

3.10: Transformational, Visionary, and Charismatic Leadership

Learning Objectives

1. What are the characteristics of transactional, transformational, and charismatic leadership?

Many organizations struggling with the need to manage chaos, to undergo a culture change, to empower organizational members, and to restructure have looked for answers in “hiring the right leader.” Many have come to believe that the transformational, visionary, and charismatic leader represents the style of leadership needed to move organizations through chaos.

The Transformational and Visionary Leader

Leaders who subscribe to the notion that “if it ain’t broke, don’t fix it” are often described as *transactional leaders*. They are extremely task oriented and instrumental in their approach, frequently looking for incentives to induce their followers into a desired course of action (Yukl, 1981). These reciprocal exchanges occur in a mutually interdependent relationship between the leader and the follower, frequently resulting in interpersonal bonding (Kellerman, 1984). The transactional leader moves a group toward task accomplishment by initiating structure and offering an incentive in exchange for desired behaviors. On the other hand, the **transformational leader** moves and changes (fixes) things “in a big way”! Unlike transactional leaders, they don’t cause change by offering inducements. Instead, they inspire others to action through their personal values, vision, passion, and belief in and commitment to the mission (Burns, 1978). Through charisma (idealized influence), individualized consideration (a focus on the development of the follower), intellectual stimulation (questioning assumptions and challenging the status quo), and/or inspirational motivation (articulating an appealing vision), transformational leaders move others to follow.

The transformational leader is also referred to as a visionary leader. **Visionary leaders** influence others through an emotional and/or intellectual attraction to the leader’s dreams of what “can be.” Vision links a present and future state, energizes and generates commitment, provides meaning for action, and serves as a standard against which to assess performance (Daft, 2018). Evidence indicates that vision is positively related to follower attitudes and performance (Baum, Locke, & Kirkpatrick, 1998). As Warren Bennis (1989) pointed out, a vision is effective only to the extent that the leader can communicate it so that others come to internalize it as their own.

As people, transformational leaders are engaging. They are characterized by extroversion, agreeableness, and openness to experience (Judge & Bono, 2000). They energize others. They increase followers’ awareness of the importance of the designated outcome (Pillai et al., 1999). They motivate individuals to transcend their self-interest for the team’s benefit and inspire organizational members to self-manage (become self-leaders) (Manz & Sims, Jr., 1987). Transformational leaders move people to focus on higher-order needs (self-esteem and self-actualization). When organizations face a turbulent environment, intense competition, products that may die early, and the need to move fast, managers cannot rely solely on organizational structure to guide organizational activity. In these situations, transformational leadership can motivate followers to be fully engaged and inspired, to internalize the goals and values of the organization, and to move forward with dogged determination!

Transformational leadership is positively related to follower satisfaction, performance, and acts of citizenship. These effects result from transformational leader behaviors eliciting trust and perceptions of procedural justice, which favorably impact follower satisfaction and performance (Pillai et al., 1999). As Pillai and colleagues (1999) noted, “when followers perceive that they can influence the outcomes of decisions that are important to them and that they are participants in an equitable relationship with their leader, their perceptions of procedural justice [and trust] are likely to be enhanced.” Trust and experiences of organizational justice promote leader effectiveness, follower satisfaction, motivation, performance, and citizenship behaviors.

Charismatic Leadership

Ronald Reagan, Jesse Jackson, and Queen Elizabeth I have something in common with Martin Luther King Jr., Indira Gandhi, and Winston Churchill. The effectiveness of these leaders originates in part in their charisma, a special magnetic charm and appeal that arouses loyalty and enthusiasm. Each exerted considerable personal influence to bring about major events.

It is difficult to differentiate the charismatic from the transformational leader. True transformational leaders may achieve their results through the magnetism of their personality. In this case, the two types of leaders are essentially one and the same, yet it is important to note that not all transformational leaders have a personal “aura.”

Sociologist Max Weber evidenced an interest in charismatic leadership in the 1920s, calling **charismatic leaders** people who possess legitimate power that arises from “exceptional sanctity, heroism, or exemplary character” (Eisenstadt, 1968). Charismatic leaders “single-handedly” effect changes even in very large organizations. Their personality is a powerful force, and the relationship that they forge with their followers is extremely strong.



Exhibit 3.12 Travis Kalanick Travis Kalanick was a praised CEO of Uber who managed to increase the company's value to over \$60 billion. He was forced to resign after taking a leave of absence and having several key executives resign due to allegations of creating a hostile and unethical workplace.

The charismatic leadership phenomenon involves a complex interplay between the leader's attributes and followers' needs, values, beliefs, and perceptions (Conger & Kanungo, 1987). At its extreme, leader-follower relationships are characterized by followers' unquestioning acceptance; trust in the leader's beliefs; affection; willing obedience to, emulation of, and identification with the leader; emotional involvement with his mission; and feelings of self-efficacy directed toward the leader's mission (House & Baetz, 1979). This can work to improve individuals' welfare, such as when Lee Iacocca saved thousands of jobs through his dramatic turnaround of a failing corporate giant, the Chrysler Corporation. It also can be disastrous, as when David Koresh led dozens and dozens of men, women, and children to their fiery deaths in Waco, Texas. Individuals working for charismatic leaders often have higher task performance, greater task satisfaction, and lower levels of role conflict than those working for leaders with considerate or structuring behaviors (Howell & Frost, 1989). What are the characteristics of these people who can exert such a strong influence over their followers? Charismatic leaders have a strong need for power and the tendency to rely heavily on referent power as their primary power base (House, 1977). Charismatic leaders also are extremely self-confident and convinced of the rightness of their own beliefs and ideals. This self-confidence and strength of conviction make people trust the charismatic leader's judgment, unconditionally following the leader's mission and directives for action (Willner, 1984). The result is a strong bond between leader and followers, built primarily around the leader's personality.

Although there have been many effective charismatic leaders, those who succeed the most have coupled their charismatic capabilities with behaviors consistent with the same leadership principles followed by other effective leaders. Those who do not add these other dimensions still attract followers but do not meet organizational goals as effectively as possible. They are (at least for a time) the pied pipers of the business world, with lots of followers but no constructive direction.

✓ Ethics in Practice

Uber's Need for an Ethical Leader

Almost since its initial founding in 2009 as a luxury car service for the San Francisco area, controversy has followed Uber. Many complaints are against the tactics employed by the company's founder and former CEO, Travis Kalanick, but the effects are found throughout the business and its operations.

In 2009, UberBlack was a “black car” service, a high-end driving service that cost more than a taxi but less than hiring a private driver for the night. It wasn't until 2012 that the company launched UberX, the taxi-esque service most people think of today when they say “Uber.” The UberX service contracted with private drivers who provided rides in their personal vehicles.

A customer would use Uber's smartphone app to request the ride, and a private driver would show up. Originally launched in San Francisco, the service spread quickly, and by 2017, Uber was in 633 cities. The service was hailed by many as innovative and the free market's answer to high-priced and sometimes unreliable taxi services. However, Uber has not been without its critics, both inside and outside the company.

In 2013, as the UberX service spread, some UberBlack drivers protested at the company's headquarters, complaining about poor company benefits and pay. They also claimed that competition from the newly launched UberX service was cutting into their sales and undermining job security. Kalanick rebuffed the protests, basically calling the complaints sour grapes: most of the protestors had been laid off earlier for poor service (Lawler, 2013). Controversy also arose over the use of contract drivers rather than full-time employees. Contractors complained about a lack of benefits and low wages. Competitors, especially taxi services, complained that they were being unfairly undercut because Uber didn't have to abide by the same screening process and costs as traditional yellow taxi companies. Some municipalities agreed, arguing further that Uber's lack of or insufficient screening of drivers put passengers at risk.

Uber quickly generated a reputation as a bully and Kalanick as an unethical leader (Ann, 2016). The company has been accused of covering up cases of sexual assault, and Kalanick himself has been quoted as calling the service "Boob-er," a reference to using the service to pick up women (Ann, 2016). Uber has been criticized for its recruiting practices; in particular, it has been accused of bribing drivers working for competitors to switch over and drive for Uber (Ann, 2016). The company was also caught making false driver requests for competing companies and then canceling the order. The effect was to waste the other driver's time and make it more difficult for customers to secure rides on the competing service (D'Orazio, 2014). Susan J. Fowler, former site reliability engineer at Uber, went public with cases of outright sexual harassment within Uber (Fowler, 2017). Former employees described Uber's corporate culture as an "a**hole culture" and a "'Hobbesian jungle' where you can never get ahead unless someone else dies" (Wong, 2017). One employee described a leadership style that encouraged a company to develop incomplete solutions to beat the competitor to market. Fowler went so far as to compare the experience to Game of Thrones, and other former employees even considered "making it" at Uber a black mark on a resume (Wong, 2017).

In terms of social acrimony and PR disasters, arguably caused or even encouraged by leadership, Uber's rise to notoriety has arguably been more bad than good. In June 2017, Kalanick made one too many headlines and agreed to step down as the company's CEO.

Sources

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Questions

1. In the summer of 2017, Transport of London (TfL) began proceedings to revoke Uber's permit to operate in London. How do you think Uber's poor corporate reputation may have factored into TfL's thinking?
2. What steps do you think Uber's new CEO, Dara Khosrowshahi, needs to take to repair Uber's reputation?
3. Despite Uber's apparent success in launching in multiple markets, it continues to post quarterly losses in the millions, and shareholders effectively subsidize 59% of every ride (<https://www.reuters.com/article/us-u...-idUSKCN1B3103>). How is this an outworking of Uber's overall corporate culture?

? Concept Check

1. What are the defining characteristics of transformational and charismatic leaders?

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