

The transformational leader uses charisma, individualized consideration, and intellectual stimulation to inspire employees to make extraordinary efforts.

Leadership: Good, Better, Best

Bernard M. Bass

What does Lee Iacocca have that many other executives lack? Charisma. What would have happened to Chrysler without him? It probably would have gone bankrupt. Here are two more questions: How much does business and industry encourage the emergence of leaders like Iacocca? And how much effort has organizational psychology put into research on charismatic leadership? The answers are that business and industry have usually discouraged charismatic leadership and that, for the most part, organizational psychology has ignored the subject. It has

been customary to see leadership as a method of getting subordinates to meet job requirements by handing out rewards or punishments.

Take a look at Barry Bargainer. Barry considers himself to be a good leader. He meets with subordinates to clarify expectations—what is required of them and what they can expect in return. As long as they meet his expectations, Barry doesn't bother them.

Cynthia Changer is a different kind of leader. When facing a crisis, Cynthia in-

spires her team's involvement and participation in a "mission." She solidifies it with simple words and images and keeps reminding her staff about it. She has frequent one-to-one chats with each of her employees at his or her work station. She is consultant, coach, teacher, and mother figure.

Barry Bargainer, a transactional leader, may inspire a reasonable degree of involvement, loyalty, commitment, and performance from his subordinates. But Cynthia Changer, using a transformational approach, can do much more.

The first part of this article contrasts transactional and transformational leadership styles and the results that are obtained when managers select each approach. The second section reports on surveys of personnel in the military and in industry and examines factors in both approaches to leadership, as they emerged from the survey results. Transformational leadership is presented as a way to augment transactional approaches to management, since it is often more effective in achieving higher levels of improvement and change among employees.

A NEW PARADIGM

For half a century, leadership research has been devoted to studying the effects of democratic and autocratic approaches. Much investigative time has gone into the question of who should decide—the leader or the led. Equally important to research has been the distinction between task orientation and relations orientation. Still another issue has been the need of the leader to "initiate structure" for subordinates and to be considerate of them. At the same time, increasing attention has been paid to the ability to promote change in individuals, groups, and organizations.

The need to promote change and deal with resistance to it has, in turn, put an emphasis on democratic, participative, re-

lations-oriented, and considerate leadership. Contingent rewards have been stressed in training and research with somewhat limited results.

In the past, we have mostly considered how to marginally improve and maintain the quantity or quality of performance, how to substitute one goal for another, how to shift attention from one action to another, how to reduce resistance to particular actions, or how to implement decisions. But higher-order changes are also possible. Increases in effort and the rate at which a group's speed and accuracy improve can sometimes be accelerated. Such higher-order changes also may involve larger shifts in attitudes, beliefs, values, and needs. Quantum leaps in performance may result when a group is roused out of its despair by a leader with innovative or revolutionary ideas and a vision of future possibilities. Leaders may help bring about a radical shift in attention. The context may be changed by leaders. They may change what the followers see as figure and what they see as ground or raise the level of maturity of their needs and wants. For example, followers' concerns may be elevated from their need for safety and security to their need for recognition and achievement.

The lower order of improvement—changes in degree or marginal improvement—can be seen as the result of leadership that is an exchange process: a *transaction* in which followers' needs are met if their performance measures up to their explicit or implicit contracts with their leader. But higher-order improvement calls for *transformational* leadership. There is a great deal of difference between the two types of leadership.

TRANSACTIONAL LEADERSHIP IN ACTION

Transactional leaders like Barry Bargainer recognize what actions subordinates must take to achieve outcomes. Transactional leaders clarify these role and task require-

ments for their subordinates so that they are confident in exerting necessary efforts. Transactional leaders also recognize subordinates' needs and wants and clarify how they will be satisfied if necessary efforts are made. (See Exhibit 1.) This approach is currently stressed in leadership training, and it is good as far as it goes; however, the transactional approach has numerous shortcomings.

First, even after training, managers do not fully utilize transactional leadership. Time pressures, poor appraisal methods, doubts about the efficacy of positive reinforcement, leader and subordinate discomfort with the method, and lack of management skills are all partly responsible. How reinforcements are scheduled, how timely they are, and how variable or consistent they are all mediate the degree of their influence.

Some leaders, practicing management by exception, intervene only when things go wrong. In this instance, the manager's discomfort about giving negative feedback is even more self-defeating. When supervisors attribute poor performance to lack of ability, they tend to "pull their punches" by distorting feedback so that it is more positive than it should be.

Another common problem occurs when supervisors say and actually believe they are giving feedback to their subordinates, who feel they are not receiving it. For example, Barry Bargainer may meet with his group of subordinates to complain that things are not going well. Barry thinks he is giving negative feedback while his subordinates only hear Barry grumbling about conditions. Barry may give Henry a pat on the back for a job he thinks has been well done. Henry may feel that he knows he did a good job, and it was condescending for Barry to mention it.

People differ considerably in their preference for external reinforcement or self-reinforcement. Task-oriented and experi-



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enced subordinates generally are likely to be self-reinforcing. They may say: "If I have done something well, I know it without other people telling me so," and "As long as I think that I have done something well, I am not too concerned about what other people think I have done."

Subordinates and supervisors attach differing importance to various kinds of feedback. Many subordinates attach more importance than do supervisors to their own success or failure with particular tasks, and to their own comparisons with the work of others. Subordinates are also likely to attach more importance than do supervisors to co-workers' comments about their work. Supervisors tend to put the most weight on their own comments to their subordinates, and to recommendations for rewards they, as supervisors, can make, such as raises, promotions, and more interesting assignments.

Transactional leadership often fails because the leaders lack the reputation for being able to deliver rewards. Transactional leaders who fulfill the self-interested expectations of their subordinates gain and maintain the reputation for being able to deliver pay, promotions, and recognition. Those that fail to deliver lose their reputation and are not considered to be effective leaders.

Transactional leadership may be abandoned by managers when noncontingent rewards (employees are treated well, regardless of performance) will work just as well to boost performance. For example, in a large, nonprofit organization, a study by Phillip Podsakoff et al. showed that contingent rewards (those given only if performance warrants them) did contribute to employee performance, but noncontingent rewards were correlated almost as strongly with performance as contingent rewards.

Noncontingent rewards may provide a secure situation in which employees' self-reinforcement serves as a consequence for good performance (for example, IBM's straight salaries for all employees). An employee's feeling of obligation to the organization for providing noncontingent rewards fuels his or her effort to perform at least adequately. The Japanese experience is exem-

plary; in the top third of such Japanese firms as Toyota, Sony, and Mitsubishi, employees and the companies feel a mutual sense of lifetime obligation. Being a good family member does not bring immediate pay raises and promotions, but overall family success will bring year-end bonuses. Ultimately, opportunities to advance to a higher level and salary will depend on overall meritorious performance.

When the contingent reinforcement used is aversive (reinforcement that recipients prefer to avoid), the success of the transactional leader usually plummets. In the same not-for-profit organization studied by Podsakoff et al., neither contingent reprimand, disapproval, nor punishment had any effect on performance or overall employee satisfaction. The same results have been observed in other organizations. Contingent approval and disapproval by results-oriented leaders did improve subordinates' understanding of what was expected of them but failed to have much effect on motivation or performance. In general, reprimand may be useful in highlighting what not to do, but usually it does not contribute to positive motivation, particularly when subordinates are expected to be innovative and creative.

Even when it is based solely on rewards, transactional leadership can have unintended consequences. When expounding on the principles of leadership, Vice Admiral James B. Stockdale argued that people do not like to be programmed:

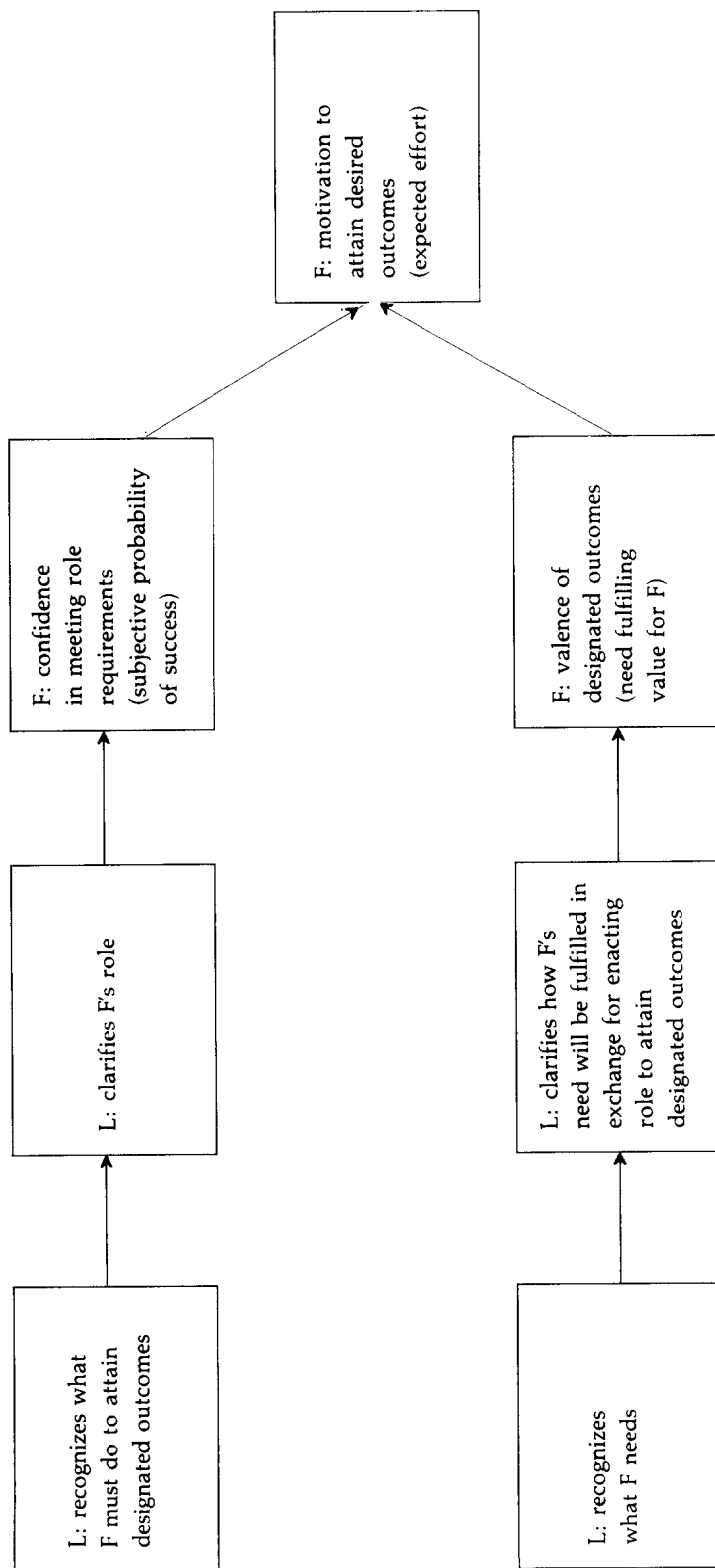
. . . . You cannot persuade [people] to act in their own self-interest all of the time. A good leader appreciates contrariness.

. . . . some men all of the time and all men some of the time knowingly will do what is clearly to their disadvantage if only because they do not like to be suffocated by carrot-and-stick coercion. I will not be a piano key; I will not bow to the tyranny of reason.

In working subtly against transactional leadership, employees may take short-

Exhibit 1

TRANSACTIONAL LEADERSHIP (L = LEADER; F = FOLLOWER)



cuts to complete the exchange of reward for compliance. For instance, quality may suffer if the leader does not monitor it as closely as he or she does the quantity of output. The employee may begin to react defensively rather than adequately; in some cases, reaction formation, withdrawal, hostility, or "game playing" may result.

THE ALTERNATIVE: ADD TRANSFORMATIONAL LEADERSHIP TO THE MANAGER-EMPLOYEE RELATIONSHIP

James McGregor Burns, the biographer of Franklin D. Roosevelt and of John F. Kennedy, was the first to contrast transactional with transformational leadership. The transformational leader motivates us to do more than we originally expected to do. Such a transformation can be achieved in the following ways:

1. Raising our level of consciousness about the importance and value of designated outcomes and ways of reaching these outcomes.
2. Getting us to transcend our own self-interests for the sake of the team, organization, or larger polity.
3. Raising our need level on Abraham Maslow's hierarchy from, say, the need for security to the need for recognition, or expanding our portfolio of needs by, for example, adding the need for self-actualization to the need for recognition.

Cynthia Changer is a transformational leader; Barry Bargainer is not. Exhibit 2 is a model of transformational leadership that starts with a current level of effort based on a follower's current level of confidence and desire for designated outcomes. A transactional leader contributes to such confidence and desire by clarifying what performance is required and how needs will be satisfied as a consequence. The transformational leader induces additional effort by directly increasing the follower's confidence as well as by elevat-

ing the value of outcomes through expanding his or her transcendental interests and level or breadth of needs in Maslow's hierarchy.

The need for more transformational leaders in business and industry was illustrated in an in-depth interview survey of a representative national sample of 845 working Americans. The survey found that while most employees liked and respected their managers, they felt their managers really didn't know how to motivate employees to do their best. Although 70% endorsed the work ethic, only 23% said they were working as hard as they could in their jobs. Only 9% agreed that their performance was motivated by transaction; most reported that there actually was little connection between how much they earned and the level of effort they put into the job.

REPORT ON A STUDY OF TRANSFORMATIONAL LEADERSHIP

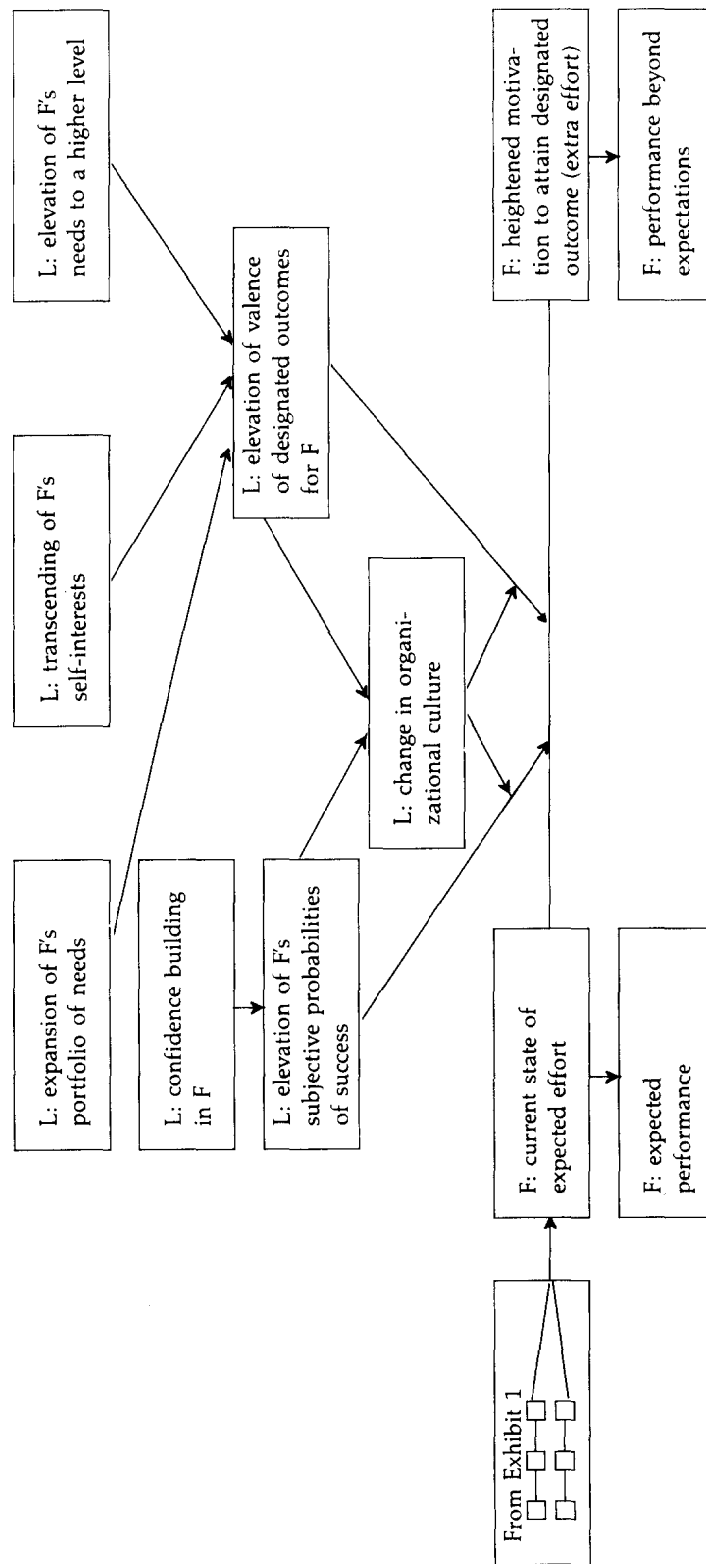
I set out to find evidence of transformational leadership and its effects at various levels in industrial and military organizations, *not just at the top*.

I defined transformational leadership for 70 senior executives. Then, I asked them to describe in detail a transformational leader whom they had encountered at any time during their career. All respondents claimed to have known at least one such person. Most cited a former immediate supervisor or higher-level manager in the organization. A few mentioned family members, consultants, or counselors.

This transformational leader induced respondents to work ridiculous hours *and to do more than they ever expected to do*. Respondents reported that they aimed to satisfy the transformational leader's expectations and to give the leader all the support asked of them. They wanted to emulate the

Exhibit 2

TRANSFORMATIONAL LEADERSHIP (L = LEADER; F = FOLLOWER)



leader. The transformational leader increased their awareness of and promoted a higher quality of performance and greater innovativeness. Such a leader convinced followers to extend themselves and to develop themselves further. Total commitment to and belief in the organization emerged as consequences of belief in the leader and heightened self-confidence.

Many respondents (all were male) indicated that the transformational leader they could identify in their own careers was like a benevolent father who remained friendly and treated the respondent as an equal despite the leader's greater knowledge and experience. The leader provided a model of integrity and fairness and also set clear and high standards of performance. He encouraged followers with advice, help, support, recognition, and openness. He gave followers a sense of confidence in his intellect, yet was a good listener. He gave followers autonomy and encouraged their self-development. He was willing to share his greater knowledge and expertise with them. Yet he could be formal and firm and would reprimand followers when necessary. Most respondents, however, were inclined to see the transforming leader as informal and accessible. Such a leader could be counted on to stand up for his subordinates. Along with the heightened and changed motivation and awareness, frequent reactions of followers to the transforming leader included trust, strong liking, admiration, loyalty, and respect.

In conducting a second survey, I used the descriptions from the first to create a questionnaire of 73 behavioral items. Responses to each item were on a five-point frequency scale. A total of 176 senior U. S. Army officers completed the questionnaire describing the behavior of their immediate superiors. Five factors emerged from a statistical factor analysis of the data. Two dealt with transactional leadership, the ex-

change relationship between superior and subordinate: contingent reward, by which subordinates earned benefits for compliance with the leader's clarification of the paths toward goals, and management by exception, by which the leader gave negative feedback for failure to meet agreed-upon standards. Three of the factors dealt with transformational leadership—the broadening and elevating of goals and of subordinates' confidence in their ability to go beyond expectations. These factors were (1) charismatic leadership (leaders aroused enthusiasm, faith, loyalty, and pride and trust in themselves and their aims); (2) individualized consideration (leaders maintained a developmental and individualistic orientation toward subordinates); and (3) intellectual stimulation (leaders enhanced the problem-solving capabilities of their associates). An interesting sidelight was that more transformational leadership was observed (by respondents) in combat units than in support units.

As expected, the three transformational factors were more highly correlated with perceived unit effectiveness than were the two transactional factors. Parallel results were obtained for subordinates' satisfaction with their leader. Charismatic, considerate, and intellectually stimulating leaders were far more satisfying to work for than were those who merely practiced the transactions of contingent reinforcement. I obtained similar results from a survey of 256 business managers, 23 educational administrators, and 45 professionals. Moreover, in these latter samples, respondents reported that they made greater efforts when leaders were charismatic, individualizing, and intellectually stimulating. Contingent reward was also fairly predictive of extra effort, but management by exception was counterproductive. Further analysis of the data by my colleague, David Waldman, supported the model shown in Exhibit 2. The analysis demonstrated that

when a leader displayed transformational abilities and engaged in transactional relationships, extra effort made by subordinates was above and beyond what could be attributed to transactional factors alone.

TRANSACTIONAL FACTORS: CONTINGENT REINFORCEMENT AND MANAGEMENT-BY-EXCEPTION

According to our questionnaire surveys, positive and aversive contingent reinforcement are the two ways managers in organized settings engage in transactional leadership to influence employee performance. Ordinarily, contingent reward takes two forms: praise for work well done and recommendations for pay increases, bonuses, and promotion. In addition, this kind of reward can take the form of commendations for effort or public recognition and honors for outstanding service.

Contingent punishment can take several forms as a reaction to a deviation from norms – when, for example, production falls below agreed-upon standards or quality falls below acceptable levels. The manager may merely call attention to the deviation. Being told of one's failure to meet standards may be sufficient punishment to change behavior. Being told why one has failed can be helpful, particularly to the inexperienced or inexperienced subordinate, especially if the negative feedback is coupled with further clarification about what kind of performance is expected. While other penalties – such as fines, suspensions without pay, loss of leader support, or discharge – may be imposed, these are less frequently used and are less likely to promote effectiveness.

When the manager, for one reason or another, chooses to intervene only when

he or she is practicing management by exception. The rationale of those who use this practice is, "If it ain't broke, don't fix it!" The research studies I have completed with military officers, business executives, professionals, and educational administrators generally indicate that as a steady diet, management by exception can be counterproductive. But contingent rewards yield a fairly good return in terms of subordinate effort and performance. Nevertheless, in the aggregate, there will be additional payoff when the transformational factors appear in a leader's portfolio.

Charismatic and Inspirational Leadership

Charisma is not exclusively the province of world-class leaders or a few generals or admirals. It is to be found to some degree in industrial and military leaders throughout organizations. Furthermore, charisma is the most important component in the larger concept of transformational leadership. In my study I found that many followers described their military or industrial leader as someone who made everyone enthusiastic about assignments, who inspired loyalty to the organization, who commanded respect from everyone, who had a special gift of seeing what was really important, and who had a sense of mission that excited responses. Followers had complete faith in the leaders with charisma, felt proud to be associated with them, and trusted their capacity to overcome any obstacle. Charismatic leaders served as symbols of success and accomplishment for their followers.

Charisma is one of the elements separating the ordinary manager from the true leader in organizational settings. The leader attracts intense feelings of love (and sometimes hatred) from his or her subordinates. They want to identify with the leader. Although feelings about ordinary

managers are bland, relations are smoother and steadier. Like most intimate relationships, the relations between the charismatic leader and his or her followers tend to be more turbulent.

There may be a scarcity of charismatic leaders in business and industry because managers lack the necessary skills. On the other hand, managers who have the skills may not recognize opportunity or may be unwilling to risk what is required to stand out so visibly among their peers. More charismatic leaders potentially exist in organizational settings; furthermore, they may be necessary to an organization's success.

The ability to inspire—arouse emotions, animate, enliven, or even exalt—is an important aspect of charisma. Inspirational leadership involves the arousal and heightening of motivation among followers. Followers can be inspired by a cold, calculating, intellectual discourse, the brilliance of a breakthrough, or the beauty of an argument. Yet it is the followers' emotions that ultimately have been aroused. Followers may hold an intellectual genius in awe and reverence, but the inspirational influence on them is emotional.

Consider the specific leadership behaviors Gary Yukl used to illustrate what he meant by inspirational leadership:

My supervisor held a meeting to talk about how vital the new contract is for the company and said he was confident we could handle it if we all did our part. My boss told us we were the best design group he had ever worked with and he was sure that this new product was going to break every sales record in the company.

The inspiring supervisor was not dispassionate. The supervisor talked about how *vital* the new contract was to the company. He said he was *confident* in his people. He told them they were the *best* group he had *ever* worked with. He was sure the product would *break every record*.

In summary, as a consequence of his or her self-confidence, absence of inner conflict, self-determination, and requisite abilities, a leader will be held in high esteem by followers, particularly in times of trouble. He or she can generally inspire them by emotional support and appeals that will transform their level of motivation beyond original expectations. Such a leader can sometimes also inspire followers by means of intellectual stimulation. The charismatic leader can do one or the other, or both.

Individualized Consideration

The transformational leader has a developmental orientation toward followers. He evaluates followers' potential both to perform their present job and to hold future positions of greater responsibility. The leader sets examples and assigns tasks on an individual basis to followers to help significantly alter their abilities and motivations as well as to satisfy immediate organizational needs.

Delegating challenging work and increasing subordinate responsibilities are particularly useful approaches to individualized development. As General Omar Bradley pointed out, there is no better way to develop leadership than to give an individual a job involving responsibility and let him work it out. A survey of 208 chief executives and senior officers by Charles Margerison reported that important career influences on them before age 35 included being "stretched" by immediate bosses and being given leadership experience, overall responsibility for important tasks, and wide experience in many functions.

The transformational leader will consciously or unconsciously serve as a role model for subordinates. For example, in the Margerison survey, the executives attributed their own successful development as man-

agers to having had early on in their careers managers who were models.

Managerial training supports the idea that managers profit from role models. What may be different in what I propose, however, is that the transformational leader emphasizes *individualism*. Personal influence and the one-to-one superior-subordinate relationship is of primary importance to the development of leaders. An organizational culture of individualism, even of elitism, should be encouraged; an organization should focus attention on identifying prospective leaders among subordinates.

Individualized attention is viewed as especially important by the new military commander of a unit. The commander is expected to learn the names of all those in the units at least two levels below his and to become familiar with their jobs. *Military leaders need to avoid treating all subordinates alike*. They must discover what best motivates each individual soldier or sailor and how to employ him most effectively. They must be generous in the use of their time. But as General Eugene Meyer notes, the leaders' interest must be genuine.

Individualized consideration implies that seniors maintain face-to-face contact or at least frequent telephone contact with juniors. The Intel Corporation accepted the fact that recently graduated engineers are more up to date on the latest advances in technology than are experienced executives of greater power and status in the firm. Therefore, the firm has consciously encouraged frequent contact and open communication between the recent college graduates and the senior executives through leveling arrangements. Senior executives and junior professionals are all housed in small, unpretentious, accessible offices that share common facilities. The organization stresses that influence is based on knowledge rather than power.

36 In other well-managed firms, "walk-around

management" promotes individual contact and communication between those low and high in the hierarchy.

In another study of a high-tech company, Rudi Klauss and Bernard Bass found that project engineers were most influenced by and gained most of their information relevant to decision making from informal contact and individual discussion rather than from written documentation. This company did not believe that the aggregated data from management information systems were the most important inputs for decision making. Rather, two-thirds to three-quarters of the total work time of managers was spent in oral communication. It was the immediate, timely tidbits of gossip, speculation, opinion, and relevant facts that was most influential, not generalized reports reviewing conditions over a recent period of time. Individualized attention of superior to subordinate provided this opportunity for inputs of current and timely information.

Managers are most likely to make face-to-face contact with colleagues at their same organizational level (or by telephone for such colleagues at a distance physically). For superiors and subordinates, written memos are more frequently used. Yet regular, face-to-face debriefing sessions to disseminate important information from superior to subordinate will provide a better basis for organizational decision making and make the superior better equipped to deal with the erratic flow of work and demands on his or her time and the speed that decision making often requires. Unfortunately, unless personal contact becomes a matter of policy (such as walk-around management), communications from superior to subordinate are more likely to be on paper — or now, no doubt, increasingly on computer — rather than face-to-face.

Individualized consideration is reflected when a manager keeps each employee fully informed about what is hap-

pening and why—preferably in a two-way conversation rather than a written memo. Employees come to feel that they are on the inside of developments and do not remain bystanders. Sudden changes of plan are less likely to surprise them. If the interaction is two-way, employees have the opportunity to ask questions to clarify understanding. At the same time, managers learn first-hand their subordinates' concerns.

Individualized consideration is also demonstrated when the senior executive or professional takes time to serve as mentor for the junior executive or professional. A mentor is a trusted counselor who accepts a guiding role in the development of a younger or less experienced member of the organization. The mentor uses his or her greater knowledge, experience, and status to help develop his or her protégé and not simply to pull the protégé up the organization ladder on the mentor's coattails. This relationship is different from one in which a manager is supportive or provides advice when asked for it. Compared with the formal, distant relationship most often seen between a high-level executive and a junior somewhere down the line, the mentor is paternalistic or maternalistic and perhaps is a role model for the junior person.

A follow-up of 122 recently promoted people in business indicated that two-thirds had had mentors. This popularity

of mentoring in business, government, and industry reflects the current interest on the part of both individuals and organizations in the career development of the individual employee.

Intellectual Stimulation

The statement, "These ideas have forced me to rethink some of my own ideas, which I had never questioned before," sums up the kind of intellectual stimulation that a transformational leader can provide. Intellectual stimulation can lead to other comments like, "She enables me to think about old problems in new ways," or "He provides me with new ways of looking at things that used to be a puzzle for me."

Intellectual stimulation arouses in followers the awareness of problems and how they may be solved. It promotes the hygiene of logic that is compelling and convincing. It stirs the imagination and generates thoughts and insights. It is not the call to immediate action aroused by emotional stimulation. This intellectual stimulation is seen in a discrete leap in the followers' conceptualization, comprehension, and discernment of the nature of the problems they face and their solutions.

Executives should and can play a role as transforming leaders to the degree that they articulate what they discern, comprehend, visualize, and conceptualize to their

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colleagues and followers. They should articulate what they see as the opportunities and threats facing their organization (or unit within it) and the organization's strengths, weaknesses, and comparative advantages. Leadership in complex organizations must include the ability to manage the problem-solving process in such a way that important problems are identified and solutions of high quality are found and carried out with the full commitment of organization members.

The intellectual component may be obscured by surface considerations. Accused of making snap decisions, General George Patton commented: "I've been studying the art of war for 40-odd years . . . [A] surgeon who decides in the course of an operation to change its objective is not making a snap decision but one based on knowledge, experience, and training. So am I."

The importance of a leader's technical expertise and intellectual power, particularly in high-performing systems, often is ignored in comparison with the attention paid to his or her interpersonal competence. Where would Polaroid be without Edwin Land? What kind of corporation would Occidental Petroleum be without Armand Hammer?

In this intellectual sphere, we see systematic differences between transformational and transactional leaders. The transformational leader may be less willing to accept the status quo and more likely to seek new ways of doing things while taking maximum advantage of opportunities. Transactional managers will focus on what can clearly work, will keep time constraints in mind, and will do what seems to be most efficient and free of risk.

What may intellectually separate the two kinds of leaders is that transformational leaders are likely to be more proactive than reactive in their thinking, more creative, novel, and innovative in their ideas, and less inhibited in their ideational search for solutions. Transactional leaders may be equally

bright, but their focus is on how best to keep running the system for which they are responsible; they react to problems generated by observed deviances and modify conditions as needed while remaining ever mindful of organizational constraints.

TRANSFORMATIONAL LEADERSHIP: BENEVOLENT OR MALEVOLENT?

Charismatic leadership, individualized consideration, and intellectual stimulation have been clearly seen in the moving and shaking that took place between 1982 and 1984 in a number of firms, such as General Electric, Campbell Soup, and Coca Cola. In each instance, the transformation could be attributed to a newly appointed chief. These transformational leaders were responsible for iconoclastic changes of image, increased organizational flexibility, and an upsurge of new products and new approaches. In each case, the transformational leadership of John F. Welch, Jr. of General Electric, Gordon McGovern of Campbell Soup, and Roberto Goizueta of Coca Cola paid off in invigoration and revitalization of their firms and an acceleration in business success.

Clearly, heads may be broken, feelings hurt, and anxieties raised with the advent of transformational leaders such as Welch, McGovern, or Goizueta. "Business as usual" is no longer tolerated. Such transformations may be moral or immoral.

For James Burns, transformational leadership is moral if it deals with true needs and is based on informed choice. The moral transformational leader is one who is guided by such universal ethical principles as respect for human dignity and equal rights. The leadership mobilizes and directs support for "more general and comprehensive values that express followers' more fundamental and enduring needs" (*Leadership*, Harper, 1978). Moral leadership helps followers to see the real conflict between competing values, the

inconsistencies between espoused values and behavior, the need for realignments in values, and the need for changes in behavior or transformations of institutions. Burns argued that if the need levels elevated by transformational leaders were not authentic, then the leadership was immoral.

The well-being of organizational life will be better served in the long run by moral leadership. That is, transformations that result in the fulfillment of real needs will prove to be more beneficial to the organization than transformations that deal with manufactured needs and group delusions. Organizational leaders should subscribe to a code of ethics that is accepted by their society and their profession.

The ethical transformational leader aims toward and succeeds in promoting changes in a firm—changes that strengthen firm viability, increase satisfaction of owners, managers, employees, and customers, and increase the value of the firm's products. But transformational leaders can be immoral if they create changes based on false images that cater to the fantasies of constituencies. Firms can be driven into the ground by such leaders. A transformational leader can lull employees and shareholders alike with false hopes and expectations while he or she is preparing to depart in a golden parachute after selling out the company's interests.

Whether transformational or transactional leadership will take hold within an organization will depend to some extent on what is happening or has happened outside of it. Welch, McGovern, and Goizueta all came into power to transform firms that were in danger of failing to keep pace with changes in the marketplace. Transformational leadership is more likely to emerge in times of distress and rapid change.

The personalities of followers will affect a leader's ability to be transformational. Charisma is a two-way process. A leader is seen as charismatic if he or she has followers who imbue him or her with extraor-

dinary value and personal power. This is more easily done when subordinates have highly dependent personalities. On the other hand, subordinates who pride themselves on their own rationality, skepticism, independence, and concern for rules of law and precedent are less likely to be influenced by a charismatic leader or the leader who tries to use emotional inspiration. Subordinates who are egalitarian, self-confident, highly educated, self-reinforcing, and high in status are likely to resist charismatic leaders.

WHICH KIND OF LEADERSHIP SHOULD MANAGERS USE?

Managers need to appreciate what kind of leadership is expected of them. Current leadership training and management development emphasize transactional leadership, which is good as far as it goes, but clearly has its limits. Transactional leaders will let their subordinates know what is expected of them and what they can hope to receive in exchange for fulfilling expectations. Clarification makes subordinates confident that they can fulfill expectations and achieve mutually valued outcomes. But subordinates' confidence and the value they place on potential outcomes can be further increased, through transformational leadership. Leadership, in other words, can become an inspiration to make extraordinary efforts.

Charismatic leadership is central to the transformational leadership process. Charismatic leaders have great referent power and influence. Followers want to identify with them and to emulate them. Followers develop intense feelings about them, and above all have trust and confidence in them. Transformational leaders may arouse their followers emotionally and inspire them to extra effort and greater accomplishment. As subordinates become competent with the mainly transformational leader's encouragement and support, contingent reinforce-

ment may be abandoned in favor of self-reinforcement.

Clearly, there are situations in which the transformational approach may not be appropriate. At the same time, organizations need to draw more on the resources of charismatic leaders, who often can induce followers to aspire to and maintain much higher levels of productivity than they would have reached if they had been operating only through the transactional process.



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