**Topic 9:**

**Leadership and Organisational change**

In the previous topic, we looked closely at how leaders can influence group development and team effectiveness, including the effectiveness of virtual teams.

In this topic, we will explore the leader’s role in organisational change by looking into the rational and emotional approaches to organisational change, and discuss charismatic, transformational and transactional leadership.

In more detail, our objectives in this ninth topic can be divided into two parts:

1) The rational approach to organisational change
2) The emotional approach to organisational change

**Learning resources**


The following reading is also applicable:


**Key terms and concepts**

- $C = D \times M \times P > R$
- Dissatisfaction Model
- Change process
- Resistance to change
- Amount of change
- Employee engagement
- Transformational leadership
- Charismatic leadership
- Reframing
- Vision
- Rhetorical skills
- Image
In Part 1, we will explore the **rational approach to change** and the leader’s role in the change processes, while in Part 2, we will look at the **emotional approach to change** and the concepts of charismatic, transformational and transactional leadership.

In Topic 1 we discussed the difference between leadership (change focus) and management (control focus) and concluded that leaders have a number of key roles:

- Visioning
- Inspiring
- Empowering
- Coaching.

A leader is a person who can create unique vision for the organisation. Equally important is the ability to a leader to communicate the vision clearly to the followers as well as aligning the vision with the mission and goal of the organisation. There also needs to be “buy-in” where the followers are attracted and committed towards the vision. This will require the leader to use power and influence strategies effectively, their positive personality traits, planning and coaching skills. They will also need to use their knowledge of motivation and group dynamics to engage their followers in the process of change.

Fundamental to this challenge is the understanding of the dynamics of organisational change and the ability to develop strategies and techniques that are appropriate for the situation and the nature of the followers.
Part 1: The rational approach to organisational change

A rational model for change

Your textbook proposes the use of a change model based on the work of Beer (1988). The Model is expressed as a formula as follows:

\[ C = D \times M \times P > R \]

In essence, what the model is saying is that change can be accelerated if the combined effect of the followers’ dissatisfaction (D), the change model used (M), and the process (P) exceed the level of resistance (R).

These elements in detail are:

D – Level of **dissatisfaction** with the current status of the followers;

M – The **model of change** that includes the leader’s vision together with the goals and systems that has to change to achieve the vision;

P – A **process plan** that details the ‘who’, ‘what’, ‘how’, ‘when’, and ‘where’ of the change initiative;

R – The level of **follower resistance** that can occur for a variety of reasons;

C - The amount of change.

Thus the aim is to intensify the dissatisfaction with the status quo, build the vision, the plan and the changes required in detail and at the same time reduce the resistance by addressing followers’ concerns. The positive elements of the model – D, M, and P – have a multiplying effect if they are executed properly. Otherwise, they can undo a change initiative, for example, in the instance of poor communication about the vision and/or poor planning of the change initiative.

We will discuss each of the elements of the Model in more detail below.

**D – Follower dissatisfaction**

Organisational change requires the energy of emotion to shift beyond the status quo. Leaders need to become skilful in assessing and activating the dissatisfaction level of followers. Too much dissatisfaction can lead to turnover, whereas insufficient dissatisfaction can lead to inaction. This is a fine line that the leader has to tread. However, without the emotion of dissatisfaction, there is likely to be very little movement or change. Once the energy is developed, the leader has to channel that energy towards accomplishment of the vision.

Leaders can activate the energy of dissatisfaction by sharing information about competitive challenges, negative customer feedback, loss of market share, and declining profits or related information that indicates that “all is not well”. The leader can also encourage
employees to identify areas for improvement in the work team and the organisation and use this information as the catalyst for change.

**M – The change model**

The change model relates to the combination of a number of elements – the leader’s vision, related goals and planned systems changes.

Leaders develop their vision for change by constantly monitoring or scanning their organisational environment looking out for opportunities and threats. This external focus is one of the defining characteristics of a leader; by contrast, a manager is more internally focused. A vision is more likely to be achieved, however, if it is developed collaboratively with followers – where there is participation in formulating the vision, there is less likely to be resistance to the change initiatives.

The leader needs to formulate clear goals to attain the vision – these are the means by which the vision is to be achieved. The goals spell out specific desired achievements in key result areas that are necessary if the vision is to become reality. They may include reducing turnover, increasing market share, growth in profit, reducing production time, etc.

Leaders need to translate these goals into action by identifying areas of change to fulfil the vision and accomplish the desired goals. This will require systems thinking (see Topic 8) – understanding the interconnection between systems - rather than the more traditional siloed thinking which treats each system as an independent entity. The leader has to be aware of all the organisational systems and the way they interact with each other, for example, the manufacturing, marketing, sales, accounting and personnel systems.

Leaders need to ensure they do not overlook organisational culture and capabilities at this stage.

**P – Change plan and process**

The change process brings the vision to fruition. Therefore, a change initiative needs a change plan that identifies specific targets and activities. The master plan for change is then put into action with key roles identified; those who will articulate the plan into action. These actions are measured in terms of assigning timelines and targets. It is also important to have key milestones celebrated so that people do not lose the interest in the change process. The best way to obtain support for such plans is to engage the followers in developing and executing the change plan – commitment comes with involvement. Leaders should be constantly vigilant for distractions and negative behaviours and unintended consequences flowing from the plan. These may arise through follower resistance.

Making clear the benefits of the change at this stage can encourage follower commitment. Progress should be regularly reviewed and reported.
R – Follower’s resistance

There are many reasons why people (including ourselves) resist change.

People may resist change because of the process itself and their expectations about outcomes. Often there is a drop in productivity as change occurs because people have to learn new skills, develop new relationships, revise communication channels and learn new system mechanisms. This results in what is termed the ‘expectation-performance gap’ – the new systems/processes do not live up to expectations in the early stages of a change initiative. If this is not managed it can cause followers to revert back to old behaviours or systems.

Leaders can assist the transition phase by:

- Communicating realistic expectations about the new systems and the transition times involved.
- Demonstrating a high level of patience.
- Ensuring that the followers become proficient with the new system as soon as possible, building in coaching and training programmes.

People tend to resist change because of fear of loss of power, competence, relationships, rewards or identity. Therefore it is important that change must involve people rather than imposing change on the people. Richard Bracken, CEO of Hospital Corporation of America (HCA) believes that effectiveness of change is a reflection of the attitude of the organisation towards it by the tone set at the top. This means a continued statement, restatement, communication and validation of the company’s mission, vision, and values including culture (Bracken et al. 2013).

Your textbook suggests that the SARA Model (Kubler-Ross 1981) is an effective tool for understanding resistance to change:

S – Shock or surprise at the changed events and their personal impact;
A – Anger at the ‘system’ because of the work you have put in and/ because of the perceived impact on existing operations;
R – Rejection of the personal impact of the change initiative, and expectation that things will return to normal or “go away’;
A – Acceptance of the change as inevitable and willingness to pursue appropriate behaviour (including separation from the organisation).

Leaders can help their followers’ progress through the four different stages as depicted in the SARA Model by:

- Recognising the four reactions to change;
- Appreciating that individual people can take more or less time to work through the four stages;
- Understanding that people need to be in the acceptance stage before they are willing to take action;
• Recognising where people are, as this can vary considerably according to their level within the organisation.

A strong mix of leadership and management skills is required to make this rational approach to change effective. Both types of skills are essential if the change initiative is to be successful. There is an inherent tension between these two skill sets – leadership primarily demands a forward focus, external sensing and visioning while management primarily demands a present focus, internal sensing and detailed planning/monitoring.

Overall, the rational approach to organisational change discussed here provides leaders with an improved understanding of the dynamics of change and a way to leverage the change through key elements such as follower dissatisfaction, the change model employed, and the change process. At the same time, it highlights the key role of follower resistance and strategies needed to address this element.

A good way to summarise this part is to draw on Kotter’s (1996) explanation of why change efforts succeed or fail:

Eight principles for change success:

1) Demonstrate a sense of urgency;  
2) Form a strong change coalition;  
3) Envision the future and build strategy;  
4) Constantly communicate the vision;  
5) Remove barriers and align the organisation;  
6) Build on early successes;  
7) Maintain (or increase) the pace of change;  
8) Put systems in place to reinforce change.

Eight principles for change failure:

1) Allow too much complacency;  
2) Fail to create a strong change coalition;  
3) Underestimate the power of vision;  
4) Under-communicate the vision by a factor of 10;  
5) Permit obstacles to block the vision;  
6) Fail to create short-term wins;  
7) Declaring victory too soon;  
8) Neglect to anchor changes in the culture.

These reasons for success or failure of change initiatives, advanced by Kotter (1996), reinforce the prior discussion on the rational approach to change.

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the discussion about resistance to change on pages 570-574 of the 8th edition (pages 567-569 of the 7th edition).

Activity 9.1

Review a change initiative in which you were actively part of, either in your current or former job, and critically evaluate the process. What were the processes involved, how various stages were implemented, what were the challenges involved, how they were addressed, and other factors/issues that you have/had come across. Your analysis must be linked to theory. Make some recommendations as well.

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Part 2: The emotional approach to organisational change

In this section we will explore the emotional approach to change by discussing charismatic and transformational leadership. These approaches will be, in turn, contrasted to transactional leadership.

You textbook suggests that all transformational leaders are charismatic, but not all charismatic leaders are transformational. Nevertheless, throughout the chapter, the textbook authors use these terms interchangeably.

Charismatic leaders are driven, passionate individuals who are able to paint a compelling vision of the future. Followers are inspired to meet organisational and social challenges through the impact of the compelling vision, heightened emotional display, and strong personal attachments generated by the leader. Charismatic leaders have created major organisational transformations and positive social changes on a large scale.

To obtain a deeper insight into charismatic leadership, we will review the historical origins of the term, explore the characteristics common to charismatic and transformational leadership and contrast transformational leadership and transactional leadership.

Historical review of Charismatic Leadership

Your textbook draws on Max Weber’s (1947) categorisation of societies in terms of authority systems to place charismatic leadership in an historical context:
• **Traditional authority systems**: authority and succession determined by tradition, e.g. kings, heads of dynasties, heirs within a family owned company e.g. the Ford and Bush families.

• **Legal-rational authority systems**: power is in the position rather than the person, positional power is governed by rules and the position is usually occupied by election or by appointment; for example, elected officials, leaders in publicly traded companies.

• **Charismatic authority systems**: person derives authority because of their exemplary personal characteristics and unusual qualities, power resides in the person, typically involves ‘revolutionary’ ideas and/or processes. In a social context, charismatic leadership can be threat to traditional and legal authority systems. Therefore, they can be short-lived as it may result in physical or personal assassination; for example, Martin Luther King, David Koresh, Osho, Jesus Christ and some would argue, JFK.

The key issue in this framework is that charismatic leadership power is perceived as personal power rather than inherited or positional power, although it may, in fact, be reinforced by positional power, for example, a charismatic CEO.

There has been ongoing debate about the nature of charismatic leadership with some authors arguing that its emergence has more to do with the situation (for example, a crisis situation) or the followers’ acceptance, than with the characteristics of the leader.

Some of the key theories of charismatic/transformational leadership are:

• Burns (1978): differentiates transformational and transactional leadership – the former changes the status quo by appealing to the values and beliefs of followers, while the latter tends to reinforce the status quo and is based on some exchange, for example, a psychological contract in a work situation.

• Conger & Kanungo (1998): differentiates charismatic leaders from non-charismatic leaders by identifying the stages of charismatic leaders’ activity – (1) scanning and problem identification (2) articulating a vision (3) increasing dissatisfaction with status quo (4) building trust in vision and goals through personal example, risk taking and total commitment to the vision.

Shamir, House and Arthur (1993) differentiate transformational leaders through their capacity to change the self-concept of followers by changing the perception of work itself, offering an appealing vision of the future, developing a collective identity among followers and increasing followers’ confidence in getting the work done.

This discussion of the different theories brings us full circle to identify what are the common characteristics of charismatic and transformational leadership.

**Common characteristics of charismatic and transformational leaders**

Consistent with the Interaction Model, your textbook draws together the common characteristics under three major categories:
1) Characteristics of the leaders themselves;
2) Follower characteristics;
3) Situational characteristics.

1) Characteristics of the leaders themselves

These characteristics include vision and values, rhetorical skills, ability to build a kind of image in the hearts and minds of their followers and a personalised style of leadership.

Vision and values

Charismatic and transformational leaders can read the present situation (both internal and external to the organisation), recognise the shortcomings of the current reality and propose an imaginative and inspiring vision to overcome them.

Important aspects of vision are:

- Vision can embrace organisations as well as broader social change
- The leader’s vision for the future can be built and implemented collaboratively
- Values are an important component of the leader’s vision and serve to engage the energies of followers and achieve alignment of the activities of leaders and followers
- Through their vision, leaders effectively reframe (and redefine) reality and enable followers to interpret events and actions in terms of a common perceptual framework
- The leaders can make the future ‘real’ for followers by their absolute confidence in, and commitment to, the vision.

Rhetorical skills

Charismatic and transformational leaders have the capacity to communicate the richness of their vision in such a way that they heighten the followers’ emotional levels and inspire them to action. They typically have the capacity to engage the emotions of followers in their communications through the use of metaphors, analogies and stories. They are adept at drawing out cultural elements and the historical significance of events and tailoring their message to particular groups. The transformational rhetorical skill of Barack Obama was well captured by Schafer (2008) who reported that, “Barack Obama bringeth rapture to his audience. They swoon and wobble, regardless of race, gender, or political affiliation”. Robinson and Topping (2013) views rhetoric as the art of speaking effectively, and considers this skill as the language of leadership.

Image and trust building

Transformational leaders build trust in themselves and the attainability of their goals through the image they create. They seem to have unshakeable self-confidence, belief in their vision, and strong moral conviction. They inspire others by personal examples, self-sacrifices and the capacity to engage in unconventional tactics and behaviours. Transformational leaders are credited with unusual insight and capacity to “see” their vision with utmost clarity. They operate by influencing two channels of relationship, personal
identification with followers and social (collective) identification with their group, unit or organisation (Kark & Shamir 2013).

Your textbook makes some interesting observations about charismatic leaders when discussing the characteristic of image and trust building:

- Some charismatic leaders place more importance on the appearance of success than on success per se.
- Some charismatic leaders are not beyond taking credit for others’ accomplishments or exaggerating their expertise. This is in contrast to transformational leader, who typically put followers’ needs before self-interest. This, according to Burns, is the key difference between charismatic and transformational leaders. Given that Barak Obama failed to prosecute perpetrators of fraud and the criminal acts of those that caused the global financial crisis (see Highlight 14.6), his support for suspension of habeas corpus (indefinite detention without a trial) and his support for the NSA’s spying regime, his classification by many as a transformational leader could be questioned. Applying Burns’s theory, the question that should be asked is: Do these in/actions lead to a better society and are his actions consistent with the values of the society he leads?

**Personalised leadership**

As we noted earlier, charismatic and transformational leaders tend to have strong personal power and this derives, in part, from the strong, personal bonds they develop with followers, despite their often elevated, formal organisational role. Your textbook identifies three important aspects of the personalised leadership style of charismatic and transformational leaders:

- They are more sensitive to social cues and the emotional states of their followers;
- They tend to be emotionally expressive – using nonverbal communication to great effect;
- They empower followers by building their sense of self-efficacy (how effective they believe they are).

2) **Followers characteristics**

Your textbook suggests, along with a number of researchers, that ‘charisma’ is more a function of the followers’ reactions to a leader than of the leader’s personal characteristics.

Followers of transformational/charismatic leaders tend to demonstrate a number of unique characteristics:

- They identify with the leader and the communicated vision;
- They become emotionally charged and this heightened emotional level leads to increased effort and performance;
- They willingly submit to the leader’s authority and counsel;
• They experience feelings of empowerment through the leader’s expression of high expectations and confidence in their abilities.

3) Situational characteristics

Situational factors seem to influence whether or not a leader is perceived as transformational or charismatic. A leader may not be perceived as transformational in one context but may be viewed as such in another context and time.

The kinds of situations that affect the perception of charismatic and transformational leadership are:

• Crises,
• Social networks,
• Organisational situations such as outsourcing and organisational downsizing,
• Timing of an event and the length of exposure to the leader and their qualities.

Research suggests that charismatic/transformational leaders are more effective than non-charismatic leaders in creating change. Transformational leaders tend to be more successful with change initiatives because of their capacity to engage the personal commitment of followers and facilitate the translation of their heightened emotional state into actual work towards accomplishment of the leader’s goals and vision.

Transactional leaders motivate their followers through goal setting and rewarding the desired performance. Bass (1999) suggested that transformational and transactional leadership qualities represented two independent leadership dimensions. Therefore, it would be possible for a leader to be both transformational and transactional.

Leaders can develop both their transactional and transformational skills in a systematic way. Bass’ Multifactor Leadership Questionnaire (MLQ) assesses the extent to which leaders show the characteristics/qualities of transformational and/or transactional leadership.

Textbook


Activity 9.2

Critically evaluate a change management programme you are/were part of, led by a transformational/charismatic leader. Identify the advantages and disadvantages of this style of leadership in change initiatives and draw your own conclusions and recommendations with the support of theory/ies you have studied.
You could precede this activity by reviewing the ‘key terms, questions, activities and mini case study’ provided in the textbook chapter.

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Conclusion

In this topic we explored the leader’s role in organisational change and discussed the rational and emotional approaches to change initiatives.

We discussed the importance of management skills in maintaining operations while a change initiative is underway.

We looked at the leader’s contribution in terms of scanning the environment, identifying inadequacies, developing a vision and inspiring followers to pursue the goals that will lead to achievement of the vision. Related to this was the need for leaders to develop their followers through coaching, mentoring and training.

The rational approach to change put particular emphasis on analytical diagnosis and planning and the management skills necessary to manage the level of dissatisfaction, the change model and process and to effectively handle resistance to change.

We discussed each of these elements in turn and identified the reasons why people resist change together with strategies to manage this resistance.

We also identified the reasons why change programs succeed or fail. A core aspect of this was the leader’s role in formulating and communicating the vision and enabling the followers to pursue the goals that will lead to achievement of the vision.

The emotional approach to change emphasised the leader’s personal power and characteristics. This led us to explore the nature of transformational and charismatic leadership. Transformational and charismatic leaders were seen to have the following characteristics:

- Vision and values
- Rhetorical skills
- Image and trust building
- Personalised leadership.
Followers of charismatic/transformational leaders were seen to be committed to the leader’s vision, willing to accept the leader’s authority and emotionally charged with a strong sense of empowerment.

Situational factors impacting the perception of transformational or charismatic leaders were crises, timing, organisational events such as downsizing and outsourcing, task interdependence, and social networks.

Although the textbook authors use the terms charismatic and transformational interchangeably, we learnt that Burns distinguished charismatic and transformational leaders on the basis of the extent to which they fulfilled their own or their followers’ needs.

Burns argued that transformational leadership is ultimately a moral exercise and leads to higher standards of human conduct. Ultimately this is a subjective judgement contingent on the values of a given society.

Transactional leaders were seen to motivate their followers through goal setting and rewarding desired performance.

References


Kark, R & Shamir, B 2013, ‘Addendum: empirical evidence supporting “the dual level effects of transformational leadership”’, in Avolio, BJ & Yammarino, FJ (eds.), Transformational and charismatic leadership, Emerald, Bungley, UK, pp.103-110


Feedback about activities

Activity 9.1

Table 13.2 of your textbook identifies the different types of loss and possible leader action for each type. For this exercise, you need to do four things:

1) Recall a change initiative you have been involved in (as a participant or leader);
2) Identify the real or potential kinds of losses that people would experience as a result of the change initiative (loss of power, competence, relationships, rewards or identity);
3) Identify what actions the leader took to address the fear of loss in any of the areas identified in 2 above;
4) Review Table 13.2 and identify what more the leader could have done to address the fear of loss (taking each type of loss in turn).

Common losses with change and possible leader actions (adapted from Table 13.2)

1) Loss of power – leader could demonstrate empathy, good listening skills, and new ways to build power.
2) Loss of competence – leader could undertake coaching, mentoring, training or offer peer coaching, job aids, etc.
3) Loss of relationships – leader could help employees build new relationships (through teambuilding, etc.) before change occurs, or soon after.
4) Loss of rewards – leader could design and implement new reward system to support the change initiative.
5) Loss of identity – leader could demonstrate empathy and emphasise value of new roles.