TRANSFORMATIONAL LEADERSHIP 2.0
How to Boost Your Team’s Performance
Executive Summary

High-performing teams are a key driver of business performance. But what is it that makes a team a successful one? In this white paper, the critical role of team leaders is stressed. From the research, we know that transformational leaders are linked with more positive outcomes than many other leadership styles. Nowadays, transformational leaders, however, must not only motivate the individual follower, but also need to effectively influence their team on a group-level. Especially, the predominant trends in today’s workplace, such as the increase in virtual communication, the high interdependence in followers’ tasks and the rise in high-performance demanding contexts, have made transformational leaders become more essential than ever. In line with the research, this white paper provides recommendations on how to become a successful transformational leader and how to foster team performance.
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Transformational leaders are still in demand but their role has changed

A typical picture of a traditional leader is someone who guides and motivates followers individually to achieve maximum performance. However, as the use of teams in organisations has expanded over the past decades, the role of leaders has changed. Nowadays, leaders must not only motivate their individual employees, but also manage their team as a group working towards common goals. Yet, leading teams has recently been found by the Center for Creative Leadership as one of the top six challenges leaders face all over the world.

As high performing teams are essential for achieving outstanding organisational performance, companies are confronted with a critical question: What kinds of leaders are most likely to help teams achieve their goals? Studies reveal that transformational leadership behaviours are linked to more positive outcomes than many other leadership styles. Most importantly, it does not only predict employers’ individual task and contextual performance but also performance on the team level: A recent meta-analysis found that transformational leadership accounted for more than double of the explained variance in team performance than did contingent reward – one of three dimensions of transactional leadership.

Leading teams – one of the top six challenges worldwide

Transformational leaders are geared to take up the challenge

Contextual Performance: Follower performance above and beyond what is delineated by job requirements alone.

Transformational Leaders:
- Develop, intellectually stimulate, and inspire subordinates to transcend their own self-interests for a higher collective purpose or vision.

Transactional Leaders:
- Set clear objectives and goals for the followers and reward them when the goals are achieved.
Transformational leaders’ mystery in fostering team performance is revealed

Studies have shown that transformational leaders promote team performance, but how do they actually make the difference? Research has recently started to unlock transformational leaders’ secrets in effectively leading teams. What has been shown is that transformational leaders positively influence psychological processes within their team which in turn increase their performance.

SECRET 1: Transformational leaders positively influence their followers’ generalized beliefs about the capabilities of the team, also known as team potency, which then fosters the team’s effectiveness⁸. But how do transformational leaders encourage their teams’ potency? This is where the second secret comes into play.

SECRET 2: Research indicates that transformational leaders enhance their teams’ potency by increasing the team members’ trust that they are competently led⁹. Through the perception of pursuing meaningful, shared objectives through clear processes that have been set by the leader, team members are more likely to develop high cognition-based trust in their leader, and this enhances the team potency.

SECRET 3: Another key factor that has been identified is team reflexivity, or the extent to which teams reflect upon and modify their functioning¹⁰. Transformational leaders enhance this reflexivity within their team, which in turn improves performance. Given the importance of reflexivity for team performance, it is crucial to understand what factors motivate teams to become more reflexive. Here another secret has been revealed.

SECRET 4: Transformational leaders enhance the development of a common goal and shared vision in the team which in turn affects reflexivity¹¹. Having a shared, overarching goal or vision of the future fosters a shared frame of reference for team members, which makes it easier for teams to reflect effectively on team objectives and the strategies used to reach them. Transformational leaders can aid this process by regularly promoting the goal and vision to the team and thus, stimulating reflexivity within their teams.
Transformational leaders become more important than ever as work conditions change

With globalisation and its concomitant dynamics in today’s workplace it has become more imperative than ever for companies to recognize the importance of effective leadership behaviors. Especially, if your company faces one of the following three trends, an investment in transformational leaders seems worthwhile.

VIRTUAL COMMUNICATION: The advancement of new communication technologies has led to an increase in virtual project teams\(^1\). Both virtual leaders and virtual followers reported in interview studies that virtual leaders are challenged to establish relationships with their followers\(^2\). However, virtual teams need not necessarily suffer the effects of leaner communication media. Rather, the uncertainty and ambiguity that is created by virtual communication opens the door for transformational leaders to influence their followers: Recent research not only showed that transformational leadership had a stronger effect on team performance in virtual than in face-to-face teams, but also that leaders who increased their transformational leadership behaviour in their virtual teams, relative to their face-to-face team, led the most successful teams\(^3\). Hence, the need for transformational leaders appears to be even higher in virtual communication conditions in which members work under circumstances of challenge, confusion and uncertainty.

TASK INTERDEPENDENCE: Another trend arises from the increasing use of team work: Employees’ tasks become more interdependent. Research shows that transformational leaders are particularly successful in promoting their team’s effectiveness when the team members’ tasks are interdependent\(^4\). Thus, if team members must depend on each other to perform their tasks in order to achieve their goals, the ability as a transformational leader is highly demanded.

MAXIMUM PERFORMANCE: If a team frequently faces situations in which maximum performance is required such as in tasks which are of relatively short duration so that
the team members can maximize effort (e.g. in short term projects) transformational leadership can make the difference: By installing a sense of optimism and collective efficacy, directing followers’ attention to the superordinate goal and promoting new ways of problem-solving, leaders help their followers to overcome these periods of stress and instability\textsuperscript{15}.

**HR’s role in developing transformational leaders**

As high performing teams are essential for achieving outstanding organisational performance, companies should invest in transformational leaders. Here HR is in the right place to do this. But how exactly can HR make managers more ‘transformational’?

**RECRUITING**

Probably the most cost-effective way is to select individuals with a transformational leadership style for managerial positions as these individuals are more likely to increase their future team’s performance. In this instance, HR could for example apply situational judgment tests\textsuperscript{16} in which the job applicant would have to identify the most appropriate and effective transformational leadership behavior in team context situations.

**TRAINING AND DEVELOPMENT**

As studies show that transformational leadership is trainable\textsuperscript{17} HR should develop training programmes to provide leaders with different sets of behaviours to motivate individual followers and teams as a whole. To enhance individual performance, HR should teach leaders how they can help followers reach their full potential, promote employees’ abilities and skills, and enhance followers’ self-efficacy and self-esteem. They can achieve this by considering their followers as individuals; understanding their individual abilities, skills, and needs; and providing them with customized coaching and mentoring\textsuperscript{18}. To drive team performance, training should stress the importance for team leaders to communicate team goals, to inspire effort to achieve these, and to develop shared values and beliefs. Simultaneously, leaders should be trained in communicating a compelling vision to team members and to build followers’ commitment to the vision. Additionally, training should emphasize the importance for leaders to encourage cooperation and build trust among members to ensure that they work effectively as a team\textsuperscript{18}. 
PERFORMANCE APPRAISAL AND REWARDS

In order to evaluate whether these trainings are effective, HR could either supply leaders with self-assessment tools or their followers with validated transformational leadership questionnaires such as the dual-level transformational leadership scale from Wang and Howell (2010). Especially the latter can be helpful in rewarding leaders on the basis of the assessment of their transformational leadership behavior.

Summary

The key to creating high-performing teams is transformational leaders who not only motivate individuals but also their team as a whole. Research has found that transformational leaders are capable of developing important team processes which in turn increase the team’s effectiveness. Especially, when leaders have to use computer-mediated communication, when team members’ tasks are highly interdependent or when time pressure is high, transformational leaders are likely to achieve the best outcomes. HR can use a combination of factors to improve managers’ leadership style that extend from the recruitment process at the very beginning, to training programs for effective team leadership, to rewarding high performers and adequately addressing poor performers.
References


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