

# STRATEGY DIRECTIVE (MA 208-2)

## 1. STRATEGIC CHANGE MANAGEMENT

### 1.1. Theory of Tychy's Strategic Shift

There have been shifts and major changes which have shaped the world during the 1980s and 1990s. They are as follows;

- From industrial society to information society
- Forced technology to high tech/high touch
- National economy to world economy
- Short term to long term
- Centralization to decentralization
- Institutional help to self-help
- Democracy to participatory democracy
- Hierarchies to networking
- North to south
- Either/or to multiple options

These continuing trends have become part of the daily life of both organizations and people. Nearly a decade later, we were presented new trends for the 21st century. Currently, these new millennial megatrends are;

- The booming global economy since the 1990s
- A renaissance in the arts
- The emergence of free-market socialism
- Global lifestyles and cultural nationalism
- The privatization of the welfare state
- The rise of the Pacific Rim
- The decade of women in leadership
- The age of biology
- The religious revival of the new millennium

- The triumph of the individual

It is believed that these new trends will shape the 21st century and will have influence on the important elements of human life. In other words, the millennium trends of the nineties will influence the important elements of our lives, careers and job decisions, travel, business, and investment choices, places of residence, and children's education. As such the new paradigm shifts in the world require new leadership for organizations. These new shifts and changes are central to the new leadership and strategic organizations and have been studied by distinguished leading minds in the business world. The central theme that scholars focus on is the rapid changes and uncertainties surrounding modern organizations. Planned and rapid adaptation to these unexpected changes call for a new type of leadership.

Traditional leadership theories emphasized the importance of leader effects on follower cognition, leadership enforcement behaviors, as well as leader and follower exchange relationships. Historically leaders have controlled rather than organized, administered repression rather than expression, and held their followers in arrestment rather than in evolution. Obviously, what both the organizations and societies need is a transformational leader who will be able to carry and lead the strategic organizations and societies well into the 21st century.

Values, visions, and beliefs of organizations have to be reevaluated and restated. With new leadership, the vision of any type of institution can turn into reality. The new paradigm is a real one. It is obvious that shaping and predicting the future requires strong leadership and flexible strategic plans for making planned change and overcoming uncertainties that strategic organizations will face in the future. Again, with rapid and uncertain changes in organizational environments, new leadership is required. Therefore, a new theory of leadership has emerged. The new leadership is identified and labeled as visionary. In the literature, these concepts are used alternatively and somewhat close to one another in meaning. The new theory focuses leader-follower interaction in beliefs, inner strength, vision, mutually open communication, and participation in the decision making process.

Transactional leadership, commonly seen today, is where an organization is almost solely driven by quarterly numbers without much consideration for the impact on organizational culture. In many cases even the long term strategic positioning, and financial impact for the enterprise, are overlooked or at best given cursory consideration. Transactional leadership is less predictable, and often requires the leader to take a commandant stance, which is almost the antithesis of

transformational. Transactional leaders keep organizations running, reacts to problems that arise, and modifies the organization as needed, always within accepted constraints. The transformational leader, on the other hand, develops new frameworks for the future including new standards, values and ways of doing business. They also encourage a critical mass of people in the organization to be creative in making the new vision a reality. The major premise of the transformational leadership theory is the leader's ability to motivate the follower to accomplish more than what the follower planned to accomplish.

It is thought that transformational leaders inspire followers to accomplish more by concentrating on the follower's values and helping the follower align these values with the values of the organization. Furthermore, transformational leadership is a relationship in which the leader and the follower motivated each other to higher levels which result in value system congruence between the leader and the follower. Transformational leadership has been associated with the personal outcomes of followers as well as organizational outcomes. Transformational leadership has four components: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. To explain further;

**1. Individualized Consideration** – The degree to which the leader attends to each follower's needs, acts as a mentor or coach to the follower and listens to the follower's concerns and needs. The leader offers empathy and support, keeps communication open and places challenges before the followers. This also encompasses the need for respect and celebrates the individual contribution that each follower can make to the team. The followers have a will and aspirations for self-development and have intrinsic motivation for their tasks.

**2. Intellectual Stimulation** – The degree to which the leader challenges assumptions, takes risks and solicits followers' ideas. Leaders with this style stimulate and encourage creativity in their followers. They nurture and develop people who think independently. For such a leader, learning is a value and unexpected situations are seen as opportunities to learn. The followers ask questions, think deeply about things and figure out better ways to execute their tasks.

**3. Inspirational Motivation** – The degree to which the leader articulates a vision that is appealing and inspiring to followers. Leaders with inspirational motivation challenge followers with high standards, communicate optimism about future goals, and provide meaning for the task at hand. Followers need to have a strong sense of purpose if they are to be motivated to act. Purpose and meaning provide

the energy that drives a group forward. The visionary aspects of leadership are supported by communication skills that make the vision understandable, precise, powerful and engaging. The followers are willing to invest more effort in their tasks, they are encouraged and optimistic about the future and believe in their abilities.

**4. Idealized Influence** – Provides a role model for high ethical behavior, instills pride, gains respect and trust. As a development tool, transformational leadership has spread already in all sectors of western societies, including governmental organizations.

Additionally, transformational leadership is a process where leaders and their followers raise one another to higher levels of morality and motivation. This kind of leader;

- Is a model of integrity and fairness
- Sets clear goals
- Has high expectations
- Encourages others
- Provides support and recognition
- Stirs the emotions of people
- Gets people to look beyond their self-interest
- Inspires people to reach for the improbable

Transformational leaders attempt and succeed in raising colleagues, subordinates, followers, clients, or constituencies to a greater awareness about issues of consequence. This heightening of awareness requires a leader with *vision, self- confidence, and inner strength* to argue successfully for what he sees is right or good, not for what is popular or is acceptable according to the established wisdom of the time. Summarily, the characteristics of transformational leaders are identified as follows;

- They identify themselves as change agents
- They are courageous individuals
- They believe in people
- They are value-driven
- They are lifelong learners
- They have the ability to deal with complexity, ambiguity and uncertainty
- They are visionaries

Research has shown that transformational leadership impacts follower satisfaction and commitment to the organization. Research has also shown that transformational leadership impacts employee commitment to organizational change and organizational conditions. Due to its impact on personal and organizational outcomes, transformational leadership is needed in all organizations. Leadership is associated with organizational and staff performance. Personal and organizational behavior related to leadership demands a more candid look at the leadership styles which may have a positive or negative impact on these two variables. It is thought that successful transformational leadership has the following personal outcomes on followers: empowerment, job satisfaction, commitment, trust, self-efficacy beliefs, and motivation. By understanding the impact of transformational leadership on the organizational and personal outcomes, transformational leaders can influence and motivate the behavior of employees in such a way that the resultant behavior has a positive impact on the organization.