Edwards Deming.

Dr William Edwards Deming is widely considered the founder of the Total Quality Management (TQM) revolution. He was a doctor of maths and physics who worked for the U.S. government for most of his life. After World War II, he went to Japan for the U.S. Army and helped the Japanese apply statistical methods and processes to manufacturing. He planned to make Japan an industrial world leader in 5 years but achieved it in 4.

Deming went back to the U.S. to apply transformational leadership examples in manufacturing, where his style of inspirational motivation produced results by 1980. Accounts of his achievements clearly show characteristics of collective consciousness, combined with effective self-management and an ability to keep his ego in check.

Transformational Leader #4: H. Ross Perot.

H. Ross Perot was another transformational leader in the digital environment. After a career in sales with IBM, he started Electric Data Systems, a company that built and serviced computer systems for customers. He used the element of individual consideration to great effect, having a popular "personal touch" style of leadership, with strong decision-making and risk-taking characteristics.

Perot's approach to customer service began the shift to the service-oriented way of working that so many companies now use.

Other Transformational Leadership Examples.

Transformational leadership theory states that team members support each other and the company out of trust, loyalty, and respect for their leader. This means it takes an exceptional person to become a transformational leader, but there is no shortage of these leaders in the history of Great Britain or the world. Some of the best known, past and present, are:

- **Oliver Cromwell**, who was known for demonstrating care and respect for his men, keeping them motivated and inspired.
- **Sir Winston Churchill**, who was recognised by leadership experts for being particularly good at seeing the bigger picture. He used individual consideration leadership to teach courage to the British people.
- Lord **Louis Mountbatten**, whose focus on intellectual stimulation caused him to both attract and keep very intelligent, capable people to his ranks.
- A digital transformational leader we don't often hear much about is **Reed Hastings**, the CEO of Netflix. After founding the video streaming service in 1997, he took the leap into original content that has made Netflix an entertainment industry behemoth.
- No list of digital transformational leaders would be complete without including **Jeff Bezos**, the founder of Amazon. From a discount virtual bookstore in 1994, Amazon has grown into a corporation dominating multiple industries. Sadly, it appears Bezos has morphed from transformational to transactional leadership, given the reports from Amazon employees that have made the news lately.

If you're thinking about making the shift to digital technology in your company you might find it useful to study these transformational leadership examples. It's one thing to succeed in making the change over to digital, but it's quite another to do it as successfully as the best role models in the business.

The U.K.'s Leadership Vacuum.

On a daily basis, organisations across the U.K. deal with challenges and obstacles, which are the nature of doing business.

Far too often, however, the setbacks resulting from these are caused by what the Chartered Management Institute (CMI) calls the national "accidental manager" complex. This occurs when a person is promoted internally based on their

performance in a job, but they remain inadequately trained in managing others.

The research shows a total of 2.4m of these accidental managers currently functioning throughout the U.K., which, combined with other poor management practices, could be costing the economy up to £84 billion per year.

Summary & Next Steps.

Transformational styles of leadership can help your company meet the demands of the digital market. It's not only about getting technological skill sets, however. The tools are only as effective as the people using them, so major cultural changes are necessary to take workers along on the journey with you. Motivate them to be positive and enthusiastic, upskill them to handle the new demands of their work, and empower them to understand how the changes add value to their work and their lives.

A transformational leader encourages, not commands. He (or she) inspires and motivates, not instructs, and leads by example, rather than by direction.

The 21st-century digital revolution is an unstoppable force, and at this point in time, we don't know what the outcome will be. With the speed technology moves at, companies that can't keep up with the changing scenarios are likely to fail, unless they can find themselves transformational leaders who can figure out how to succeed like the best in the business have done.

There are countless transformational leadership examples to be found, but the question is:

How should you apply this concept to bring your business into the digital age?

If you'd like to discuss this question with our expert team, you can call is on 0161 5045 040 or click here to book a meeting.

What kind of leader are you?

You've just read all about transformational and transactional leadership and you might have an idea about what kind of leadership style you've been using or what seems to come naturally to you.

It's important that you figure this out because, as we've learned here, you'll need transformational leaders in place for digital transformation to succeed. There will also be occasions where a transactional leadership style will be useful.

To help you uncover your own leadership style, I've devised a **short quiz** for you to take. Simple answer the questions honestly to find out your natural transformational vs transactional leadership style.

Armed with this knowledge, you'll be able to identify what you need to work on to improve your leadership style, or if you need to recruit suitable people for leadership roles.
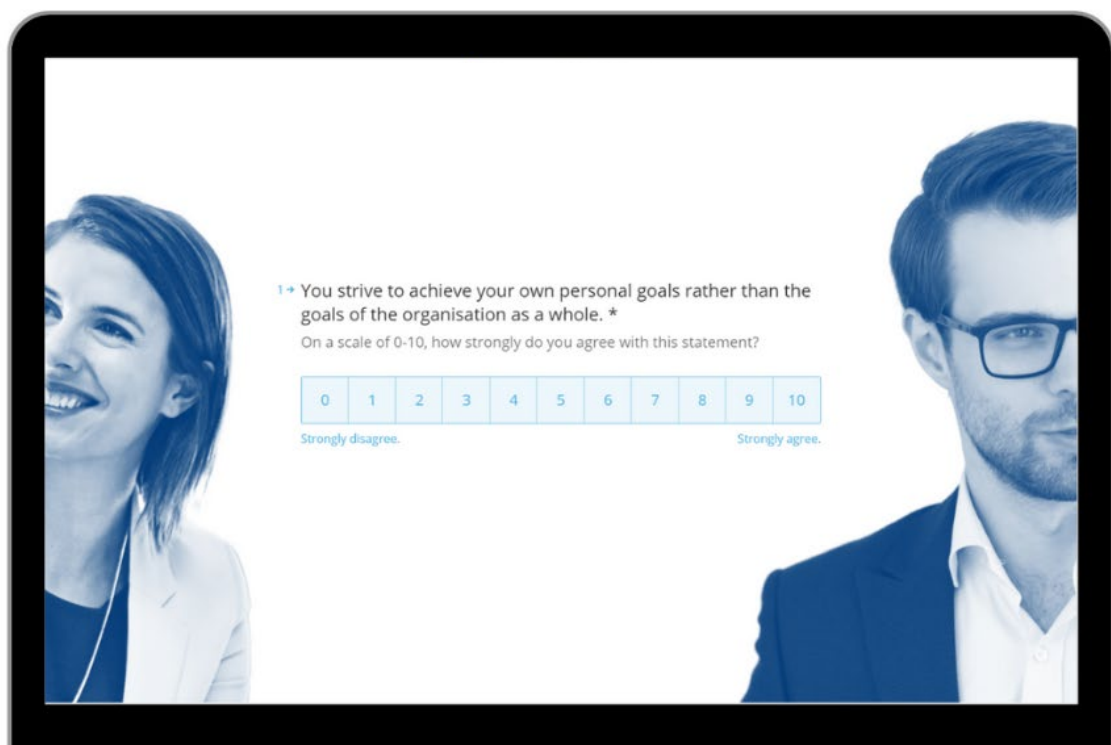
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