
Organizational Change and Improved Performance: The Role of Transformational Leadership

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ABSTRACT

In the current globalized and dynamic business environment, change is inevitable for organizations. Organizations make changes based on internal and external imperatives to improve performance and achieve competitive advantages. In the same vein, such effective changes would result in restructuring and as such, would require strategy, effective communication, change teams, the right organizational climate, employee efficacy beliefs, and innovation. In light of these organizational dynamics and synthesis of the literature, I posit that transformational leadership is central to effective change and improved performance.

Keywords: Organizational Change, Performance, Strategy, Communication, Organizational Climate, Transformational Leadership.

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1. INTRODUCTION

Change occurs by taking a different path or approach to achieve a set target, performance. Based on the concept of organizational becoming, Thomas, Sargent, and Hardy (2011) described organizational change as the interactions among stakeholders to create new meanings for their firm. That is, organizational agents, initiate and drive change in the event of some failures (Weick & Quinn, 1999). Since change is endemic, natural, and ongoing (Thomas et al., 2011), some could argue that change may not necessarily stem from the failure of an organization since making changes can be based on continuous adaptation to competitive imperatives. Notwithstanding, in the event of an organization's inability to continuously adapt accordingly for such competitive imperatives, an organizational change will be initiated as a result (Dunphy, 1996).

On the other hand, organizational performance can be described as the achievement of success with respect to previously defined business objectives (Sanders, 2007). Similarly, Elenkov (2002) conceptualized organizational performance in terms of the level of measurement at which organizations achieved their business goals. In other words, organizational performance is against the backdrop of what was achieved compared to what was initially set or desired. Thus, the performance must be measurable to determine success. As Richard, Devinney, Yip, and Johnson (2009) noted, only through the measurement of performance can organizations evaluate specific actions and the attendant successes over time.

According to Richard et al. (2009), organizational performance can be measured in terms of financial, product market, and shareholder returns. Therefore, under what circumstance does an organization's performance be said to be improved? For there to be recognition of improved performance by an organization, a comparison would have to be made between the benchmarked performance and the new achievement as measured after some change interventions. If an improvement is recorded, such changes, whether strategic or operational, would be considered effective.

The scope of this paper, however, is about organizational and institutional change and performance. This focus is based on the perspective of Khalil (1995) in operationalizing organizations as consisting of a hierarchy of levels and is about the pursuits of ends while institutions are grades of conventions and constitutions that are about the means in pursuit of ends. That is, institutions provide the terms in principle for organizations in achieving ends and not what type of ends should be achieved. As Khalil (1995) put it, "the correct institutions specify only the necessary conditions of successful economic performance - not the sufficient conditions" (p. 450). In examining organizational change in terms of internal and external institutional drivers, I discussed the concomitant instability and turbulence those factors create for organizations. Further, I analyzed how leadership, change team, adaptive strategies, effective communication, and the right organizational climate for individual and group creativity and innovation shape effective change and improved performance as well as the significance of transformational leadership for effective change and improved performance.

2. DYNAMICS OF CHANGE

Organizational change has no boundaries or limits. According to Kotter (1998), change can occur in any organization irrespective of its size or location. Change in the organization engenders restructuring of the organizational processes and structures. As Kotter (1998) pointed out, change initiatives in organizations have been exhibited in terms of restructuring, reengineering, turnarounds, quality management, mergers, and acquisition. These changes could be premised on reacting to internal imperatives such as operational efficiency and process improvement by adapting processes and restructuring or staying on top of the market through continuous improvements of the quality of products and services to sustain competitive advantages (Oakland & Tanner, 2007). External drivers that necessitate organizational change include regulatory and government actions (Oakland & Tanner, 2007). Such institutional pressures can also result in concomitant adjustments in organizations. As Khalil (1995) noted, institutions provide certain conditions as the means for organizations to meet ends. Fundamentally, organizations are created by laws and regulated by other non-financial and financial institutions. Thus, any changes made in the means by the institutions as it were, would result in changes in organizations as well.

Aggarwal (2010), using the Indian economy as a case study, described how institutional changes through deregulation by the government created downward changes in corporate and management structures and cultures. The deregulation of institutions in line with global trends opened up the Indian economy to global considerations that meant organizations had to seek superior management expertise through education and technological infrastructures to exploit both local and international markets that could enhance competitiveness (Aggarwal, 2010). Although the deregulation of the Indian economy may appear like a path towards capitalism, there are still some elements of state control that make the system more like a refurbished state capitalist system (McNally, 2013). Nevertheless, Aggarwal's (2010) presentation highlighted how institutional changes could drive organizational changes. As such, organizations would make adjustments using the means provided by the institutions to achieve desired ends. Most importantly, these changes could be very disruptive and lead to instability in the business environment, prompting restructuring for efficiency. For organizations that are unable to make effective changes for improved performances, they will likely experience bankruptcies, or be taken over by other organizations that are more efficient through mergers and acquisitions (Aggarwal, 2010).

Instability is never pleasant and can create tensions that force positive or negative outcomes. Reilly, Brett, and Stroh (1993) described organizational turbulence as precipitous changes such as restructuring that occur due to environmental deviations like regulations, technological changes, and competition. Organizations will be forced to adapt as the attendant environmental variables fluctuate. However, Fischer (2012) asserted that although organizational turbulence has been mostly espoused by various researchers from the external environment context, the internal environment can also factor into its turbulence. Therefore, organizations must anticipate both internal and external factors in dealing with challenges.

The attendant turbulence associated with change cannot be overemphasized. As Aggarwal (2010) noted, business changes in the India economy triggered turbulence that caused organizational restructuring. Organizational restructuring can have its vicissitudes, as the results could be positive or negative. According to Bolman and Deal (2013), restructuring is a meaningful approach to organizational change; however, the far-reaching consequences experienced by organizations in redesign efforts have made it a "high-risk approach" (p. 70). Similarly, Trevor (2014) noted that restructuring as a broader strategic move to improve an organization's operations could encompass downsizing and layoffs. Thus, in the course of restructuring, some processes, as well as human resources, are eliminated to save cost, and diversification and integration are done to improve overall organizational performance.

Therefore, the considerations for organizations in crafting effective change for improved performance becomes vital. The right leadership, vision, and guiding coalition are essential (Kotter, 1998). Also, adaptive strategies (Reeves & Deimler, 2011), effective communication (Tram & Vandenbosch, 1998), and the right organizational climate for individual and group creativity and innovation (MacCormick & Parker, 2010; Wang & Zhu, 2011) are crucial.

3. LEADERSHIP

Leadership is an important part of effective organizational change and performance. Leadership deals with change, vision, motivation, and inspiration (Kotter, 2001). Leaders use different styles in guiding their organizations. Goleman, Boyatzis, and McKee (2002) categorized leadership styles as visionary, coaching, affiliative, democratic, pacesetter, and commanding. In the same vein, Bass (1990) talked about transformational and transactional leadership styles. Further, Robert House articulated the theory of charismatic leadership (Conger, 1999).

Notwithstanding, transformational leadership has been one of the most researched styles (Avolio, Walumbwa, & Weber, 2009). According to Bass (1990), transformational leadership style involves a leader's use of charisma and intellectual stimulation to "broaden and elevate the interests of their employees, when they generate awareness and acceptance of the purposes and mission of the group, and when they stir their employees to look beyond their own self-interest for the good of the group" (p. 21). As such, employees perceive transformational leaders as more effective than transactional leaders. For example, Borgogni, Dello Russo, and Latham (2011), in their study, showed how employees' perceptions of leadership influenced their efficacy.

Several scholars have found transformational leadership to mediate positive organizational outcomes. Birasnav's (2014) study found strong and positive effects of transformational leadership on organizational knowledge management processes and performance. Similarly, transformational leadership was found to positively influence employees' effectiveness, satisfaction, extra effort, and organizational commitment (Asrar-ul-Haq & Kuchinke, 2016). Further, transformational leadership was shown to positively influence individual employee creativity (Wang & Zhu, 2011) as well as organizational exploratory innovation tendencies of creating new knowledge and developing novel products for new markets (Ebrahimi, Moosavi, & Chirani, 2016).

Since organizational change is more spiral than linear (Weick & Quinn, 1999), a climate that allows for employees to collaborate, be creative and innovative for emergent organizational outcome driven by transformational leadership (Charbonnier-Voirin, El Akremi, & Vandenberghe, 2010; Wang & Rode, 2010) is vital. Consequently, transformational leaders would not just create a change vision and get subordinates to support it but also ensure the change is successfully implemented for improved performance by developing the right strategy, change team, effective communication, and fostering a balanced climate for successful outcomes. Therefore, transformational leadership that mediates these change dynamics is essential for effective change that is needed for improved performance.

4. TEAM, COMMUNICATION, AND STRATEGY

Teams are important for organizations in implementing change visions. Contemporary organizations are increasingly using the diversity of teams to tackle strategic and operational challenges (Gupta, Huang, & Niranjana, 2010). Similarly, the synergy of the individual characteristics of team members enhances team effectiveness (Zaccaro, Rittman, & Marks, 2002). According to Hultman (1998), organizations utilize the advantages of teams to improve performance. Overall, organizations are using teams to organize their operations given the ambiguous, competitive, and fast-paced business environment (Morgeson, Lindoerfer, & Loring, 2010). Therefore, organizations need to develop teams for effectiveness. Although teams may be virtual or collocated, their development by the organization so they can deliver success is critical. Stone (2010) outlined interventions for change team development vis-à-vis social styles, learning styles, change curve, and change tools in addressing role clarification, interpersonal relations, and problem-solving challenges of teams. Given the globalized and dynamic business environment, teams can be developed for effectiveness along the lines of the effective team charter, composition, and processes (Govindarajan & Gupta, 2001).

Similarly, teams can be developed through the mapping of the different knowledge perspectives of members for relationship management, bridging the differences through communication, and integrating member differences for synergistic benefits (Maznevski & DiStefano, 2000). Therefore, communication becomes central in trust-building among members (Hultman, 1998), which leaders could use to enhance interpersonal and group relationships. According to Barrett (2011), communication is the verbal and nonverbal transfer of meaning from an individual to another individual or groups. Therefore, it is essential to recognize the complexity of communication and the potential for miscommunication in organizations, which can be inimical to effective change and improved performance.

In addition, communication is a significant part of effective change and organizational success. As Tram and Vandebosch (1998) noted, poor communication could significantly impede the successful implementation of a restructuring strategy, making it essential to over-communicate and incorporate some feedback systems to ensure the restructuring stays on track. In the same vein, organizations should be able to balance the use of face-to-face and computer-mediated communication channels depending on specific needs for effectiveness (Kupritz & Cowell, 2011). For example, developing an agreement on how members communicate negative feedback during a change process. Therefore, organizations must effectively manage communication for successful outcomes.

Further, strategy is a significant element of effective organizational change. According to Porter (1996), strategy is the creation of a unique and valuable position involving different set of activities. Similarly, from a customer-focused perspective, strategy is creating and making specific choices from available alternatives in satisfying customer needs while creating a culture and system for actualizing it (Willis & May, 2000). When these different activities fit and reinforce each other, the result is a position that is difficult to copy and thus, a competitive advantage (Porter, 1996).

Therefore, organizations that lack simple and clear strategy statements are likely to encounter implementation failures (Collis & Rukstad, 2008). Thus, a simple and clear strategy is one that is aligned with the behavior of business and well understood by everyone in the organization to enhance their choices and effectiveness (Collis & Rukstad, 2008). This holistic approach to strategy is essential for developing sustainable emergent strategies (Chadwick-Coule, 2011).

Overall, organizations can use strategy maps based on the balanced scorecard to highlight and communicate its positioning to employees that will enable them to collaboratively key into the objectives in actualizing desired goals and organizational performance (Kaplan & Norton, 2000). With the use of the balanced scorecard, organizations can mesh its long-term and short-term strategic initiatives for sustainable success through vision clarity, business planning, effective communication, feedback, and learning (Kaplan & Norton, 1996).

5. ORGANIZATIONAL CLIMATE

Organizational climate has been described as the psychological perceptions of organizational processes by employees (Kozlowski & Doherty, 1989). As Denison (1996) noted, climate as a temporary reflection of an organization's environment based on the value system is shaped by the conscious perceptions of the members of the said organization. Similarly, Schneider, Ehrhart, and Macey (2013) defined organizational climate as the beliefs people have about the activities of an organization that are driven by certain observed values. Thus, organizational climate is fluid and can change based on how individuals or groups perceive organizational situations over time.

The research about organizational climate has focused on both the individual and group levels as well as the consensus that the perceptions of organizational climate are usually shared among members although members could disagree on the said climate (Schneider et al., 2013). Notwithstanding, organizations that foster multiple climates regarding internal and external flexibility and control enhance their abilities to satisfy multiple stakeholders (MacCormick & Parker, 2010). The accommodation of such multiple climates would depend on leadership attitudes since leadership shapes the organizational climate and employees' perceptions through behaviors (Kim & Yoon, 2015; Kozlowski & Doherty, 1989), making leadership critical.

6. CONCLUSION

Organizations change in response to the complexities of the market environment for organizational performance. As well as responding to the dynamics of the market environment, organizations also make changes in response to institutional regulations in the broader external environment. As a result, stakeholders in the organization come together and develop steps for birthing new meanings for the organization. In the same vein, organizations would need to measure the achievements based on the steps taken in evaluating the effectiveness of the change initiatives.

In initiating organizational change, strategies, change team, communication, and organizational climate are essential. Nevertheless, effective leadership is at the heart of strategy, communication, team development, performance evaluation, fostering the right organizational climate, inspiring, and motivating employees for collective efficacy to achieve creativity and innovation. Above all, effective leadership that is provided by a transformational leader would inspire and increase the commitment of employees towards the shared organizational. Thus, transformational leadership is at the core of the overarching elements for effective change and improved performance.

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