THEORETICAL PERSPECTIVES OF LEADERSHIP AND CHANGE MANAGEMENT

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Abstract

The best time to change a company is when it's successful, but that's also the time when resistance to change is at its highest. Specific business characteristics impose the need for strategic organizational turnaround as well as the need for satisfying business stakeholders within a global market. Change is confusing and often requires a lot of effort while positive results should not be taken for granted. The transformational leadership is better connected with strategic organizational change, since it provides a conceptual framework regarding leadership behaviour and change. The scope of this paper is to examine the basic literature regarding leadership and change management, the basic models of leadership theory and the role of the leader in the change process.

1. Introduction

Business environments have become extremely competitive and complex. Diversification, globalization and technical innovation are some of the major characteristics of modern external markets. These characteristics impose the need for strategic organizational turnaround, as well as, the need for satisfying business stakeholders within a global market. Organizations must be flexible in order to adapt to changes, to compete effectively and thus, prosper and grow. In other words, companies should be willing to change, to renew their vision, their strategy and structure, to develop the ability to sense changes, to become innovative and incorporate their workforce in the change process, so as to take advantage of the challenges presented.

The best time to change a company is when it's successful, but that's also the time when resistance to change is at its highest (Pietersen, 2002). For this reason, charismatic leaders are put in charge of the change effort in order to communicate the need for change, to motivate subordinates and to create an internal environment assertive of change. In essence, leaders become innovators and motivators. Leaders should possess certain skills and behaviors in order to facilitate the change procedure. Max Weber (1947) stated that charisma belongs to the leader who can act as a revolutionary force. Hence, leaders can act as change agents in the company and create a state of organizational renewal.

The scope of this paper is to examine the basic literature regarding leadership and change management and to make certain conclusions concerning the issue. First of all, we review the basic principles of strategic organizational change (SOC) and then, we examine the basic models of leadership theory. The difference between managers and leaders is exemplified and the important leadership skills for initiating organizational change are reported. Next, we examine the role of the leader in the change process and his/her ability to manage symbols and politics of acceptance in order to confront resistance to change. Finally, a model that relates leadership to change management is presented.

2. Overview of Strategic Organizational Change

As we have already mentioned, companies need to change in order to remain competitive or even expand their operations. Economic and market circumstances, technological innovations and political interferences comprise an organisation's external environment. Thus, the drivers of change deriving from the external organisational environment can be political/legal, economic, social or/and technological (PEST Analysis). For instance, in the economic field, swings in financial markets can significantly affect corporate decisions about future growth, while inflation and interest rate fluctuations influence corporate behaviour. Organisations must respond efficiently and adaptively to these changing economic situations.

On the other hand, we live in the so – called technological era, where frequent advances in technology require proactiveness and enhanced emphasis on research and development. Innovations in management information systems (MIS) and manufacturing systems, such as computer –aided manufacturing (CAM) software, computer – integrated manufacturing (CIM) system, computer – aided engineering (CAE) software, can reduce time-to-market by improving entire product lines. Therefore, a company's organisational structure should be flexible enough so as the acquisition, development and introduction of new technologies be facilitated.

In the political/legal environment, changes are less radical, but their effect on organisational performance can be crucial. For instance, increased government regulations can constrain corporate actions in the production and employment practices. Group pressures from worker unions, tax laws, state development incentives, foreign trade tariffs and policies influence the way organisations do business.

Additionally, the socio-cultural environment includes a complex web of cultural considerations and a vast array of social attributes. For example, the aging of the workforce, the high educational level and high expectations of workers have resulted in the participation of the workforce in many business decisions as well as in control delegation from corporate hierarchy. The aforementioned factors that influence

organisational behaviour and require flexible organisation-
al structures enforce the adoption of change management
practices. In the following diagram, the PEST Analysis is
summarised.

Diagram 1. PEST Analysis.
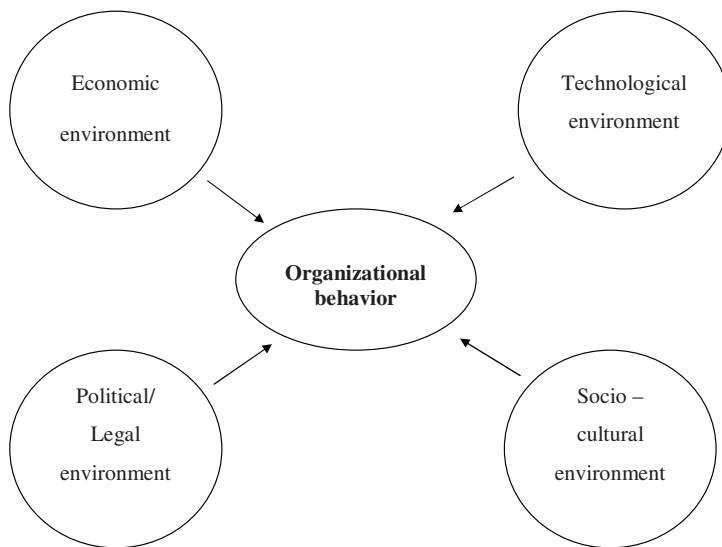
In this connection, change has become a part of the
corporate strategy. Nowadays, firms' ability to be flexible
enough so as to adapt to customers' needs, to the evolving
technology and to internal stakeholders is considered com-
petitive advantage. Although, there is no "one best way", as
Taylor has suggested, in approaching organizational effec-
tiveness, companies should be eager to change so as to im-
prove business processes.

Strategic organizational change is a flexible strategic
planning process (Appelbaum, St-Pierre and Glavas, 1998).
This means that organizational change encompasses initia-
tives and goals that are directed from the top management
of the organization to the bottom and thus, it is a part of the
strategic planning of the company. Since companies have to
take into account the turbulent external environment, the

strategic organizational change is not static but it includes contingency planning and change management programs. Examples of SOC are the implementation of total quality management, the adoption of new technologies, the management of divestitures, acquisitions or joint ventures and the organizational transformation from mass to lean production.

Furthermore, strategic organizational change can originate from the external environment (need to adapt to PEST factors) or from the internal organizational environment (initiating downsizing, de-layering). It can be proactive or reactive depending from the corporate culture. Additionally, according to Tushman and Romanelli, change can be discontinuous, namely, long periods of incremental change are disrupted by brief periods of radical change (Eisenbach, Watson and Pillai, 1999). Many change theorists support that there are several mechanisms, which modulate the speed and the course of the organizational change. For instance, temporal pacing is appropriate for non-routine situations and for initiating change at milestone transition points. On the other hand, event-based pacing refers to incremental change due to specific events and is motivated by the desire to achieve specific results. Time-based pacing is well suited at turbulent environments.

Additionally, in order to effectively manage organisational change, companies should clearly define and comprehend the *type of change* they are facing. Nevertheless, companies may understand the need for change, but that does not mean that they like change. Change is confusing and often requires a lot of effort while positive results should not be taken for granted. The company must re-evaluate its structure, its strategy and its mission and, this provokes the resistance of corporate internal customers, since they have to re-examine their role within the company. However, the change process includes all levels of an organization and thus, participation is a crucial element for a successful change implementation. The role of the leader in this process is vital for the success.

3. Basic models of the leadership theory

Before we examine the role of the leader in the change proc-
ess, it is important to refer to the basic research in the field
of leadership behaviour. Initially, it was thought that good
leaders possessed a series of traits that accounted for their
influence on subordinates and for their success (Trait Ap-
proach). The Ohio State University as well as the University
of Michigan Studies argued that leadership is best explained
by behaviours (Style Approach). The latter approach em-
phasises on what leaders do and how they act. On the other
hand, the situational approach focuses on situations. The
basic premise of the theory is that different situations de-
mand different kinds of leadership. The aforementioned ap-
proaches have the disadvantage that they are a-contextual,
namely that they ignore the existence of contingent factors.
Fiedler's Contingency theory (1967) suggests that a leader's
effectiveness depend on how well the leader's style fits the
context. In fact, it is a leader-match theory because it states
that it is essential that leaders understand the situation in
which they lead. The theory basically matches leaders' styles
and situations.

Two other leadership dimensions are the transactional
and transformational leadership. Burns (1978) developed
the initial framework around these two leadership theories
but in the political context, while Bass (1985) introduced
them in the organizational context (Eisenbach, Watson and
Pillai, 1999). According to the transactional leadership,
leaders and subordinates communicate effectively through
an exchange process wherein leaders reward subordinates'
performance. On the other hand, transformational leader-
ship includes the motivation process in order to enhance
subordinates' performance. In this case, the followers are
motivated to follow the leader's vision and to sacrifice their
self-interest for the good of the group or the organization.
The individual will benefit from this sacrifice since its con-
tribution will add value to business processes and the top
management will reward subordinates for the positive re-
sults. Bass (1985) added that subordinates will be motivat-
ed, because they either trust or respect the leader (idealised

influence or charisma of the leader), or are encouraged to improve the way they do this (intellectual stimulation), or are assigned more responsibilities and tasks through delegation (individualised consideration).

The transformational leadership is better connected with strategic organizational change, since it provides a conceptual framework regarding leadership behaviour and change. Transformational leaders can successfully change the status quo of their organizations by displaying the appropriate behaviour at the appropriate stage in the transformation process. Such leaders will create the vision for change and will motivate subordinates to follow it. They can become a source of inspiration and commitment. Through the transformation process the leader can set high goals and performance expectations and reward behaviours that are consistent with the vision for change.

4. Managers vs. Leaders

At this point it is important to distinguish between managers and leaders. It is stated that the role that managers play within an organization is more static than that of the leaders. Managers are interested in efficiency in day-to-day business operations as well as in the long-run performance of the company. It is believed that managers are conservative, safe, risk averse and that they are conformed to specific organizational rules. They love power, privileges and positions of authority. They also tend to focus on systems and structures, they administer subordinates and they place great emphasis on control. Managers follow the vision of the top management regarding the firm's future. It is often stated that managers do things right, while leaders do the right thing (Nielsen, Saccoman and Nykodym, 1995).

Leaders on the other hand, are interested in the corporate mission, in the future of the company. They are visionary, often charismatic and they can effectively lead the company successfully through changes. They have purpose and objectives that do not act on an individual basis. Leaders are inventive, creative, and imaginative, and they focus on

people. They seek to promote their vision, to inspire trust and to motivate others. They encourage people to believe in improvement, to take risks and to learn from their mistakes. Besides, if you do not try, you will never learn. They empower, are energetic and most importantly, they take responsibility for their actions. They do not follow the corporate rules but they are the people who form them. Leaders constantly question individual and group norms and beliefs and thus, are eager to change and help others change as well. It is often stated that managers can become leaders, if only they set their goals higher.

5. Change Leadership skills

Leaders are the role models for the organisation. Hence, leaders should possess certain core competencies in order to be able to successfully initiate organizational change, influence subordinates and enhance their interaction with front line employees. Many authors have proposed several leadership characteristics and abilities. First of all, according to Potter (2001), leaders should set a clear direction, vision for others to follow as well as a good personal example. They should create emotional alignment and a sense of stability and trust. Leaders should bring the best out of people (Douglas, 2002) and they should be able to communicate effectively the why, what, who, when, where and how of the change. They should also be competent to make decisions in times of crisis or urgency. A leader's role is to provide support without removing responsibility and coach people to find their own solutions.

Leaders should leverage uncertainty and be eager first to transform their own core ideology in order to improve. In other words, they should be flexible, with enthusiasm, capacity to inspire others, and an ability to build relationships so as to establish loyalty. (Pierce, Kleiner, 2000). Moreover, leaders should be willing to experiment, have the ability to build relationships, disclose their emotions and rationale in a balanced way, keeping distance from personal bias and help others develop self-leadership behaviour through del-

egation of tasks, responsibilities. Delegation is also a form of control of the leader and a way of creating a productive, innovative organisation. Leadership should also use feedback as a tool for growth. Providing negative feedback is de-motivating, while balanced, specific feedback, oriented toward learning can enhance workforce productivity. Last, but not least, leaders should be proactive and should be consistent to their decisions and actions.

Companies should encourage and support leaders at their tasks by providing adequate resources. Also, organisations should care for sustaining and expanding these leadership skills. Some suggestions are peer group mentoring, where leaders meet in order to exchange ideas, experiences, intranet communication, which can facilitate the flow of knowledge within the company as well as additional training and seminars (Douglas, 2002).

Nevertheless, beside charismatic leadership skills, there are also certain negative characteristics that have been attributed to leadership. The most common is that leaders tend to lead followers into groupthink, which can be damaging for organisations in turnaround situations. Another feature is that leaders can be narcissistic and be interested only in their own ambitions. The succession of leaders within a company is what causes the most serious problems during change processes. If the leader leaves the company, then there will be no one competent enough or charismatic enough so as to promote the change vision. That is the reason why strategic teams are often considered more beneficial for organisations. Strategic teams present many advantages: can achieve synergies, share opinions, ideas, knowledge and be more constructive than individuals, enhance employee participation, empowerment, and organizational commitment and job satisfaction. Many types of strategic teams have developed with most common one, the self-managed work team. Such teams can also work together with a leader and achieve optimum results for the firm.

6. The phases of the change process and the role of the leader

The contribution of the leader throughout the change processes is vital. We will approach change first from an individual's perspective. People may understand the need for change, but they also need to feel security and stability in their workplace. Change, however, causes a state of uncertainty within organisations and thus, people resist change. Here, lies according to Moran and Brightman (2001) the leadership paradox. Change leaders should be able to balance between providing a climate of stability and a "wind" of change. They should create a relatively stable environment so that people have the needed time to assess, question the current corporate environment and the effects of the change initiative. Leaders should frame the change in terms of results – quick wins. They should challenge others to align themselves with the new conditions that shape organisational behaviour. They should create the atmosphere that enables people to test the change, generate recommendations and experiment with the new way of operating. Leaders should display a constant dedication to making change a reality (Moran & Brightman, 2001) and interact with individuals and business groups.

Additionally, people go through their own "change cycle" before they can accept a change effort. In essence, people at first question the need for change, then agree upon this need, they participate in the formulation of the type of change and in the implementation strategies. Leaders are the first ones that go through this process and this is why they become role models for the organisation and thus, are able to convince others for the existence of compelling reasons for the change. Individuals have also a set of beliefs, values, behaviours and skills (the "change levers" according to Moran and Brightman or the "artificial system" according to Nielsen, Saccoman and Nykodym), which block or support one's adjustment to external change. The change process in order to alter these features is incremental. Leaders should be able to influence these "levers" so as to be successful.

Furthermore, we can view change from a leader's perspective. The leader has to understand the current corporate situation and determine the desired state, which the company seeks to reach. In this connection, the change leader examines the external and internal environment, and the business stakeholders, namely he/she answers the question where we are. Afterwards, a clear and concrete vision is created along with a detailed change plan, namely the question where we want to go and how, is answered. At this point, external or internal change agents could assist leaders to reach desired goals. Certain advantages and disadvantages derive from selecting either internal or external change agents as presented in the following table. This selection depends on various variables:
• The objective of the change
• The extend of involvement desired
• The extend of relevant help and expertise available within the organisation
• Constraints related to time and financial resources available
• The degree in which the change agent fits organisational needs and culture

Effective change agents should be tolerant, flexible, initiating, open, co-operative, with good communication skills and great deal of experience in relevant change efforts.

Developing a critical mass of participants and specific performance targets and measurements is also essential. Participation at this point equals good leadership communication skills. The communication process should be honest, constant and simple. Leaders should also manipulate politics of acceptance and manage symbols, organizational rituals and norms. In other words, they can use certain symbols that will indicate the climate of change within the firm and create new rituals that will be consistent with the implemented change. For instance, workgroups can be created where the leader can discuss with participants about the change process, share ideas, emphasize on and seek for arguments, oppositions and concerns. Reward creativity of employees and the spirit of renewal, motivate people to participate, legitimising change through the establishment of a sense of urgency (or

Table 1. The selection between external and external change agents.

	Internal Change Agents	External Change Agents
Advantages	Better knowledge of the organisation	More objective view of the organisation
	Are more quickly available	More technical knowledge, experience, skills available
	Require lower costs	Can call on more individuals with diverse expertise
	Have more control and authority	Have less knowledge of the organisation
	Internal Change Agents	External Change Agents
Disadvantages	May be too close to the problem and hold biased views	Require higher costs
	May create additional resistance if viewed as part of the problem	Have longer start-up time
	Are not available for other work	Reflect unfavourably on the image of the management

even create a climate of an "under control" crisis) and present early wins, in order to enhance people's self-confidence that bigger successes are possible. Short-term wins also increase people's loyalty and trust to the leader, which is crucial for the establishment of the change. Leaders should also be positive since they are role models.

From the aforementioned, we can conclude that the success of the change depends upon various factors:

 i) the compatibility of the corporate culture with change,
 ii) the employee adaptability to change,
 iii) the degree of employee creativity and innovation and thus, the degree of employees' risk-aversion,
 iv) the ability of the leader to communicate effectively the change effort.

The role of the middle management
Although, the trend in the last couple of years is towards a reduction of the middle management, the latter can make significant contributions to the realisation of a radical change. They are attuned to employees' moods and needs, to the business processes, can easily become the leaders, are familiar with structures and thus, can be used as a mean of transforming the organisation and of ensuring that the momentum of change is maintained. Usually, they are the "who" in the communication plan and thus, are the people who communicate the vision to the lower levels of the organisation.

7. The leadership – change management model

The relationship between organisational leadership and change management processes is crucial element for the successful implementation of the change efforts. The development of the need for strategic organisational change through the final establishment of the change in the organisation can be summarised and depicted on the following **leadership – change management model**.

We can conclude from the leadership – change management model that the need for strategic organisational change (SOC) is influenced by the external and internal organisa-

Diagram 2. Leadership – Change Management model.

Diagram 2: Leadership – Change Management model
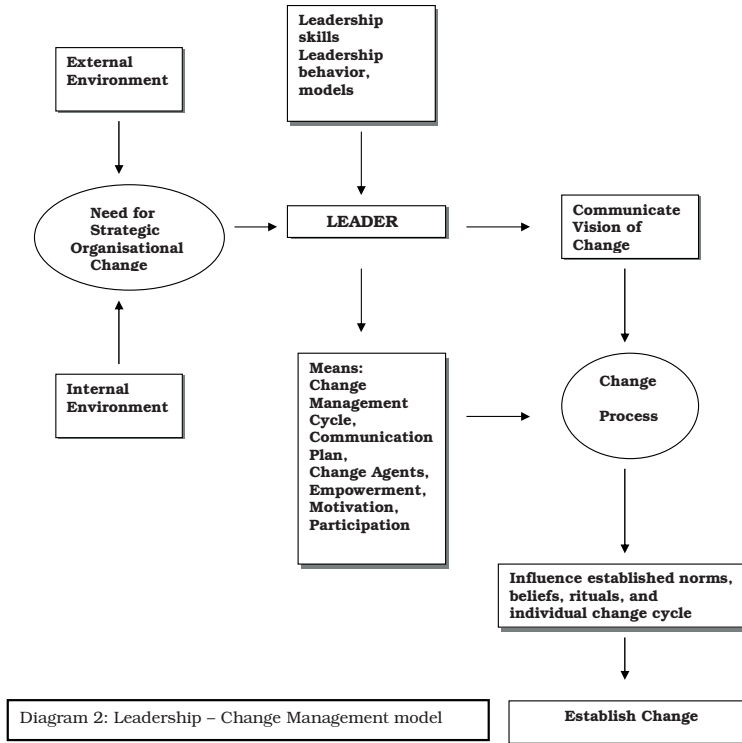
tional environment. In other words, organisations should diagnose these external forces by conducting a PEST Analysis as well as the internal forces that may affect corporate performance indicators. The need for change that derives from the external or internal environment influences at first the leader, who should possess certain leadership characteristics and behaviours. The leader accepts the need for change after facing his/hr own individual change cycle. Namely, the leader will pass from the "denial" phase to the "understanding of the need for change" phase to the "acceptance" phase.

Then, he/she communicates the vision for change through the use of several means. The leader should select the appropriate change agent and create a communication plan so as to communicate effectively the change effort to company

stakeholders. Change agents should discuss with leadership the role of the corporate culture in the change process. If it is necessary, the elements of organisational culture that inhibit the effective implementation of the change should be altered. On the other hand, management should focus on the successful implementation of the communication plan. The workforce participation in the change effort and the empowerment and motivation of employees are crucial for the successful communication of the vision of the change attempt. All these have enacted the change process, which will influence established organisational norms and beliefs. The result will be the establishment of the change within the organisation. From this model is obvious that leadership and change are closely related and that the leader is the person who transfers and establishes the change within the company.

8. Conclusions

After examining several leadership models and the change process, we can conclude that the role of leader is very important for the initiation, promotion, and implementation of the change effort. Leaders should be supported with coaching and training developments from the corporate top management. Both quantitative and qualitative feedback should support leadership, which deals difficult issues in an open and honest manner. Leadership can strengthen the forces for change and weaken the forces against change (Lewin's model, 1964), namely can reduce resistance to change. Leaders should possess certain skills, in order to be competent to generate team spirit, maintain morale and momentum, stimulate the desire for involvement, understand the transition to and the nature of resistance, discuss and comprehend the principles of change management. The positive relation between leadership and change management is therefore vital for the prosperity of the organisation.

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