Journal of Organizational Change Management

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Article information:

Transformational leadership in the context of organizational change

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Keywords *Leadership, Management styles, Organizational change*

Abstract *The importance of leadership to the change management process is underscored by the fact that change, by definition, requires creating a new system and then institutionalizing the new approaches. While change management depends on leadership to be enacted, to date there has been little integration of these two bodies of literature. Thus, the purpose of this article is to draw parallels between the change literature and the leadership literature; specifically, the transformational leadership literature that is primarily concerned with the capabilities required to enact change successfully. This is done by describing areas of convergence between the two literatures that point to the appropriateness of transformational leadership in enacting change. Finally, the papers in the special issue are previewed by identifying their underlying themes.*

> What it takes to be a leader in the 1990s and beyond is really handling change (Roberto Goizueta, late Chairman and CEO of the Coca-Cola Company).

Change oriented models of leadership have sustained the interest of managers and scholars alike because of their promise of extraordinary individual and organizational outcomes. As we move closer to the new millennium, models of outstanding leadership such as transformational, charismatic, and visionary leadership, which focus on organizational transformation, are likely to become even more important to organizations because of the breathtaking changes foreseen in the business and political environment. These include workforces with a greater degree of demographic diversity, technological change, and increased international competition which will place new demands on the leaders of tomorrow (House, 1995). The importance of leadership to the change management process is underscored by the fact that change, by definition, requires creating a new system and then institutionalizing the new approaches (Kotter, 1995).

While change management depends on leadership to be enacted, to date there has been little integration of these two bodies of literature. The key role leaders play in the change process has been noted by change theorists, yet there is no conclusive research that focuses on this relationship between leadership and change (Almaraz, 1994). Recent theoretical research has attempted to integrate change as a contextual variable influencing transformational leadership (Pawar and Eastman, 1997). Such research focuses on determining when organizations will be more receptive to transformational leadership and the match between receptivity level and the actual transformational leadership process. However, Pawar and Eastman (1997) do not address the issue of the

capabilities of transformational leaders required to carry out the pertinent change process.

Thus, the purpose of this article is to draw parallels between the change literature and the leadership literature; specifically, the transformational leadership literature that is primarily concerned with the capabilities required to enact change successfully. First, we will describe the latest literature relating to change management. Next, we will review theories of change oriented leadership. Finally, we will integrate these literatures and link them to the articles that comprise this special issue.

Types of change: incremental, radical, continuous

Tushman and Romanelli's (1985) punctuated equilibrium model of change emphasizes the discontinuous nature of change. Long periods of small incremental change are interrupted by brief periods of discontinuous, radical change. These occasional dramatic revolutions or punctuations overcome organizational inertia, which alters the organization frame. The deep structure, or metacontext, persists and limits change during stages of equilibrium (Roach and Bednar, 1997). The metacontext, which Gersick (1991) refers to as the "design of the playing field and rules of the game" (Gersick, 1991, p. 16) changes during metamorphosis. Advocates of the punctuated equilibrium model (Miller and Friesen, 1980) support the view that organizations are both inertial and adaptable as they evolve through stages of convergence in which only incremental change takes place, and reorientation, during which fundamental change occurs. Nadler and Tushman (1989) discuss the skills managers need to navigate the turmoil of metamorphosis.

Gersick (1994) expanded her earlier work on change in project groups (Gersick, 1988, 1989) to the organizational level of analysis. She concluded that two distinct mechanisms, temporal pacing and event pacing, were used to modulate the speed and course of organization change. She suggests that temporal pacing is well suited to nonroutine situations as it offers the possibility for punctuated change at milestone transition points. It also serves as a check against escalating commitment (Staw, 1981). The key is to match the organization's pacing to the rate of change in its particular environment.

In contrast, event-based pacing is shown to be well suited to fostering incremental change. The focus is on specific events that signal when actions should be initiated or corrections made. Its focus is on keeping on a given track and is motivated by the desire to achieve specific outcomes.

Sastry (1997) also found that time-based pacing, rather than responding to events in the external environment, is beneficial in turbulent environments. In calm environments, managers can use external pacing, where change is triggered by environmental shifts. Sastry (1997), using the punctuated organizational change model, studied why organizations may fail following reorientation. He concluded that organizations need time to reap the benefits of earlier reorganization – time free of further restructuring. He proposes a trial period during which change is suspended. Sastry (1997) uses the example of a

transformational leader, Jack Welch of General Electric, as evidence that this trial period works in real-world organizations. Without an explicit trial period of "soft initiatives," Welch suggests, GE would not have realized the performance gains in the 1990s set in motion by the major changes in GE's businesses and management structure implemented in the 1980s (Sastry, 1997).

A recent article by Brown and Eisenhardt (1997) argues that, although the punctuated equilibrium model has academic interest, it is not representative of the experience of many firms. They drew theoretical insights about the structure and processes that characterize firms that compete by changing continuously. Their study of multiple-product innovation in the computer industry focuses on an industry characterized by an extraordinary rate of change. Brown and Eisenhardt (1997) argue that organizational survival depends on the firm's ability to engage in rapid and continuous change, in contrast to the rare, episodic phenomenon described by the punctuated equilibrium model.

Enacting change
Ford and Ford (1994) use models of logic to provide different understandings of the change process. They argue that our understanding of organization change will vary depending on the logic that is deployed. The logic of dialectics emphasizes conflict or struggle as the basis for change. The conflict between the forces for and against change are two opposing actions that "work at each other" until one dominates and the resulting outcome is a synthesis that is distinct but contains elements of the forces for and against change. This model assumes that dissatisfaction with the status quo is necessary before change can occur. In contrast, the logic of trialectics proposes that change occurs through attraction. Changes do not result from "pushes" or pressure to move away from the present situation, but instead result from being "pulled" toward or attracted to different possibilities.

In addition to developing these models of logic, change researchers have sought to describe other aspects involved in implementing successful change. Brown and Eisenhardt (1997) identified three key characteristics of successful managers in continuously changing organizations. Successful managers provided clear responsibility and priorities with extensive communication and freedom to improvise. Analogous to jazz improvisation, these managers created an environment that supports intensive communication in real time, within a structure of a few, very specific rules. The limited structure provides framework without which there are too many degrees of freedom. Yet, these fundamentals provide a firm backdrop against which individual members can be creative.

A second characteristic of successful managers is exploration of the future by experimenting with a wide variety of low-cost probes. They argue that low-cost probes enhance learning about future possibilities. This learning

opportunity is critical because, while the future is uncertain, it is possible to learn something about it. Learning makes it easier for leaders to anticipate and even create the future (Brown and Eisenhardt, 1997).

Third, effective managers link current projects to the future with predictable (time-paced rather than event-paced) intervals and choreographed transition procedures. Familiar routines are created by predictable timing and by transition procedures that link the present to the future. They use the term "links in time" to portray explicit organizational practices that address past, present and future time horizons and the transitions between them. Rhythms are created that enable people to pace their work and synchronize their energies with one another, creating a focussed flow of attention that enhances performance. Consistent with Gersick (1991), performance is further enhanced if the rhythm created by the transition process becomes synchronized with the rhythm of change in the environment.

Theory of change oriented leadership

Given the change literature's emphasis on the importance of the leader in enacting change, we next turn our attention to a discussion of a leadership theory that is intimately tied to change: transformational leadership.

One of the most comprehensive leadership theories of organizational transformation is the theory of transformational and transactional leadership. Burns (1978) developed the initial ideas on transformational and transactional leadership in the political context and Bass (1985) further refined them and introduced them into the organizational context. Transactional leadership develops from the exchange process between leaders and subordinates wherein the leader provides rewards in exchange for subordinates' performance. Transformational leadership behaviors go beyond transactional leadership and motivate followers to identify with the leader's vision and sacrifice their self-interest for that of the group or the organization (Bass, 1985). Bass' (1985) conceptualization of transformational leadership includes charisma or idealized influence (followers trust in and emotionally identify with the leader), intellectual stimulation (followers are encouraged to question their own ways of doing things) and individualized consideration (assignments are delegated to followers providing them with learning opportunities). Descriptive research by Tichy and Devanna (1990) shows that transformational leaders engage in a process, which includes a sequence of phases: recognizing the need for change, creating a new vision, and then institutionalizing the change. A review of the literature on change oriented or outstanding leadership, which also includes charismatic and visionary leadership (House, 1995), indicates that the "majority of the approaches share the common perspective that by articulating a vision, fostering the acceptance of group goals, and providing individualized support, effective leaders change the basic values, beliefs, and attitudes of followers so that they are willing to perform beyond the minimum levels specified by the organization" (Podsakoff *et al.,* 1996, p. 260).

Most of the research on the transformational and charismatic leadership paradigms has focussed on its relationship to individual and organizational outcomes such as job satisfaction and performance (both subjective and objective). These studies have been conducted in a variety of settings using lab, field, and archival data and a variety of samples that include private and public sector organizations, students, military leaders, presidents, and different national cultures (Bass, 1990; House *et al.,* 1991; Pillai *et al.,* in press; Podsakoff *et al.,* 1996). According to Bass (1995), charisma, attention to individualized development, and the ability and willingness to provide intellectual stimulation are critical to leaders whose firms are faced with demands for renewal and change.

Links between transformational leadership and change management

As the above descriptions of the change and transformational leadership literatures illustrate, there is a need to integrate these perspectives to gain a greater understanding of how to effectively enact change. It is our belief that the leadership and change literatures both show that certain transformational leadership qualities are uniquely appropriate for leading certain types of change. For example, research in the leadership area supports the idea that transformational leadership is better for non-routine situations (Bass, 1985). Furthermore, Pawar and Eastman (1997) propose that organizations will be more receptive to transformational leadership when adaptation (as opposed to efficiency) is the goal. In the change literature, the definition of event-based pacing (i.e. centered on maintaining status quo and achieving specific goals (Gersick, 1994)) may be a better fit with transactional leadership that emphasizes clarification of goals, follower compliance through incentives and rewards, with a focus on task completion (Bass, 1995). In order to further this argument, we next describe areas of convergence between the two literatures that point to the appropriateness of transformational leadership in enacting change.

Transformational, charismatic, and visionary leaders can successfully change the status quo in their organizations by displaying the appropriate behaviors at the appropriate stage in the transformation process. When there is a realization that the old ways no longer work, such leaders may undertake the task of developing an appealing vision of the future. A good vision provides both a strategic and a motivational focus. It provides a clear statement of the purpose of the organization and is, at the same time, a source of inspiration and commitment. Consistent with Ford and Ford (1994), this view holds that leaders create change by providing a vision that is attractive to followers rather than creating dissatisfaction with the status quo. There is yet no consensus in the transformational leadership literature concerning whether a crisis or dissatisfaction with the status quo is necessary for transformational leadership

to occur. Leaders may not need to create dissatisfaction with the present, but instead may provide a vision of a possible future that is attractive and engaging (Kouzes and Posner, 1988).

Even without dissatisfaction or crisis, both literatures suggest it is critical that the leader be a change champion who can assemble and motivate a group with enough power to lead the change effort (Kotter, 1995). The change literature also suggests that a leader's ability to effectively use inducements and interventions that get people to change is only effective if people have an active need that the change can satisfy.

As described in the change literature, in order to pull or attract followers to different change possibilities (see Ford and Ford, 1994), the leader must craft an appealing vision that takes into consideration the underlying needs and values of the key stakeholders. Once this vision is developed, the leader must implement the change. This could be done through intellectual stimulation, whereby the leader sets challenging goals for the employees and motivates them to rethink old ways of doing business. The leader frames the change by appealing to follower needs for achievement and growth that induces the follower to find the change attractive. The process may also be facilitated if the leader shows individualized consideration where he or she provides support, coaching and guidance to the employees. Coaching and guiding behaviors are particularly important in large-scale transformation and in the development of self-managing work teams. A number of modern corporations are adopting the team approach to structuring the organization, which in itself is a major transformation of the culture.

A transformational leader would be a good facilitator of this process by promoting the creation of a culture that encourages team-decision making and behavioral control (Manz and Sims, 1990). Individualized consideration would also play a role in neutralizing the inevitable resistance that is bound to accompany the transformational process. The leader must work at getting large numbers of people in the organization involved in the transformation process. Otherwise, it is likely to be greeted with cynicism and strong resistance from key constituents, which is a sure-fire route to failure. This idea that the transformational leader creates a culture which embraces change is consistent with the change literature research by Brown and Eisenhardt (1997). Their description of the three key characteristics of successful managers in continuously changing organizations proposes that the successful leader creates a system (i.e. an organizational culture) that is neither too rigid (over-controlling the change process) nor too chaotic (so the change process falls apart).

Throughout the transformation process, the leader should set high performance expectations and reward behaviors that are directed toward fulfillment of the vision. It is also important that the leader models the behaviors that are required to institutionalize the change and sets the standards for the rest of the organization to emulate. As Kotter (1995) argues, change sticks only when it becomes "the way we do things around here", when

it seeps into the bloodstream of the corporate body. This is similar to Sastry's (1997) conclusion that enforcing a waiting period after every significant change in strategic orientation is necessary to maintain competence. The transformational leader can play a critical role in communicating how the changes have led to better performance and ensuring that the next generation of top management personifies the new approach (Kotter, 1995).

Transformational leadership in the context of change
The papers in this special issue all seek to bridge the gap between the change management and transformational leadership literatures. More importantly, they attempt to answer the basic question of how leaders deal with change and why transformational leadership may be a successful way to enact change. From a theoretical perspective, these articles may potentially advance research in both the leadership and change areas because they address the following issues:

- The integration of diverse bodies of literature.
- Methodological issues in measuring transformational leadership.

Integrating diverse literatures
Each paper integrates change and leadership with very different streams of research. For example, Pamela Tierney uses work on organizational climate, LMX, and group dynamics to support her study of the leaders' role in creating a favorable climate for change. Similarly, Tony Simons draws on concepts from the literature on fads, trust, and credibility to develop the construct of "behavioral integrity" which he proposes is central to effective change management.

Measurement of transformational leadership
The difficulty of measuring constructs such as leadership and change makes examining methodological issues particularly important. In their study, Tim Hinkin and Bruce Tracey use quantitative measures and recommend refinement of the leading instrument designed to measure transformational leadership. Ken Parry expands the methodology used to investigate the transformational leadership phenomenon by using a qualitative, grounded theory approach.

In addition to these papers' contribution to building theory in the leadership and change areas, they also contribute to the practice of leading successful change. The following practice-related themes emerge in the articles that follow:

- Leadership qualities that enable leaders to successfully enact change.
- Social influence processes that enable leaders to successfully enact change.

Qualities enabling leaders to successfully enact change
Tony Simons' discussion of this quality of behavioral integrity proposes that this new construct is a "pivotal challenge" of successful change management. This conceptual paper argues that transformational leaders who wish to enact change should take care to match their espoused and enacted values. They should do this even though the environment of continuous organizational change makes such congruence very difficult.

Timothy Hinkin and Bruce Tracey present an empirical piece that describes successful leadership in more stable organizations. The lack of continuous change may make the charisma or idealized influence dimensions of transformational leadership unnecessary. The authors point to the importance of the setting in transformational leadership and argue that contextual variables (such as environmental change) play a role in determining whether charismatic leadership is effective in a given organization.

Social influence processes enabling leaders to successfully enact change
Pamela Tierney's empirical study shows that the quality of relationships with supervisors and fellow team members may be used as vehicles to create a favorable climate for change. Furthermore, Ken Parry's study concludes this issue by adding that a successful strategy for dealing with continuous organizational change is to resolve followers' uncertainty about the change process and enhance their adaptability through frequent communication, training, and mentoring.

As mentioned throughout this article, the importance of successfully enacting change is a critical issue facing today's organizational leaders. The articles presented in this special issue were chosen because they all provide insights into this crucial topic. Moreover, they address concerns of both academics and practitioners as we all attempt to gain a greater understanding of how leaders can and should enact change.

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