**Charismatic and Transformational Leadership**

**Learning Objectives**

**After studying this chapter, you should be able to:**

* Understand how charismatic and transformational theories differ from earlier theories.
* Understand similarities and differences between charismatic and transformational leadership.
* Understand how leaders, followers, and the situation affect attributions of charisma.
* Understand the traits, behaviors, and influence processes included in each major theory.
* Understand the benefits and costs of charismatic leadership for followers and the organization.
* Understand how to inspire more follower commitment and optimism.

In the 1980s, management researchers became very interested in the emotional and symbolic aspects of leadership. These processes help us to understand how leaders influence followers to make self-sacrifices and put the needs of the mission or organization above their materialistic self-interests. Theories of charismatic and **transformational leadership** describe this important aspect of leadership.

**Charisma** is a Greek word that means “divinely inspired gift,” such as the ability to perform miracles or predict future events. Weber (1947) used the term to describe a form of influence based not on tradition or formal authority but rather on follower perceptions that the leader is endowed with exceptional qualities. According to Weber, charisma occurs during a social crisis when a leader emerges with a radical vision that offers a solution to the crisis and attracts followers who believe in the **vision**. The followers experience some successes that make the vision appear attainable, and they come to perceive the leader as extraordinary.

In the past two decades, several social scientists formulated newer versions of the theory to describe **charismatic leadership** in organizations (e.g., Conger & Kanungo, 1987, 1998; House, 1977; Shamir, House, & Arthur, 1993). These “neo-charismatic” theories incorporate some of Weber’s ideas, but in other respects they depart from his initial conception about charismatic leadership (Beyer, 1999; Conger, 1989). The newer theories describe the motives and behaviors of charismatic leaders and psychological processes that explain how these leaders influence followers (Jacobsen & House, 2001).

Transformational leadership in another type of theory used to describe how effective leaders inspire and transform followers by appealing to their ideals and emotions. The terms *transformational* and *charismatic* are used interchangeably by many writers, but despite the similarities there are some important distinctions. This chapter describes the major theories of charismatic and transformational leadership, compares and evaluates the theories, reviews the research findings, and provides some practical guidelines for leaders.

**Attribution Theory of Charismatic Leadership**

Conger and Kanungo (1987) proposed a theory of charismatic leadership based on the assumption that charisma is an attributional phenomenon. Subsequently, a refined version of the theory was presented by Conger (1989) and by Conger and Kanungo (1998). According to the theory, follower attribution of charismatic qualities to a leader is jointly determined by the leader’s behavior, expertise, and aspects of the situation.

**Leader Behaviors**

Follower attributions of charisma depend on several types of leader behavior. These behaviors are not assumed to be present in every charismatic leader to the same extent, and their relative importance depends to some extent on the leadership situation.

**Novel and Appealing Vision**

Charisma is more likely to be attributed to leaders who advocate a vision that is highly discrepant from the status quo, but not so radical that followers will view the leader as incompetent or insane. A leader who supports the status quo or advocates only small, incremental changes will not be viewed as charismatic. The ability to see opportunities that others fail to recognize is another reason for a leader to be viewed as extraordinary. Attributions of charisma are likely for leaders who influence people to collectively achieve objectives that initially seemed impossible.

**Emotional Appeals to Values**

Followers are more likely to attribute charisma to leaders who inspire them with emotional appeals to their values and ideals. Leaders who use authority to implement an innovative strategy for attaining important objectives may gain more expert power if the strategy is successful, but unless they articulate an ideological vision to justify the strategy, they are unlikely to appear charismatic. Likewise, followers who meet with the leader to develop a consensus strategy may be satisfied and highly motivated by the experience of empowerment, but the leader will not appear to be extraordinary.

**Unconventional Behavior**

Charisma is more likely to be attributed to leaders who act in unconventional ways to achieve the vision. The leader’s methods for attaining the idealized goal must differ from conventional ways of doing things in order to impress followers that the leader is extraordinary. The use of innovative strategies that appear successful results in attribution of superior expertise to the leader by followers. The risks inherent in the use of novel strategies make it important for the leader to have the skills and expertise to make a realistic assessment of environmental constraints and opportunities for implementing the strategies. Timing is critical; the same strategy may succeed at one time but fail completely if implemented earlier or later.

**Self-Sacrifices**

Leaders are more likely to be viewed as charismatic if they make self-sacrifices for the benefit of followers, and they take personal risks or incur high costs to achieve the vision they espouse. Trust appears to be an important component of charisma, and followers have more trust in a leader who seems less motivated by self-interest than by concern for followers. Most impressive is a leader who actually risks substantial personal loss in terms of status, money, leadership position, or membership in the organization.

**Confidence and Optimism**

Leaders who appear confident about their proposals are more likely to be viewed as charismatic than leaders who appear doubtful and confused. Unless the leader communicates self-confidence, the success of an innovative strategy may be attributed more to luck than to expertise. A leader’s confidence and enthusiasm can be contagious. Followers who believe the leader knows how to attain the shared objective will work harder, thereby increasing the actual probability of success.

**Influence Processes**

The primary influence process is **personal identification**, which involves a follower’s desire to please and imitate the leader. Charismatic leaders appear so extraordinary, due to their strategic insight, strong convictions, self-confidence, unconventional behavior, and dynamic energy that subordinates idolize these leaders and want to become like them. Leader approval becomes a measure of the subordinate’s own self-worth. This approval is expressed by praise and recognition of subordinate behavior and accomplishments, which builds self-confidence and a deeper sense of obligation to live up to the leader’s expectations in the future. Many subordinates of charismatic leaders reported that desire for leader approval was their primary source of motivation. At the same time, it was evident that followers were also motivated by fear of disappointing the leader and being rejected.

The influence of a charismatic leader may also involve *internalization* of new values and beliefs by followers. Conger (1989) emphasized that it is more important for followers to adopt the leader’s attitudes and beliefs about desirable objectives and effective strategies than merely to imitate superficial aspects of the leader’s behavior such as mannerisms, gestures, and speech patterns. A charismatic leader who articulates an inspirational vision can influence followers to internalize attitudes and beliefs that will subsequently serve as a source of intrinsic motivation to carry out the mission of the organization. An example is influencing followers to believe they can collectively overcome formidable obstacles to attainment of the vision.

**Facilitating Conditions**

Contextual variables are especially important for charismatic leadership because the attribution of exceptional ability to a leader is rare and may be highly dependent upon characteristics of the situation. One important situational variable is follower fear and anxiety about the future. Charismatic leaders are more likely to emerge in crisis situations where people are worried about economic loss, physical danger, or threats to core values. Nevertheless, Weber (1947), Conger and Kanungo do not consider an objective crisis to be a necessary condition for charismatic leadership. Even in the absence of a genuine crisis, a leader may be able to create dissatisfaction with current conditions and provide a vision of a more promising future. To set the stage for proposing new ways, the leader may try to discredit the old, accepted ways of doing things. The impact of unconventional strategies is greater when followers perceive that conventional approaches are no longer effective. Finally, the leader may also precipitate a crisis where none existed previously to set the stage for demonstration of superior expertise in dealing with the problem in unconventional ways.

**Self-Concept Theory of Charismatic Leadership**

House (1977) proposed a theory to explain charismatic leadership in terms of a set of testable propositions involving observable processes rather than folklore and mystique. Shamir et al. (1993) revised and extended the theory by incorporating more aspects of human motivation and a more detailed description of the underlying influence processes.

Evidence of charismatic leadership is provided by the leader–follower relationship, and a charismatic leader has profound and unusual effects on followers. Followers perceive that the leader’s beliefs are correct, they willingly obey the leader, they feel affection toward the leader, they are emotionally involved in the mission of the group or organization, they have high performance goals, and they believe that they can contribute to the success of the mission. Attribution of extraordinary ability to the leader is likely, but in contrast to the attribution theory by Conger and Kanungo (1987), it is not considered a necessary condition for charismatic leadership.

**Leader Traits and Behaviors**

Charismatic leaders are likely to have a strong need for power, high self-confidence, and a strong conviction in their own beliefs and ideals. The leadership behaviors that explain how a charismatic leader influences the attitudes and behavior of followers include the following: (1) articulating an appealing vision, (2) using strong, expressive forms of communication when articulating the vision, (3) taking personal risks and making self-sacrifices to attain the vision, (4) communicating high expectations, (5) expressing optimism and confidence in followers, (6) modeling behaviors consistent with the vision, (7) managing follower impressions of the leader, (8) building identification with the group or organization, and (9) empowering followers.

Charismatic leaders use language that includes symbols, slogans, imagery, and metaphors that are relevant to the experience and values of followers. Several studies of charismatic leaders have identified specific aspects of their communications that help to communicate an appealing and optimistic vision. For example, a study that content analyzed the speeches of U.S. presidents found more frequent use of metaphors by presidents regarded as very charismatic (Mio, Riggio, Levin, & Reese, 2005). Finally, expression of strong positive emotions such as enthusiasm and optimism about a new initiative, project, or strategy is another way for leaders to influence follower motivation (Sy, Cote, & Saavedra, 2005).

**Influence Processes**

**Personal Identification**

Shamir and his colleagues recognize that personal identification is one type of influence process that may occur for some followers of a charismatic leader. When strong personal identification occurs, followers will imitate the leader’s behavior, carry out the leader’s requests, and make an extra effort to please the leader. Personal identification and follower attributions of charisma to a leader are more likely when the leader communicates an appealing vision in an expressive and dramatic way, demonstrates courage and conviction, and makes self-sacrifices for followers or the mission (e.g., Choi & Mai-Dalton, 1999; DeCremer, 2002; Halverson, Holladay, Kazama, & Quinones, 2004; Yorges et al., 1999). However, personal identification is considered a less important source of leader influence over followers than **social identification**, internalization, and augmentation of individual and collective **self-efficacy**.

**Social Identification**

Strong social identification occurs when people take pride in being part of the group or organization and regard membership as one of their most important social identities (Ashforth & Mael, 1989). They see how their efforts and work roles are related to a larger entity, making their work more meaningful and important. They are more willing to place the needs of the group above individual needs and make self-sacrifices for the sake of the group. Moreover, social identification results in strengthening of shared values, beliefs, and behavior norms among members of the group.

Charismatic leaders can increase social identification by articulating a vision that relates a follower’s **self-concept** to shared values and role identities associated with the group (see Conger, Kanungo, & Menon, 2000). By emphasizing the ideological importance of the mission and the group’s unique qualifications to perform it, the leader can imbue the group with a unique collective identity. Social identification can also be increased by the skillful use of slogans, symbols (e.g., flags, emblems, uniforms), rituals (singing the organization’s song or anthem, saluting the flag, reciting the creed), and ceremonies (e.g., initiation of new members). Other relevant leadership behaviors include telling stories about past successes, heroic deeds by members, and **symbolic actions** by the founder or former leaders.

**Internalization**

With this influence process, followers embrace the leader’s mission or objectives as something that is worthy of their commitment. Sometimes charismatic leaders influence followers to embrace new values, but it is more common for charismatic leaders to articulate a vision describing task objectives in ideological terms that reflect existing follower values. By emphasizing the symbolic and ideological aspects of the work, the leader makes it seem more meaningful, noble, heroic, and morally correct. The ultimate form of internalization occurs when followers come to view their work role as inseparably linked to their self-concepts and self-worth. They carry out the role because it is a part of their essential nature and destiny.

**Self and Collective Efficacy**

Task motivation also depends on individual self-efficacy and collective efficacy. Individual self-efficacy is the belief that one is competent and capable of attaining difficult task objectives. People with high self-efficacy are willing to expend more effort and persist longer in overcoming obstacles to the attainment of task objectives (Bandura, 1986). Collective efficacy refers to the perception of group members that they can accomplish exceptional feats by working together. When collective efficacy is high, people are more willing to cooperate with members of their group in a joint effort to carry out their mission. A leader can enhance follower self-efficacy and collective efficacy by articulating an inspiring vision, expressing confidence that it can be accomplished, and providing necessary coaching and assistance (see Kark, Shamir, & Chen, 2003).

**Emotional Contagion**

The effects of a charismatic leader on followers may also involve **emotional contagion**, although this process was not emphasized by Shamir et al. (1993) when the theory was initially proposed. A leader who is very positive and enthusiastic can influence the mood of followers to be more positive, which is likely to increase their enthusiasm for the work and their perception that they can accomplish difficult objectives (e.g., collective efficacy). Moreover, emotional contagion can occur among followers themselves, so that feelings of excitement and optimism can spread quickly in a group or organization. Bono and Ilies (2006) found that leaders who were viewed as charismatic by followers were also rated higher on expression of emotion and overall effectiveness. The positive mood of followers mediated the relationship between leader expression of emotion and ratings of leader effectiveness.

**Facilitating Conditions**

The motivational effects of charismatic leaders are more likely to occur when the leader’s vision is congruent with existing follower values and identities. Thus, charismatic leaders must be able to understand the needs and values of followers. In addition, it must be possible to define task roles in ideological terms that will appeal to followers. High-technology industries can be linked to values such as scientific progress, economic development, and national pride, but it is more difficult to develop an appealing ideology in industries with controversial products such as alcoholic beverages, tobacco, or firearms. Work roles that have low potential for ideological appeals include simple, repetitive work with little inherent meaning or social significance. However, the following story of the two bricklayers shows that even routine work can be made more meaningful.

When asked what he was doing, one bricklayer replied that he was making a wall. The second bricklayer replied that he was building a cathedral.

According to the theory, a crisis condition is not necessary for the effectiveness of charismatic leadership. Nevertheless, charismatic leadership is more likely to occur when a group or organization is in serious trouble, there is not an obvious way to resolve the problem, and there is considerable anxiety or even panic among the members (e.g., Bligh, Kohles, & Meindl, 2004; Halverson et al., 2004;House et al., 1991; Pastor, Mayo, & Shamir, 2007; Pillai, 1996; Pillai & Meindl, 1998). Such conditions favor the emergence of a charismatic leader who is able to interpret the crisis and offer credible strategies for coping with it successfully. However, the attribution of charisma may be temporary unless the leader’s vision continues to be relevant after the immediate crisis is resolved (Boal & Bryson, 1988; Hunt, Boal, & Dodge, 1999). A good example is provided by the career of Winston Churchill.

As the prime minister of Britain during World War II, he rallied resistance to Nazi aggression and his inspiring speeches sustained hope for an eventual victory. During that time he was widely viewed in Britain and allied countries as a charismatic leader. However, after the war he had a sharp decline in popularity and was unable to retain his leadership position.

**Other Conceptions of Charisma**

This section reviews some other conceptions of charisma that provide useful insights into the nature of this complex form of leadership. These conceptions of charisma include psychodynamic processes, close versus distant charismatics, and a typology that differentiates charismatics from ideological and pragmatic leaders.

**Psychodynamic Processes**

A few theorists have attempted to explain charisma in terms of Freudian psychodynamic processes in followers (Kets de Vries, 1988;Lindholm, 1988). These theorists attempt to explain the unusual and seemingly irrational influence of some charismatic leaders who are idolized as a superhuman hero or worshiped as a spiritual figure. The intense personal identification of followers with such leaders is explained in terms of psychodynamic processes such as regression, transference, and projection. Regression involves a return to feelings and behaviors that were typical of a younger age. Transference occurs when feelings toward an important figure from the past (e.g., a parent) are shifted to someone in the present. Projection involves a process of attributing undesirable feelings and motives to someone else, thereby shifting the blame for things about which one feels guilty.

According to one psychoanalytic explanation, followers suffering from fear, guilt, or alienation may experience a feeling of euphoric empowerment and transcendence by submerging their identity in that of a seemingly superhuman leader. For example, a young man has a severe identity crisis because he is unable to develop a clear conception of an ideal self due to weak or abusive parents. He develops a strong emotional attachment and dependence on a charismatic gang leader who serves as the ideal to emulate. In another example, a person who has caused injury to others suffers from overwhelming guilt. By identifying with a charismatic religious leader who is perceived to exemplify moral values, the person vicariously experiences the leader’s moral superiority and is able to overcome the guilt. Followers of a charismatic leader may regress to childhood feelings of dependence on a parent who seemed to have magical powers, they may identify with the leader as an idealized self who exemplifies their wishes and fantasies, and they may be encouraged to project their feelings of guilt and hostility to an external figure or group.

Attributions of charisma are especially likely by people who have feelings of inadequacy, guilt, fear, and alienation, and who share beliefs and fantasies that will serve as the basis for emotional and rational appeals by the leader. For example, the combination of a severe economic depression and the collective shame of defeat in World War I left a fertile ground in Germany for the rise of Hitler. Hero worship and personal identification with charismatic entertainers is more likely to occur among adolescents who have low self-esteem and a weak social identity.

**Close and Distant Charisma**

Shamir (1995) proposed that attributions of charisma for people who have close contact with the leader differ in some important ways from attributions made by people who only view the leader from a distance. An exploratory study was conducted in Israel to see whether the proposed differences could be verified. Students were interviewed and asked to describe a charismatic leader with whom they had a direct relationship and one with whom they did not have a direct relationship. Responses were content analyzed to identify leader traits, skills, behaviors, and effects.

The results from the initial study support Shamir’s proposition that the amount of direct interaction between a leader and followers affects attributions of charisma. Distant charismatics were described more often in terms of their substantive achievements and effects on follower political attitudes. Close charismatics were more often described in terms of their effects on follower motivation, task behavior, and identification with the leader. The findings suggest that attributions of greatness for distant leaders are affected more by performance cues and shared stereotypes, whereas attributions of greatness for close leaders are affected more by leader behavior and interpersonal skills. However, the exploratory study had several limitations, and a subsequent study by Yagil (1998) in the Israeli army did not find support for the proposition that interpersonal qualities are more important in determining attributions of charisma for close rather than distant leaders. A survey study of managers at different levels in Korean companies (Chun et al., 2009) examined the influence of charismatic leadership on close and distant subordinates with multilevel analyses, but the results were mixed.

Attribution of charisma to a distant charismatic leader is likely to be affected also by influence processes among the followers themselves (Meindl, 1990). The perception of a distant leader may be influenced by individuals who promote the leader’s reputation and defend controversial actions and decisions by the leader (Galvin, Balkundi, & Waldman, 2010). Emotional contagion can increase follower enthusiasm and devotion to the leader. The qualities attributed to a leader may become highly exaggerated as rumors and stories circulate among people who have no direct contact with the leader. For example, stories about a leader’s heroic deeds and exceptional feats may spread among members of a political movement; stories about miracles performed by the leader may spread among members of a religious cult.

Attributions about charisma may be made not only by the members of an organization, but also by outsiders who do not have an opportunity to observe the leaders closely (e.g., investors, customers, suppliers, government officials). Chief executive officers (CEOs) have a variety of ways to influence the impressions of external stakeholders whose confidence and support are important to success and survival of the organization (Fanelli & Misangyi, 2006; Treadway, Adams, Ranft, & Ferris, 2009).

More research is needed to clarify how distance affects attributions of charisma, and stronger methods will be needed to avoid the limitations common in this type of research. Antonakis and Atwater (2002) pointed out the need to make a careful distinction between vertical social distance (proximity in the authority hierarchy of an organization) and physical distance. The frequency and nature of interactions with followers, and the amount of leader position power and control, also determine how distance will moderate the influence of a leader on followers. Advances in communication and social networking technology may allow physically distant followers to experience a virtual relationship that is similar in many respects to the relationship experienced by followers who are physically close to the leader.

**Charismatic versus Ideological and Pragmatic Leaders**

Another theory involving charismatic leadership differentiates between three types of leaders that can emerge in situations involving crises, turbulence, and uncertainty (Hunter et al., 2011; Mumford, 2006; Mumford, Antes, Caughron, & Friedrich, 2008). In turbulent situations, leaders have more potential influence over the identification of threats and opportunities and the selection of appropriate responses. The three different types of leaders that can emerge in these situations are labeled *charismatic, ideological*, and *pragmatic*leaders. Each type of leader can be effective, but they differ in terms of their traits, behavior, and influence processes. The charismatic and ideological leaders are more effective in situations where there is a high level of political and ideological conflict, whereas pragmatic leaders are more effective when there is little political confict and more emphasis on constructive problem solving.

Ideological leaders are more likely to emerge when there is a strong culture of shared values, and they can articulate a vision that embodies these values. Ideological leaders make emotional appeals to shared values and beliefs, and they involve followers in identifying strategies for resolving a crisis or attaining desirable objectives. To retain the trust of followers, ideological leaders must act in ways that are consistent with the values and vision.

The charismatic leaders appeal to emotions and articulate a vision that builds confidence that the leader can show followers how to resolve a crisis and overcome obstacles to desirable objectives. The vision appeals to some members of the organization who trust the leader and are willing to become loyal followers, but other members who do not share the leader’s vision may become opponents.

The pragmatic leaders are more likely to emerge when they are perceived by followers to have the expertise and commitment necessary to guide the process of strategy formation and crisis management. Pragmatic leaders make rational appeals to followers who are able to understand and carry out proposed strategies for achieving shared objectives.

**Consequences of Charismatic Leadership**

Examples of positive and negative charismatics can be found in studies of political leaders. Franklin D. Roosevelt lifted the United States out of the Great Depression, implemented major social programs such as Social Security, and mobilized the nation for World War II. In the same historical period, Adolf Hitler transformed Germany in a manner resulting in paranoid aggression, persecution, destruction, and the death of millions of people. This section discusses the positive and negative consequences of charismatic leadership for followers and the organization.

**Positive and Negative Charismatics**

How to differentiate between positive and negative charismatic leaders has been a problem for leadership theory. It is not always clear whether a particular leader should be classified as a positive or negative charismatic. One approach is to examine the consequences for followers. However, most charismatic leaders have both positive and negative effects on followers, and it is not always clear whether a particular outcome is beneficial or detrimental.

A better approach for differentiating between positive and negative charismatics is in terms of their values and personality (House & Howell, 1992; Howell, 1988; Musser, 1987). Negative charismatics have a personalized power orientation. They emphasize personal identification rather than internalization. They intentionally seek to instill devotion to themselves more than to ideals. They may use ideological appeals, but merely as a means to gain power, after which the ideology is ignored or arbitrarily changed to serve the leader’s personal objectives. They seek to dominate and subjugate followers by keeping them weak and dependent on the leader. Authority for making important decisions is centralized in the leader, rewards and punishments are used to manipulate and control followers, and information is restricted and used to maintain an image of leader infallibility or to exaggerate external threats to the organization. Decisions of these leaders reflect a greater concern for self-glorification and maintaining power than for the welfare of followers.

In contrast, positive charismatics have a socialized power orientation. They seek to instill devotion to ideology more than devotion to themselves. In terms of influence processes, they emphasize internalization rather than personal identification. Self-sacrifice and leading by example are used to communicate commitment to shared values and the mission of the unit, not to glorify the leader. Authority is delegated to a considerable extent, information is shared openly, participation in decisions is encouraged, and rewards are used to reinforce behavior consistent with the mission and objectives of the organization. As a result, their leadership is more likely to be beneficial to followers, although it is not inevitable if the strategies encouraged by the leader are inappropriate.

Howell and Shamir (2005) proposed that follower characteristics help explain the type of charismatic relationship that will occur, but unlike some theorists, they do not believe that attributions of charisma are limited to followers who lack self-esteem and a clear **self-identity**. Followers who lack a clear self-identity and are confused and anxious about their lives are more attracted to a strong leader with a personalized power orientation who can provide a clear social identity for them as disciples or loyal supporters. The followers will identify more with the leader than with the organization or mission. In contrast, followers with a clear self-concept and high self-esteem will be responsive to a leader who can explain how the mission of the group or organization is relevant to their core values and strong self-identity. These followers will identify more with the mission and the organization than with the leader.

**Effects of Positive Charismatics**

The consequences for followers are better with a positive charismatic leader than with a negative charismatic. They are more likely to experience psychological growth and development of their abilities, and the organization is more likely to adapt to an environment that is dynamic, hostile, and competitive. A positive charismatic leader usually creates an “achievement-oriented” culture (Harrison, 1987), a “high-performing system” (Vaill, 1978), or a “hands-on, value-driven” organization (Peters & Waterman, 1982). The organization has a clearly understood mission that embodies social values beyond mere profit or growth, members at all levels are empowered to make important decisions about how to implement strategies and do their work, communication is open and information shared, and organization structures and systems support the mission. Such an organization has obvious advantages, but Harrison (1987, p. 12) contends that proponents also overlook some potential costs:

In their single-minded pursuit of noble goals and an absorbing task, people lose their sense of balance and perspective; the end can come to justify the means. The group or organization exploits its environment, and its members—to the detriment of their health and quality of life—willingly exploit themselves in the service of the organization’s purpose.

The positive charismatic can lead the organization in coping with a temporary crisis, but if prolonged for a long period of time, a single-minded achievement culture creates excessive stress and causes psychological disorders for members who are unable to tolerate this stress. If an achievement culture is created within one subunit of a larger organization, it may result in elitism, isolation, and lack of necessary cooperation with other subunits. Harrison concludes that subordinating member needs to the mission can be justified in a severe crisis, the moral equivalent of war, but under less demanding conditions a better balance between task concerns and people concerns is appropriate.

**The Dark Side of Charisma**

The major theories of charismatic leadership emphasize the positive consequences, but a number of social scientists have also considered the “dark side” of charisma (Bass & Steidlmeier, 1999; Conger, 1989; Conger & Kanungo, 1998; Hogan, Raskin, & Fazzini, 1990; House & Howell, 1992; Kets de Vries & Miller, 1985; Mumford, Gessner, Connelly, O’Connor, & Clifton, 1993; O’Connor et al., 1995; Sandowsky, 1995). Negative consequences that are likely to occur in organizations led by charismatics are summarized inTable 12-1. Two interrelated sets of consequences combine to increase the likelihood that the leader’s career will be cut short. Charismatic leaders tend to make more risky decisions that can result in a serious failure, and they tend to make enemies who will use such a failure as an opportunity to remove the leader from office.

**Table 12-1 Some Negative Consequences of Charismatic Leaders**

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| * Being in awe of the leader reduces good suggestions by followers. * Desire for leader acceptance inhibits criticism by followers. * Adoration by followers creates delusions of leader infallibility. * Excessive confidence and optimism blind the leader to real dangers. * Denial of problems and failures reduces organizational learning. * Risky, grandiose projects are more likely to fail. * Taking complete credit for successes alienates some key followers. * Impulsive, nontraditional behavior creates enemies as well as believers. * Dependence on the leader inhibits development of competent successors. * Failure to develop successors creates an eventual leadership crisis. |

Leader optimism and self-confidence are essential to influence others to support the leader’s vision, but excessive optimism makes it more difficult for the leader to recognize flaws in the vision or strategy. Identifying too closely with a vision undermines the capacity of people to evaluate it objectively. If other executives believe the leader has exceptional expertise, they will be inhibited from pointing out flaws or suggesting improvements in the leader’s strategies and plans (see Finkelstein, 2003). Earlier successes and adulation by many subordinates may cause the leader to become overconfident about his or her judgment. In a persistent quest to attain the vision, a charismatic leader may ignore or reject early signs that it is unrealistic. How overconfidence can result in a bad decision is evident in this example about Edwin Land, the inventor of the Polaroid camera (Conger, 1989).

Land had been correct in his earlier perception that people wanted cameras that would make instant photographs, but in 1970 he decided to develop a radical new camera (the SX-70) that would make the earlier versions obsolete. Ignoring evidence that the market demand would be very limited, Land invested a half billion dollars to develop and produce the “perfect” instant camera. This strategy proved to be unsuccessful. Sales for the first year were far below estimated levels, and several years of design changes and price cuts were necessary to gain market acceptance for the camera.

The same impulsive, unconventional behavior that some people view as charismatic will offend and antagonize other people who consider it disruptive and inappropriate. Likewise, the leader’s strong conviction to untraditional ideologies alienates people who remain committed to the traditional ways of doing things. Even some of the initial supporters may become disillusioned if the leader fails to acknowledge their significant contributions to major achievements by the group or organization. Bass (1985) noted that the response of people to a charismatic leader is likely to be polarized; the same leader arouses extreme admiration by some people and extreme hatred by others. The advantage of having some dedicated followers who identify with the leader is offset by having determined enemies, including powerful people who can undermine the leader’s programs or conspire to remove the leader from office.

Charisma is a transitory phenomenon when it is dependent on personal identification with an individual leader who is perceived to be extraordinary. When the leader departs or dies, a succession crisis is likely, and many organizations founded by a charismatic leader fail to survive this crisis (Bryman, 1992; Mintzberg, 1983). The process of trying to perpetuate a charismatic leader’s influence on the organization is called *routinization of charisma*. Sometimes the leader’s vision can be embedded in the culture of the organization, but this approach requires a vision that continues to be relevant and appealing to members long after the leader is gone. Before departing the leader’s authority can be transferred to a designated successor through rites and ceremonies, but it is seldom possible to find a successor who will appear as extraordinary as the initial charismatic leader. In addition, a leader who fears potential rivals or is preoccupied with the mission may fail to identify a strong successor early enough to ensure a smooth transition.

The leader can also create an administrative structure that will continue to implement the vision with rational–legal authority (Weber, 1947). However, it is difficult to maintain the enthusiastic commitment of organization members when a charismatic leader with whom they identified is succeeded by bland bureaucrats who emphasize obedience to formal rules. Even when not actively encouraged by the leader, a formal administrative structure usually evolves in a new organization as it grows larger and more successful. Conflicts are likely between bureaucratic administrators and the charismatic leader, and sometimes the administrators are able to wrest control of the organization away from the charismatic leader. A case study by Weed (1993) provides a vivid example.

Candy Lightner is the charismatic founder of Mothers Against Drunk Driving (MADD). In 1980, after her daughter was killed by a drunk driver who was a repeat offender, she created MADD to lobby for stricter penalties for drunk driving in California. By 1985 she had successfully built MADD into a large national organization with 360 local chapters in the United States and a budget of $13 million. As MADD grew its central administrative structure became more formalized. The size of the Board of Directors was increased, and its composition changed from local chapter directors who were very loyal to Lightner to professionals with a background in law, public relations, social services, and nonprofit advocacy organizations. The central staff evolved from a small circle of close friends to a larger staff of professional administrators whose primary loyalty was to the organization rather than to Lightner. By 1983 there were increasing conflicts between Lightner and other members of the central staff, who resented her autocratic style, her inconsistency about assignments, and her defensiveness about criticism or dissent. Turnover increased, and disputes erupted about her use of funds. Finally when her contract lapsed in 1985, the Board ousted Lightner from her position as president of MADD.

Despite the adverse consequences for negative charismatic leaders, these leaders are not all doomed to fail. Success is possible for a narcissistic charismatic with the expertise to make good decisions, the political skill to maintain power, and the good luck to be in a favorable situation. There are many examples of narcissistic charismatics who established political empires, founded prosperous companies, or initiated new religious sects and retained control of them throughout their lifetime.

**Practical Implications for Organizations**

A few writers have proposed the idea that charismatic leadership is a good solution for the problems of large organizations, but critics point out several reasons why it may not be feasible or desirable to have charismatic leaders occupy important positions in private and public sector organizations (Bryman, 1992; Schein, 1992; Trice & Beyer, 1993).

Charismatic leadership is risky. It is impossible to predict the result when people give too much power to an individual leader in the often irrational hope that he or she will actually be able to deliver on a vision of a better future. The power is often misused while the vision remains an empty dream. History is full of charismatic leaders who caused untold death, destruction, and misery in the process of building an empire, leading a revolution, or founding a new religion.

Charismatic leadership implies radical change in the strategy and culture of an organization, which may not be necessary or appropriate for organizations that are currently prosperous and successful. It is difficult to make radical change in an organization if no obvious crisis exists and many members see no need for change. If there is more than one charismatic leader in the organization and they have incompatible visions, the organization may be torn apart by disruptive conflict. Historical accounts suggest that many charismatic leaders find it too difficult to implement their radical vision within an existing organization, and they leave to establish a new one (e.g., a new business, religious order, political party, or social movement).

Charisma is a rare and transitory phenomenon. The beneficial accomplishments of a charismatic leader may not persist after the leader departs. The early dramatic successes that make a leader appear charismatic can sow the seeds of eventual failure if overconfidence encourages risky decisions that will endanger the organization and its members.

The research on effects of charismatic leaders in organizations is limited, but it suggests that charisma is not a beneficial attribute for most chief executives. The descriptive research found that few leaders of successful organizations were viewed as charismatic (e.g.,Bennis & Nanus, 1985; Collins, 2001a, 2001b; Kouzes & Posner, 1987; Peters & Austin, 1985; Tichy & Devanna, 1986). In a study of corporations that examined financial performance in the years before and after a survey conducted to measure CEO charisma, financial performance was predicted by past performance but not by CEO charisma (Angle et al., 2006). Another study of corporations found that CEOs who appeared charismatic were able to persuade their board of directors to give them higher compensation, but these CEOs did not improve financial performance for their companies (Tosi et al., 2004).

**Transformational Leadership**

Much of the thinking about transformational leadership was influenced by James McGregor Burns (1978), who wrote a best-selling book on political leadership. Burns contrasted transforming leadership with **transactional leadership**. Transforming leadership appeals to the moral values of followers in an attempt to raise their consciousness about ethical issues and to mobilize their energy and resources to reform institutions. Transactional leadership motivates followers by appealing to their self-interest and exchanging benefits. For a political leader, these activities include providing jobs, subsidies, lucrative government contracts, and support for desired legislation in return for campaign contributions and votes to reelect the leader. Transactional leadership may involve values, but they are values relevant to the exchange process, such as honesty, fairness, responsibility, and reciprocity. Finally, Burns also identified a third form of leadership influence based on legitimate authority and respect for rules and tradition. Bureaucratic organizations emphasize this form of influence more than influence based on exchange or inspiration.

The process by which leaders appeal to followers’ values and emotions is a central feature in current theories of transformational and visionary leadership in organizations (e.g., Bass, 1985, 1996; Bennis & Nanus, 1985; Sashkin & Fulmer, 1988; Tichy & Devanna, 1986). In contrast to Burns, however, the newer theories of transformational leadership are more concerned with attainment of pragmatic task objectives than with the moral elevation of followers or social reform. The views of Burns on ethical leadership are discussed in Chapter 13.

Several theories of transformational or inspirational leadership were proposed, but the version of the theory formulated by Bass (1985, 1996) has influenced leadership research more than any of the others. Building on the ideas of Burns, the essence of the theory is the distinction between transformational and transactional leadership. For Bass (1985), transformational and transactional leadership are distinct but not mutually exclusive processes. With transformational leadership, the followers feel trust, admiration, loyalty, and respect toward the leader, and they are motivated to do more than they originally expected to do. The leader transforms and motivates followers by (1) making them more aware of the importance of task outcomes, (2) inducing them to transcend their own self-interest for the sake of the organization or team, and (3) activating their higher-order needs. In contrast, transactional leadership involves an exchange process that may result in follower compliance with leader requests but is not likely to generate enthusiasm and commitment to task objectives. According to Bass, transformational leadership increases follower motivation and performance more than transactional leadership, but effective leaders use a combination of both types of leadership.

**Leader Behaviors**

Transformational and transactional leadership behaviors are described in terms of two broad meta-categories of behavior, each with specific subcategories (see Table 12-2). The original formulation of the theory included three types of transformational behavior.*Idealized influence* is behavior that increases follower identification with the leader, such as setting an example of courage and dedication and making self-sacrifices to benefit followers. *Intellectual stimulation* is behavior that influences followers to view problems from a new perspective and look for more creative solutions. *Individualized consideration* includes providing support, encouragement, and coaching to followers. A revision of the theory added another transformational behavior called *inspirational motivation*, which includes communicating an appealing vision, and using symbols to focus subordinate effort (Bass & Avolio, 1990a). Yet another revision by Bass and Avolio (1997) distinguished between idealized influence behavior and attributions of charisma, although it is not clear why the latter scale was retained in a questionnaire designed to measure observable behavior. Any ratings of leadership behavior are susceptible to attribution biases, so the distinction between attributed and behavioral charisma is confusing.

**Table 12-2 Transformational and Transactional Behaviors**

|  |
| --- |
| **Transformational Behaviors** |
| * Idealized influence * Individualized consideration * Inspirational motivation * Intellectual stimulation |
| **Transactional Behaviors** |
| * Contingent reward * Active management by exception * Passive management by exception |

Based on Bass (1996).

The original formulation of the theory included two types of transactional behavior: *contingent reward* and *passive management by exception*. Contingent reward behavior includes clarification of accomplishments necessary to obtain rewards, and the use of incentives to influence subordinate task motivation. Passive management by exception includes use of contingent punishments and other corrective action in response to obvious deviations from acceptable performance standards. Another transactional behavior called *active management by exception* was added in more recent versions of the theory (Bass & Avolio, 1990a). This behavior is defined in terms of looking for mistakes and enforcing rules to avoid mistakes.

Newer versions of the theory also include *laissez-faire leadership*, which is defined as passive indifference about the task and subordinates (e.g., ignoring problems, ignoring subordinate needs). It is best described as the absence of effective leadership rather than as an example of transactional leadership. The revised version of the theory is sometimes called the “Full Range Leadership Model” (Avolio, 1999). This label is inappropriate because the model does not include several important leadership behaviors (Antonakis & House, 2002; Yukl, 1999a).

**Influence Processes**

The underlying influence processes for transactional and transformational leadership are not clearly explained, but they can be inferred from the description of the behaviors and effects on follower motivation. The primary influence process for transactional leadership is probably instrumental compliance (see Chapter 8). Transformational leadership probably involves internalization, because inspirational motivation includes efforts to link the task to follower values and ideals with behavior such as articulating an inspirational vision. A leader can increase intrinsic motivation by increasing the perception of followers that task objectives are consistent with their authentic interests and values (see Bono & Judge, 2004; Charbonneau, Barling, & Kelloway, 2001).

Transformational leadership also appears to involve personal identification. Followers may identify with the leader, imitate the leader’s behavior, and embrace the values and ideals espoused by the leader. Personal identification may include follower attributions of charisma to the leader. According to Bass (1985, p. 31), “Charisma is a necessary ingredient of transformational leadership, but by itself it is not sufficient to account for the transformational process.”

Other processes that may mediate the effects of transformational leadership on follower performance have been identified in research on the theory. Transformational leadership is highly correlated with trust in the leader (Dirks & Ferrin, 2002). Transformational behaviors such as inspirational motivation (e.g., optimistic visioning) and individualized consideration (e.g., coaching) may increase the self-efficacy of individual subordinates (McColl-Kennedy & Anderson, 2002) and the collective efficacy of teams (see Chapter 10). Intellectual stimulation may increase the creativity of individual followers (Howell & Avolio, 1993; Keller, 1992; Sosik, Kahai, & Avolio, 1998).

The influence process called *cascading* has been offered as a way to explain how a CEO can indirectly influence the motivation of lower-level employees in an organization (Waldman & Yammarino, 1999). The behavior of a CEO is imitated by subordinates, and **role modeling** is repeated by managers at each lower level. As yet, there is only very limited evidence for cascading of leader behaviors (Bass et al., 1987; Chun et al., 2009). There is no evidence that key CEO behaviors will be imitated by low-level managers, or that lower-level members of an organization will embrace the CEO’s vision without a credible strategy and major changes in programs, reward systems, and cultural values.

**Facilitating Conditions**

According to Bass (1996, 1997), transformational leadership is considered effective in any situation or culture. The theory does not specify any conditions under which authentic transformational leadership is irrelevant or ineffective. In support of this position, the positive relationship between transformational leadership and effectiveness has been replicated for many leaders at different levels of authority, in different types of organizations, and in several different countries (Bass, 1997). The criterion of leadership effectiveness has included a variety of different types of measures. The evidence supports the conclusion that in most if not all situations, some aspects of transformational leadership are relevant. However, universal relevance does not mean that transformational leadership is equally effective in all situations or equally likely to occur.

A number of situational variables may increase the likelihood that transformational leadership will occur or may enhance the effect of such leadership on followers (Bass, 1985, 1996; Hinkin & Tracey, 1999; Howell & Avolio, 1993; Pawar & Eastman, 1997; Pettigrew, 1988; Purvanova & Bono, 2009; Waldman et al., 2001). The change-oriented components of transformational leadership are likely to be more important in a dynamic, unstable environment that increases the need for change, and such leadership is more likely when leaders are encouraged and empowered to be flexible and innovative (e.g., a decentralized organization with an entrepreneurial culture). The cross-cultural research on perceived importance of transformational leadership suggests that it may be used more often in some cultures than in others (see Chapter 14). Finally, there is growing evidence that the traits and values of followers may determine how they respond to a leader’s transformational or charismatic behaviors (e.g., de Vries, Roe, & Taillieu, 2002; Ehrhart & Klein, 2001).

**Research on Charismatic and Transformational Leadership**

Many studies have investigated how charismatic and transformational leadership are related to measures of leadership effectiveness, such as subordinate satisfaction, motivation, and performance. The research methods include survey studies, laboratory and field experiments, comparative studies with analysis of biographical information for several famous leaders, and intensive case studies of an individual leader. In some studies, it is not clear whether the leaders should be regarded as transformational or charismatic, but communication of an inspiring vision is a common feature in most of the studies.

**Survey Studies**

Field survey studies have been used more often than any other method for research on transformational and charismatic leadership. Different questionnaires have been developed to measure charismatic leadership (Conger & Kanungo, 1994; Shamir, Zakay, & Popper, 1998) and transformational leadership (Bass, 1985; Bass & Avolio, 1990a; Podsakoff, MacKenzie, Moorman, & Fetter, 1990). However, the Multifactor Leadership Questionnaire (MLQ) or a modified version of it (Bass & Avolio, 1990a) has been used in a majority of the studies on transformational leadership and even for some studies on charismatic leadership.

For the MLQ, subordinates rate how often their leader uses each type of behavior described in the items. Several studies that used factor analysis to assess the construct validity of the MLQ found support for the distinction between transformational and transactional leadership, but results for the component behaviors were not consistent from study to study (Antonakis, Avolio, & Sivasubramaniam, 2003; Avolio, Bass, & Jung, 1999; Bycio, Hackett, & Allen, 1995; Carless, 1998; Den Hartog, Van Muijen, & Koopman, 1997; Tejeda, Scandura, & Pillai, 2001; Tepper & Percy, 1994; Yammarino, Spangler, & Dubinsky, 1998). In addition, the component behaviors for transformational leadership are so highly intercorrelated that most studies use only a composite score for transformational leadership.

Successive revisions of the MLQ have added types of transformational behavior not represented in the initial version. Other questionnaires such as the Transformational Leader Index (Podsakoff et al., 1990) have a different mix of component behaviors, thereby creating additional confusion about the definition of transformational leadership. A few studies using questionnaires with a wider range of behaviors found that transformational leadership was confounded with other behaviors not included in the definition, including empowerment and recognition (Hinkin & Tracey, 1999; Rafferty & Griffin, 2004; Yukl, 1999a).

Most of the survey studies correlated transformational or charismatic leadership with measures of outcome variables, such as individual or group motivation or performance. A small number of survey studies examined the relationship of charismatic and transformational leadership to measures of organizational performance (see Chapter 11). Meta-analyses of the survey studies found a significant relationship between composite ratings of charismatic or transformational leadership and measures of leadership effectiveness (DeGroot, Kiker, & Cross, 2000; Judge & Piccolo, 2004; Lowe, Kroeck, & Sivasubramaniam, 1996; Wang, Oh, Courtright, & Colbert, 2011). The relationship was stronger for subordinate satisfaction and self-rated effort than for an independent criterion of leadership effectiveness (e.g., ratings of the leader by superiors, objective performance of the leader’s team or work unit). Only a small number of studies have examined effects of transformational leadership by CEOs on company financial performance, and the results were inconsistent (see Chapter 11).

The number of survey studies on antecedents of charismatic and transformational leadership is much smaller than the number of studies on outcomes, but they generally support the relevance of traits such as leader power motivation, self-confidence, extraversion, and positive emotions (see review by Walter & Bruch, 2009). However, results have not been consistent in the research on several traits and skills proposed to predict charismatic or transformational leadership, which may be due to the large variety of measures and types of samples used in the research.

The interpretation of results in the survey research on transformational and charismatic leadership is complicated by confounding with unmeasured behaviors and rater biases such as subordinate attributions and affect towards the leader (Brown & Keeping, 2005). The interpretation of results is also complicated by ambiguity about whether the respondent is describing only dyadic leader behavior (with the respondent) or the leader’s behavior with everyone in the work unit (Kark & Shamir, 2002; Schriesheim, Wu, & Scandura, 2009;Wang & Howell, 2010). Given the serious limitations of the survey research on transformational and charismatic leadership, future research should include a wider variety of leadership behaviors and alternative ways of measuring them, such as coding of observations, incident diaries, and interviews with leaders and followers (Yukl, 1999a).

**Laboratory and Field Experiments**

Several laboratory experiments on charismatic leadership were conducted with university students (e.g., Awamleh & Gardner, 1999;Choi & Mai-Dalton, 1999; Halverson et al., 2004; Howell & Frost, 1989; Hunt et al., 1999; Jaussi & Dionne, 2003; Jung & Avolio, 1999;Kirkpatrick & Locke, 1996; Shea & Howell, 1999; van Knippenberg & van Knippenberg, 2005; Yorges et al., 1999). In a few of these experiments, the leader was an actor who displayed charismatic or transformational behaviors. Other experiments used scenarios that described leader behavior and the situation, and participants indicated how they would likely respond as subordinates in that situation. In two field experiments, the behavior of managers was manipulated with a training intervention to assess the effects on the performance of the organizational unit (e.g., Barling, Weber, & Kelloway, 1996; Dvir, Eden, Avolio, & Shamir, 2002). Most of the laboratory and field experiments provide support for the proposition that some types of charismatic or transformational behavior can have positive effects on followers in some situations. However, all of these studies have limitations that make interpretation of results difficult. More experiments are needed to assess the independent and joint effects of the leader behaviors described in the theories. One promising method is the use of laboratory experiments with realistic, multisession simulations that are meaningful for participants.

**Comparative Analyses of Leader Descriptions**

Another method used to study charismatic leadership involves analyses of leader descriptions. A variety of sources have been used for this type of research, including biographies about the leader, speeches and writings by the leader, critical incidents about the leader. In some studies the researchers look for common attributes for a sample of leaders widely perceived to be charismatic or successful. Other studies compare leaders widely viewed as charismatic to leaders not considered charismatic. A content analysis is usually conducted to identify characteristic behaviors, traits, influence processes that may be relevant for understanding how the leader influenced followers and the organization.

The large variation in predictors, criteria, and situations in the descriptive studies makes it difficult to find consistent results (e.g.,Bligh & Robinson, 2010; Bryman, Stephens, & Campo, 1996; Conger, 1989; Deluga, 1998; House et al., 1991; Howell & Higgins, 1990; Jacobsen & House, 2001; Levinson & Rosenthal, 1984; Mio et al., 2005; O’Connor et al., 1995; Seyranian & Bligh, 2008;Strange & Mumford, 2002; Tichy & Devanna, 1986; Van Fleet & Yukl, 1986a; Westley & Mintzberg, 1989; Willner, 1984; Yukl & Van Fleet, 1982). Nevertheless, the results suggest that some of the specific traits and behaviors in the theories are related to effective leadership.

**Example of a Comparative Biographical Study**

An example of this type of research is provided by House et al. (1991), who conducted a study on charismatic leadership by U.S. presidents. The first step was to ask several historians to classify as charismatic or noncharismatic each of 31 former presidents who were elected to office and served at least two years of their first term. Then the motive pattern of each president was measured by content analysis of his first inaugural address. The biographies of two or more cabinet members were content analyzed to measure a president’s use of charismatic behaviors. Leadership effectiveness was measured in several ways including ratings of presidential greatness made by a sample of historians and analysis of biographical information about the outcomes of each president’s decisions and actions during the first term of office. The results were mostly consistent with the theory. Presidents with a socialized power orientation exhibited more of the charismatic leadership behaviors and were more likely to be viewed as charismatic by others. Moreover, the charismatic presidents used more direct action to deal with problems and were rated higher in performance.

**Intensive Case Studies**

Intensive case studies are another type of method used for research on charismatic leadership (e.g., Cha & Edmondson, 2006; Trice & Beyer, 1986; Weed, 1993). Information about leader behaviors, decisions, and consequences are usually gathered by interviews with leaders and members, and the study may involve observation of key processes, analysis of records, reports, and correspondence, and other sources of information. Some studies are focused on a single leader, but other studies compare successful versus unsuccessful leaders, or charismatic leaders versus non-charismatic leaders. A small number of case studies have examined leaders who transitioned from one position to another (e.g., Roberts, 1985; Roberts & Bradley, 1988) or who experienced initial success followed by eventual failure (e.g., Finkelstein, 2003). These studies tend to show that the effects of charismatic leadership depend greatly on the situation and can vary for the same leader as the situation changes.

**Example of an Intensive Case Study**

A good example is the study by Roberts (1985) of the same leader in two successive positions. The study began when the leader was the superintendent of a public school district. Data were collected by archival searches, analysis of newspaper articles, participant observation of formal and informal meetings, and interviews with the superintendent, other administrators, board members, staff, teachers, parents, and students. The leader was deemed to be effective, because she was able to implement large, mandated budget cuts in a way that satisfied diverse stakeholders and still allowed progress on implementing desirable educational innovations. Her budget was approved unanimously by the school board after only a brief discussion. The teachers gave her a standing ovation for her efforts, even though the plan required program cuts and elimination of jobs. She was described as a “visionary” who had almost a “cultlike following” in the district.

The actions taken by the leader to achieve this successful outcome were the following: (1) a mission statement was formulated and referred to frequently during the change process; (2) a strategic vision was developed during a series of meetings and workshops involving district personnel; (3) several personnel in key positions were replaced with more competent, dynamic people to support the change effort; (4) performance objectives and action plans were developed for immediate subordinates (the school principals), progress was monitored by reports and meetings, and extensive participation by subordinates was encouraged during this process; (5) temporary task forces were created to involve all stakeholders in recommending where to make the budget cuts and how to deal with other budget and educational issues; and (6) staff members were trained in how to run structured public meetings in which task forces made presentations and solicited suggestions about budget cuts.

Roberts characterized the process as more a matter of creating and managing energy than of shaping culture or managing meaning. The leader was energetic, created enthusiasm, channeled emotions aroused by the budget crisis, and galvanized people into action. The leader helped people recognize that they could make a difference by working together toward common objectives. The following episode provides an example (Roberts, 1985, p. 1035):

After a scheduled 40-minute presentation to district staff, teachers besieged the stage to ask for more of her time to discuss the various initiatives the district was pursuing. Their requests turned into a four-hour dialogue with 800 people, in which the superintendent shared her hopes, her dreams, her past, her disappointments. Many people were moved to tears, including the superintendent. A critical point in the exchange came in answer to a question of how people could be certain that what she and the School Board promised would indeed occur. The superintendent’s response was, “Well I guess you just have to trust us. I trust you.” Dead silence followed as people drew in their breaths and held them for a moment or two. Upon being asked what this silence meant, people responded that the superintendent had proven her point. That was what the dialogue and the honesty were all about. She had trusted them with her thoughts, hopes, and feelings, and they in turn would trust her. Mutual trust had created a bond between the superintendent and her audience.

When the superintendent was appointed to her position, she was not initially perceived as a charismatic leader; this attribution occurred only after she had been in the position for two years and the change process was well under way. Roberts concluded that charisma was attributed to the leader because of the way she resolved the budget crisis, and not as an inevitable result of the leader’s personal qualities. This conclusion is consistent with the findings of a follow-up study made after the same individual was appointed the commissioner of education for the state in 1983 (Roberts & Bradley, 1988).

Data for the follow-up study were obtained from a variety of sources. Interviews were conducted with the new commissioner during the four years from 1983 to 1987, and interviews were also conducted with state legislators, representatives from the governor’s office, the board of education, school boards, and teacher unions. The commissioner was observed during speaking engagements, meetings with her staff, press conferences, formal and informal presentations to teachers and superintendents, and informal meetings with members of the state department of education. Additional information was obtained from analysis of official documents, newspaper articles, and reports made by special interest groups.

The new commissioner’s approach for implementing change at the state level was similar to the one she used as superintendent. She formulated a mission statement and vision for change, and she moved quickly to replace several assistant commissioners with people from outside the education department who would support her programs. Enthusiasm and support were generated by conducting visits to nearly all of the school districts in the state. A survey was conducted to assess public opinion on school issues, and meetings were held with community groups throughout the state to identify public concerns and hopes for the schools.

At the end of her four-year term, the commissioner was evaluated as an effective administrator by the governor, and she was reappointed for another term. People usually described her as innovative and committed, but some peers and subordinates were critical rather than supportive. The commissioner’s initiatives had some positive benefits, but they did not generate any widespread support for major change in the education system. Overall, there was no evidence that she was perceived as extraordinary or charismatic in her new position.

Roberts and Bradley (1988) suggested several reasons why the same person was seen as charismatic in one position and not in the other. First, at the district level, a serious crisis justified the need for innovative solutions, whereas at the state level there was no crisis to focus attention and provide a rationale for radical change. Second, as a district superintendent she had much more autonomy and authority than as a commissioner. The latter position was more political and involved a larger and more complex web of stakeholder relationships that served to constrain her actions and make change difficult (e.g., the governor, the legislature, members of the education department, interest groups, teachers’ unions, school officials). Third, the large size of the state agency and the complexity of the job as commissioner made it essential to delegate more responsibility, but strong political opposition and bureaucratic resistance undermined her efforts to restructure the education department and build a cooperative team of executives to help implement new initiatives effectively. Finally, as superintendent she was able to inspire strong trust and affection in meetings with constituents, whereas as commissioner a close relationship with constituents did not develop. Speaking to large audiences with intrusive television coverage, her speeches lacked the enthusiasm and vivid, emotional language in her earlier speeches as superintendent to smaller, more informal groups of teachers, principals, and parents.

**Comparison of Charismatic and Transformational Leadership**

One of the most important issues for leadership scholars is the extent to which transformational leadership and charismatic leadership are similar and compatible. Some theorists treat the two types of leadership as essentially equivalent, whereas other theorists view them as distinct but overlapping processes. Even among theorists who view the two types of leadership as distinct processes, there remains disagreement about whether it is possible to be both transformational and charismatic at the same time.

Conceptual ambiguity and inconsistent definitions make it difficult to compare transformational and charismatic leadership, or even to compare theories of the same general type. In recent years, the major charismatic theories have been revised in ways that appear to move them closer to the transformational theories. The major transformational theories have been revised to incorporate additional forms of effective leadership behavior. The term *transformational* has been broadly defined by many writers to include almost any type of effective leadership, regardless of the underlying influence processes. The label may refer to the transformation of individual followers or to the transformation of entire organizations.

One source of apparent differences in the two types of theories is the emphasis on attributed charisma and personal identification. The essence of charisma is being perceived as extraordinary by followers who are dependent on the leader for guidance and inspiration. Attributed charisma and personal identification are more central for the theory by Conger and Kanungo (1998) than for the theory by Shamir et al. (1993). Bass (1985) proposed that charisma is a necessary component of transformational leadership, but he also noted that a leader can be charismatic but not transformational. The essence of transformational leadership appears to be inspiring, developing, and empowering followers (although empowering is not explicit in most versions of the theory). These effects may reduce attribution of charisma to the leader rather than increase it. Thus, the essential influence processes for transformational leadership may not be entirely compatible with the essential influence process for charismatic leadership, which involves personal identification with an extraordinary leader and dependence on the leader. Some support for this distinction is provided in a study by Kark et al. (2003); they found that personal identification mediates the effect of the leader on follower dependence and social identification mediates the effect of the leader on follower self-efficacy and collective efficacy.

Many of the leadership behaviors in the theories of charismatic and transformational leadership appear to be the same, but some important differences are evident as well. Transformational leaders probably do more things that will empower followers and make them less dependent on the leader, such as delegating significant authority to individuals or teams, developing follower skills and self-confidence, providing direct access to sensitive information, eliminating unnecessary controls, and building a strong culture to support empowerment. Charismatic leaders probably do more things that foster an image of extraordinary competence for the leader and increase subordinate dependence, such as impression management, information restriction, unconventional behavior, and personal risk taking.

Another likely difference between transformational and charismatic leadership involves how often each type of leadership occurs and the facilitating conditions for it. According to Bass, transformational leaders can be found in any organization at any level, and this type of leadership is universally relevant for all types of situations (Bass, 1996, 1997). In contrast, charismatic leaders are rare, and their emergence appears to be more dependent on unusual conditions (Bass, 1985; Beyer, 1999; Shamir & Howell, 1999). They are most likely to be visionary entrepreneurs who establish a new organization, or reformers who emerge in an established organization when formal authority has failed to deal with a severe crisis and traditional values and beliefs are questioned.

Another difference involves the way people react to the leaders. The reactions to charismatics are usually more extreme and diverse than reactions to transformational leaders (Bass, 1985). The affective reaction aroused by charismatics often polarizes people into opposing camps of loyal supporters and hostile opponents. The intense negative reaction by some people to charismatic leaders helps explain why these leaders are often targets for assassination or political tactics to remove them from office. Transformational leaders get a less intense reaction from followers and are unlikely to have this polarizing effect. These leaders are viewed as competent and professional but are not usually considered exciting and exceptional.

The empirical research on transformational and charismatic leadership was not designed to examine issues of comparability and compatibility among different theories. Few studies examine underlying influence processes or go beyond the superficial and often ambiguous data provided by behavior description questionnaires. The issue of comparability cannot be resolved merely by comparing responses on questionnaires commonly used in the survey research on each type of leadership (e.g., Rowold & Heinitz, 2007). The primary difference in the theories involves aspects of the relationships and influence processes that are not captured by these questionnaires. Resolution of this interesting and important question requires additional research with more intensive methods.

**Evaluation of the Theories**

The available evidence supports many of the key propositions of the major theories of charismatic and transformational leadership. Collectively, the theories appear to make an important contribution to our understanding of leadership processes. They provide an explanation for the exceptional influence some leaders have on followers, a level of influence not adequately explained by earlier theories of instrumental leadership or situational leadership. The new theories emphasize the importance of emotional reactions by followers to leaders, whereas the earlier theories emphasized rational-cognitive aspects of leader–follower interactions. The new theories also acknowledge the importance of symbolic behavior and the role of the leader in making events meaningful for followers. Earlier leadership theories did not recognize that symbolic processes and management of meaning are as important as management of things. Finally, the new theories include a more diverse set of variables (e.g., traits, behaviors, mediating processes, situation) and integrate them better in explanations of effective leadership.

Despite their positive features, the new theories also have some conceptual weaknesses (Beyer, 1999; Bryman, 1993; Yukl, 1999b). Examples include ambiguous constructs, insufficient description of explanatory processes, a narrow focus on dyadic processes, omission of some relevant behaviors, insufficient specification of situational variables, and a bias toward heroic conceptions of leadership. Some of these limitations will be explained in more detail.

**Relevance of Antecedents**

Some theories specify leader traits and skills that predict the types of behavior and influence processes described for a charismatic or transformational leader, while other theories are vague about these antecedents. Research on antecedents of charismatic and transformational leadership (see Walter & Bruch, 2009) supports the relevance of traits such as power motivation, self-confidence, and extraversion. However, the results are not consistent for some other traits and skills (e.g., emotional maturity, narcissism, conscientiousness, conceptual skills). The inconsistent results may be due to the large variety of measures and types of samples used in the research. Another explanation is that the studies and the literature reviews usually disregard the important differences between positive and negative charismatics, and between charismatic and transformational leadership. Some leader traits and skills seem to be more relevant for predicting these differences than for predicting who will be viewed as charismatic.

**Explanation of Mediating Processes**

Most theories of transformational and charismatic leadership lack sufficient specification of underlying influence processes. The self-concept theory of charismatic leadership provides the most detailed explanation of leader influence on followers, but even this theory needs more clarification of how the various types of influence processes interact, their relative importance, and whether they are mutually compatible. Most of the theories are still leader-centered, and they emphasize the influence of the leader on followers. More attention needs to be focused on reciprocal influence processes, shared leadership, and mutual influence among the followers themselves.

The theories would be strengthened by including a better explanation of how leaders enhance mutual trust and cooperation, empowerment, collective identification, collective efficacy, and collective learning. The theories need to include more explanation of task-oriented functions of leaders that are essential for the effective performance of a team, and strategic functions that are essential for the financial performance of organizations. Most of the theories fail to explain the leader’s external roles, such as monitoring the environment to identify threats and opportunities, building networks of contacts who can provide information and assistance, serving as a spokesperson for the team or organization, negotiating agreements with outsiders, and helping to obtain resources, political support, and new members with appropriate skills (see Chapters 2, 10, and 11).

Most of the theories focus too narrowly on dyadic processes. The charismatic and transformational theories describe how a leader can influence the motivation and loyalty of subordinates, which is relevant for understanding effective leadership. However, these theories are primarily extensions of motivation theory, and much more is needed to explain how leaders build exceptional teams or influence the financial performance and survival of an organization (Beyer, 1999; Yukl & Lepsinger, 2004). A leader may influence followers to be more motivated, creative, and cooperative, but what the followers are motivated to do and how appropriate it is for the situation are also important. Having highly motivated and loyal followers will not prevent disaster if the leader pursues unrealistic objectives or misguided strategies (see Finkelstein, 2003).

**Implications for Change and Effectiveness**

The theories do not clearly specify how leadership processes are related to change, the necessary facilitating conditions for the leader to influence major change, or how initial change will affect future leadership processes. The vision may be one developed primarily by the leader or merely a minor adaptation of a vision already articulated by higher level leaders or a previous leader. The vision may involve a call for innovative changes, or it may involve a return to traditional values that are no longer dominant determinants of strategic decisions for the organization but remain important for many members. For example, a charismatic leader may emerge as a rebel who successfully resists the implementation of major changes that are inconsistent with traditional values (Levay, 2010).

The theories also lack clarity about the longer-term implications for transformational or charismatic leadership. A leader who is attributed charisma following initial success in innovative responses to threats or opportunities, may lose this charisma if success is only temporary or new initiatives result in serious losses for the organization. A transformational leader may lack the cognitive skills needed to successfully deal with increasingly complex and difficult challenges as the situation changes or the person is promoted to a higher level position.

**Identification of Situational Variables**

A final limitation is the need for more explanation of situational variables that determine whether transformational or charismatic leadership will occur and how effective it will be (Beyer, 1999; Bryman, 1992; Yukl, 1999b). Progress has been made in identifying some relevant situational variables (e.g., Antonakis & Atwater, 2002; Bass, 1996; Conger & Kanungo, 1998; De Hoogh et al., 2005;House et al., 1991; Howell & Avolio, 1993; Klein & House, 1995; Lapidot, Kark, & Shamir, 2007; Pawar & Eastman, 1997; Pillai, 1996;Pillai & Meindl, 1998; Podsakoff, MacKenzie, Ahearne, & Bommer, 1995; Roberts & Bradley, 1988; Shamir & Howell, 1999; Tosi et al., 2004; Trice & Beyer, 1986, Waldman et al., 2001, 2004; Walter & Bruch, 2010). However, the variation among studies in the type of leaders sampled, the measures of leadership behavior, and the situational variables that were included, yielded results that are inconsistent and difficult to interpret.

**Guidelines for Inspirational Leadership**

Although much remains to be learned about transformational leadership and related theories, the convergence in findings from different types of research suggests some tentative guidelines for leaders who seek to inspire followers and increase their self-confidence and commitment to the mission. The guidelines (see summary in Table 12-3) are based on the theories and research findings reviewed in this chapter.

**Table 12-3 Guidelines for Transformational Leadership**

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| --- |
| * Articulate a clear and appealing vision. * Explain how the vision can be attained. * Act confident and optimistic. * Express confidence in followers. * Use dramatic, symbolic actions to emphasize key values. * Lead by example. |

* **Articulate a clear and appealing vision.**

Transformational leaders strengthen the existing vision or build commitment to a new vision. A clear vision of what the organization could accomplish or become helps people understand the purpose, objectives, and priorities of the organization. It gives the work meaning, serves as a source of self-esteem, and fosters a sense of common purpose. Finally, the vision helps guide the actions and decisions of each member of the organization, which is especially important when individuals or groups are allowed considerable autonomy and discretion in their work decisions (Hackman, 1986; Raelin, 1989). Suggestions for developing a vision with appealing content are described in Chapter 4.

The success of a vision depends on how well it is communicated to people (Awamleh & Gardner, 1999; Holladay & Coombs, 1993,1994). The vision should be communicated at every opportunity and in a variety of ways. Meeting with people directly to explain the vision and answer questions about it is probably more effective than less interactive forms of communication (e.g., letters or e-mail messages to followers, newsletter articles, televised news conferences, videotaped speeches). If a non-interactive form of communication is used to present the vision, then it is helpful to provide opportunities for followers to ask questions afterward (e.g., use e-mail, a hotline, open meetings, or visits by the leader to department meetings).

The ideological aspects of a vision can be communicated more clearly and persuasively with colorful, emotional language that includes vivid imagery, metaphors, anecdotes, stories, symbols, and slogans. Metaphors and analogies are especially effective when they excite the imagination and engage the listener in trying to make sense out of them. Anecdotes and stories are more effective if they invoke symbols with deep cultural roots, such as legendary heroes, sacred figures, and historical ordeals and triumphs. A dramatic, expressive style of speaking augments the use of colorful language in making an emotional appeal (see guidelines for inspirational appeals in Chapter 8). Conviction and intensity of feeling are communicated by a speaker’s voice (tone, inflection, pauses), facial expressions, gestures, and body movement. The appropriate use of rhyme, rhythm, and repetition of key words or phrases can make a vision more colorful and compelling.

* **Explain how the vision can be attained.**

It is not enough to articulate an appealing vision; the leader must also convince followers that the vision is feasible. It is important to make a clear link between the vision and a credible strategy for attaining it. This link is easier to establish if the strategy has a few clear themes that are relevant to shared values of organization members (Nadler, 1988). Themes provide labels to help people understand issues and problems. The number of themes should be large enough to focus attention on key issues, but not so large as to cause confusion and dissipate energy. It is seldom necessary to present an elaborate plan with detailed action steps. The leader should not pretend to know all the answers about how to achieve the vision, but instead should inform followers that they will have a vital role in discovering what specific actions are necessary.

The strategy for attaining the vision is most likely to be persuasive when it is unconventional yet straightforward. If it is simplistic or conventional, the strategy will not elicit confidence in the leader, especially when there is a crisis. Consider the example of a company that was losing market share in the face of intense competition.

The CEO proposed to make the company’s product the best in the world by improving product design and quality (the old strategy was to keep price low by cutting costs). The product would be designed to be reliable (few moving parts, durable materials, extensive product testing, quality control by every worker) as well as “user friendly” (simple operating procedures, easy-to-read displays, clear instructions). This strategy contributed to the successful turnaround of the company.

* **Act confident and optimistic.**

Followers are not going to have faith in a vision unless the leader demonstrates self-confidence and conviction. It is important to remain optimistic about the likely success of the group in attaining its vision, especially in the face of temporary roadblocks and setbacks. A leader’s confidence and optimism can be highly contagious. It is best to emphasize what has been accomplished so far rather than how much more is yet to be done. It is best to emphasize the positive aspects of the vision rather than the obstacles and dangers that lie ahead. Confidence is expressed in both words and actions. Lack of self-confidence is reflected in tentative, faltering language (e.g., “I guess,” “maybe,” “hopefully”) and some nonverbal cues (e.g., frowns, lack of eye contact, nervous gestures, weak posture).

* **Express confidence in followers.**

The motivating effect of a vision also depends on the extent to which subordinates are confident about their ability to achieve it. Research on the *Pygmalion effect* found that people perform better when a leader has high expectations for them and shows confidence in them (Eden, 1984, 1990; Eden & Shani, 1982; Field, 1989; McNatt & Judge, 2004; Sutton & Woodman, 1989). It is especially important to foster confidence and optimism when the task is difficult or dangerous, or when team members lack confidence in themselves. If appropriate, the leader should remind followers how they overcame obstacles to achieve an earlier triumph. If they have never been successful before, the leader may be able to make an analogy between the present situation and success by a similar team or organizational unit. Review the specific strengths, assets, and resources that they can draw on to carry out the strategy. List the advantages they have relative to opponents or competitors. Explain why they are as good as or better than an earlier team that was successful in performing the same type of activity.

* **Use dramatic, symbolic actions to emphasize key values.**

A vision is reinforced by leadership behavior that is consistent with it. Concern for a value or objective is demonstrated by the way a manager spends time, by resource allocation decisions made when trade-offs are necessary between objectives, by the questions the manager asks, and by what actions the manager rewards. Dramatic, highly visible actions can be used to emphasize key values, as in the following example:

The division manager had a vision that included relationships in which people were open, creative, cooperative, and oriented toward learning. Past meetings of the management team had been overly formal, with detailed agendas, elaborate presentations, and excessive criticism. He began a three-day meeting to communicate his vision for the division by inviting people to a beachfront ceremony where they burned a pile of agendas, handouts, and evaluation forms.

Symbolic actions to achieve an important objective or defend an important value are likely to be more influential when the manager risks substantial personal loss, makes self-sacrifices, or does things that are unconventional. The effect of symbolic actions is increased when they become the subject of stories and myths that circulate among members of the organization and are retold time and again over the years to new employees. In one example recounted by Peters and Austin (1985), the CEO personally destroyed some low-quality versions of the company’s product that had been sold previously as “seconds.” This widely publicized action demonstrated his commitment to the new policy that, henceforth, the company would make and sell only products of the highest quality.

* **Lead by example.**

According to an old saying, actions speak louder than words. One way a leader can influence subordinate commitment is by setting an example of exemplary behavior in day-to-day interactions with subordinates. Leading by example is sometimes called role modeling. It is especially important for actions that are unpleasant, dangerous, unconventional, or controversial. A manager who asks subordinates to observe a particular standard should also observe the same standard. A manager who asks subordinates to make special sacrifices should set an example by doing the same. Some of the most inspirational military leaders have been ones who led their troops into battle and shared the dangers and hardships rather than staying behind in relative safety and comfort (Van Fleet & Yukl, 1986b). A negative example is provided by the executives in a large company that was experiencing financial difficulties. After asking employees to defer their expected pay increases, the executives awarded themselves large bonuses. This action created resentment among employees and undermined employee loyalty to the organization and commitment to its mission. A more effective approach would be to set an example by cutting bonuses for top executives before asking for sacrifices from other employees.

The values espoused by a leader should be demonstrated in daily behavior, and it must be done consistently, not just when convenient. Top-level leaders are always in the spotlight, and their actions are carefully examined by followers in a search for hidden meanings that may not be intended by the leader. Ambiguous remarks may be misinterpreted and innocent actions may be misrepresented. To avoid sending the wrong message, it is important to consider in advance how one’s comments and actions are likely to be interpreted by others.

**Summary**

Attributions of charisma are the result of an interactive process between leader, followers, and the situation. Charismatic leaders arouse enthusiasm and commitment in followers by articulating a compelling vision and increasing follower confidence about achieving it. Attribution of charisma to the leader is more likely if the vision and strategy for attaining it are innovative, the leader takes personal risks to promote it, and the strategy appears to be succeeding. Other relevant behaviors have also been identified, but they vary somewhat across the different theories. Some leader traits and skills such as self-confidence, strong convictions, poise, speaking ability, and a dramatic flair increase the likelihood of attributed charisma, but also important is a context that makes the leader’s vision especially relevant to follower needs.

Charismatic leaders can have a tremendous influence on an organization, but the consequences are not always beneficial. Some entrepreneurs who establish a prosperous company are narcissistic charismatics with a personalized power orientation. These leaders are insensitive, manipulative, domineering, impulsive, and defensive. They consider follower devotion more important than commitment to an ideological vision. Their arrogance and excessive self confidence encourage risky decisions that can cause the downfall of their company. Positive charismatics seek to instill devotion to ideological goals and are more likely to have a beneficial influence on the organization. However, the achievement culture fostered by positive charismatics may also produce some undesirable consequences if the needs of individual followers are ignored. More research is needed to discover whether it is possible to achieve the positive outcomes of charismatic leadership without the negative consequences.

Transformational leaders make followers more aware of the importance and value of the work and induce followers to transcend self-interest for the sake of the organization. The leaders develop follower skills and confidence to prepare them to assume more responsibility and have more influence. The leaders provide support and encouragement when necessary to maintain enthusiasm and effort in the face of obstacles, difficulties, and fatigue. As a result, followers trust the leader and are motivated to do more than they originally expected to do.

The empirical research relevant for the theories of transformational leadership has generally been supportive, but few studies have examined the underlying influence processes that account for the positive relationship found between leader behavior and follower performance. More research is needed to determine the conditions in which different types of transformational behavior are most relevant and the underlying influence processes that explain why the behaviors are relevant.

The theories of transformational and charismatic leadership emphasize that emotional processes are as important as rational processes, and symbolic actions are as important as instrumental behavior. These theories provide new insights into the reasons for the success or failure of leaders, but the underlying explanatory processes in these theories do not provide a sufficient basis for understanding how leaders can influence the long-term financial performance and survival of an organization. To understand how leaders influence organizational processes and outcomes, it is necessary to include aspects of strategic management that are not explicitly described in most charismatic and transformational theories (see Chapter 11).

**Review and Discussion Questions**

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| 1. | Briefly describe the attribution theory of charismatic leadership. |

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| 2. | Briefly describe the self-concept theory of charismatic leadership. |

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| 3. | What problems are charismatic leaders likely to create for an organization? |

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| 4. | In what type of situation is a charismatic leader most likely to be beneficial? |

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| 5. | Briefly describe the theory of transformational leadership proposed by Bass. |

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| 6. | What are similarities and differences between charismatic and transformational leadership? |

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| 7. | What new insights are provided by theories of transformational and charismatic leadership? |

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| 8. | What can leaders do to become more transformational? |

**Key Terms**

* charisma
* charismatic leadership
* emotional contagion
* personal identification
* role modeling
* self-concept
* self-efficacy
* self-identity
* social identification
* symbolic action
* transactional leadership
* transformational leadership
* vision

**Case:****Astro Airlines**

**Part 1**

Arthur Burton established Astro Airlines in 1980, two years after the airlines were deregulated. Burton’s vision for the new airline has two key elements. First, the airline would provide low-cost, no-frills service to people who formerly could not afford to travel by air. Second, the airline would have a novel type of organization that provided a better way for people to work together, thereby unleashing their creativity and improving productivity. Burton was a dynamic, emotionally stirring speaker with a kind of evangelical fervor, and he took advantage of every opportunity to teach and affirm his vision. He was regarded by many employees as an inspirational leader who made you believe that you could do anything. The climate at Astro Airlines in the initial years was one of enthusiasm, excitement, and optimism.

Instead of the typical bureaucratic organization, the new company had only three levels of management and few support staff. The emphasis was on equality, informality, participative leadership, and self-management. Employees were organized into teams with shared responsibility for determining how to do their work. The teams elected members to represent them in advisory and coordinating councils that met with top management, thereby enabling them to participate in making important decisions. Managers were expected to provide direction but not to dictate methods or police efforts. Employees were expected to perform multiple jobs and to learn new skills. Even the managers were expected to spend some time doing regular line jobs to keep informed about problems and customer needs. The “status perks” found in most large organizations were eliminated. For example, executives answered their own telephones and typed their own letters. New employees were carefully screened, because Burton sought to hire young, enthusiastic employees who were willing to learn new jobs and who could function as part of a cooperative team. All permanent employees were required to share in the ownership of the company, and they could purchase shares of stock at a reduced price.

Burton believed that a strategy of discount fares and convenient schedules with frequent flights would attract new passengers who would normally travel by car, train, or bus, or who would otherwise not travel. By keeping operating costs low, Astro Airlines was able to offer fares that were much lower than those of competitors. The salaries of managers and employees were lower than normal for the airline industry, although employees also received generous fringe benefits, profit sharing, and stock dividends. Costs were also reduced by purchasing surplus aircraft at bargain rates, by reconfiguring aircraft to carry more passengers (e.g., converting first class into coach seats), and by innovative scheduling that allowed the planes to fly more hours each day. Customers were charged for some frills such as meals and baggage handling that other airlines included in the price of the ticket. To reduce space normally needed for ticket counters at terminals, the ticketing for flights was done either in advance by travel agents or on the plane itself with innovative ticketing machines.

The new company was an immediate success, and passenger volume expanded rapidly. In less than three years the company grew from a few hundred employees with three planes to more than 3,000 employees with 22 planes servicing 20 cities. This success occurred despite dismal conditions that caused widespread operating losses in the airline industry, including a severe economic recession, a crippling national strike of air traffic controllers, and brutal price wars. The flexibility of the company and the commitment and creativity of its employees aided its early growth and facilitated rapid adaptation to crises such as the strike of air traffic controllers.

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**Questions**

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| 1. | Describe Burton’s leadership behavior. |

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| 2. | Was Burton a charismatic leader in the company at this time? Explain your answer. |

**Part 2**

Despite the early successes, the rapid growth of the company was also creating some serious organizational problems. Employees believed that after the initial chaos of starting up the company, things would settle down and the intensely heavy workload would be alleviated. They were wrong; communication problems increased, the workload remained overwhelming, decisions were taking too long to be made, and too many decisions had to be resolved by top management. These problems were due in part to the informality and absence of structure. As the number of routes, facilities, and flights increased, operational problems became more complex, but formal structures were not developed to deal with them effectively. The number of managers did not increase nearly as fast as the number of nonsupervisory employees. Burton refused to recruit experienced managers from outside the company, preferring to promote current employees into positions for which they initially lacked sufficient expertise. Overburdened managers lacked adequate support personnel to which they could delegate routine responsibilities. Managers complained about the pressure and stress. They spent too much time in meetings, they could not get issues resolved and implemented, and they could not provide adequate training for the rapidly increasing number of new service employees. The new employees were not getting the extensive training and socialization necessary to prepare them to provide quality service, rotate among different service jobs, and use team management practices. Operating problems (e.g., canceled flights) and declining customer service (e.g., rude attendants) alienated customers and eroded the company’s reputation.

Adding to the confusion was the worsening conflict between Burton, who as CEO was responsible for strategic planning, and the company president who was responsible for operational management. In 1982, the president resigned, and Burton assumed his responsibilities rather than finding an immediate replacement. At this time Burton finally decided to appoint a task force composed of executives to develop ideas for improving the organization. The task force presented some initial proposals for new managerial roles and structures. Employees were subsequently promoted to these roles, and management training activities were initiated for them. Burton was heavily involved in this training; he conducted some of it himself, and he faithfully attended sessions taught by others, thereby indicating the importance he placed on it. However, other necessary changes in management processes were not implemented, and the position of president was still not filled. In short, Burton seemed unwilling to take the steps necessary to transform Astro Airlines from an entrepreneurial start-up to an established organization. Indeed, his remedy for the firm’s problems was to set out on a new growth path rather than to concentrate on consolidation. He believed that what the company needed was an even bigger vision to get people excited again. Thus, he began yet another period of rapid expansion. The airline added new routes, purchased new and larger aircraft, and hired more new employees.

By 1984, Burton no longer seemed content to run a successful regional airline. He continued to make changes designed to transform Astro into an international airline that would compete with the major carriers. He decided to acquire some other regional and commuter airlines that were financially weak. His strategy of rapid expansion was overly optimistic, and it ignored some important changes that were occurring in the external environment. Burton failed to anticipate the likely reactions of major airlines that were stronger financially and prepared to conduct a long price-cutting war to protect their market position. New passenger traffic did not increase enough to justify the cost of the added flights, and Astro was unsuccessful in attracting many business travelers accustomed to frills and better service. The company began to experience losses instead of profits.

Internal problems also worsened in 1985. There was an attempt to unionize the pilots, and a substantial number of pilots quit, complaining that they were exploited and mistreated. Other employees began questioning Burton’s sincerity and accused him of being a manipulator. The perception among many employees was that he was now acting like a dictator, and no one dared to cross him. When asked about the absence of independent outsiders on the board of directors, Burton replied that he was the founder and largest shareholder, and he could determine what was best for the company. He fired a key managing officer who had been with the company since it was formed, presumably for challenging him and asking questions he no longer wanted to hear. Another founding executive whom Burton had appointed as president resigned and took several other employees with him to establish a new airline.

In 1986, as financial performance continued to deteriorate, Burton abruptly abandoned the distinctive strategy of discount fares and no-frills service and began offering full service with higher fares to lure business travelers. However, operating losses continued to mount, and in a last desperate move, Burton changed back to his original strategy. It was all to no avail. By the summer of 1986, the losses increased and the company entered bankruptcy proceedings.

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