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Investors recognize the importance of transformational leadership. A good transformational CEO can turn a weak business plan into a success, but a poor leader can ruin even the best plan.

ONE EXAMPLE OF this comes from CEO Rich Teerlink, who dramatically transformed Harley-Davidson, and fundamentally built a different organization that still prospers today. The success of leadership at the Harley-Davidson Corporation has stood the test of time. For example, Harley-Davidson's leadership created a more effective organization built upon three primary principles: 1) focusing on people, 2) challenging norms, and 3) continuing to fundamentally change. At Harley, every

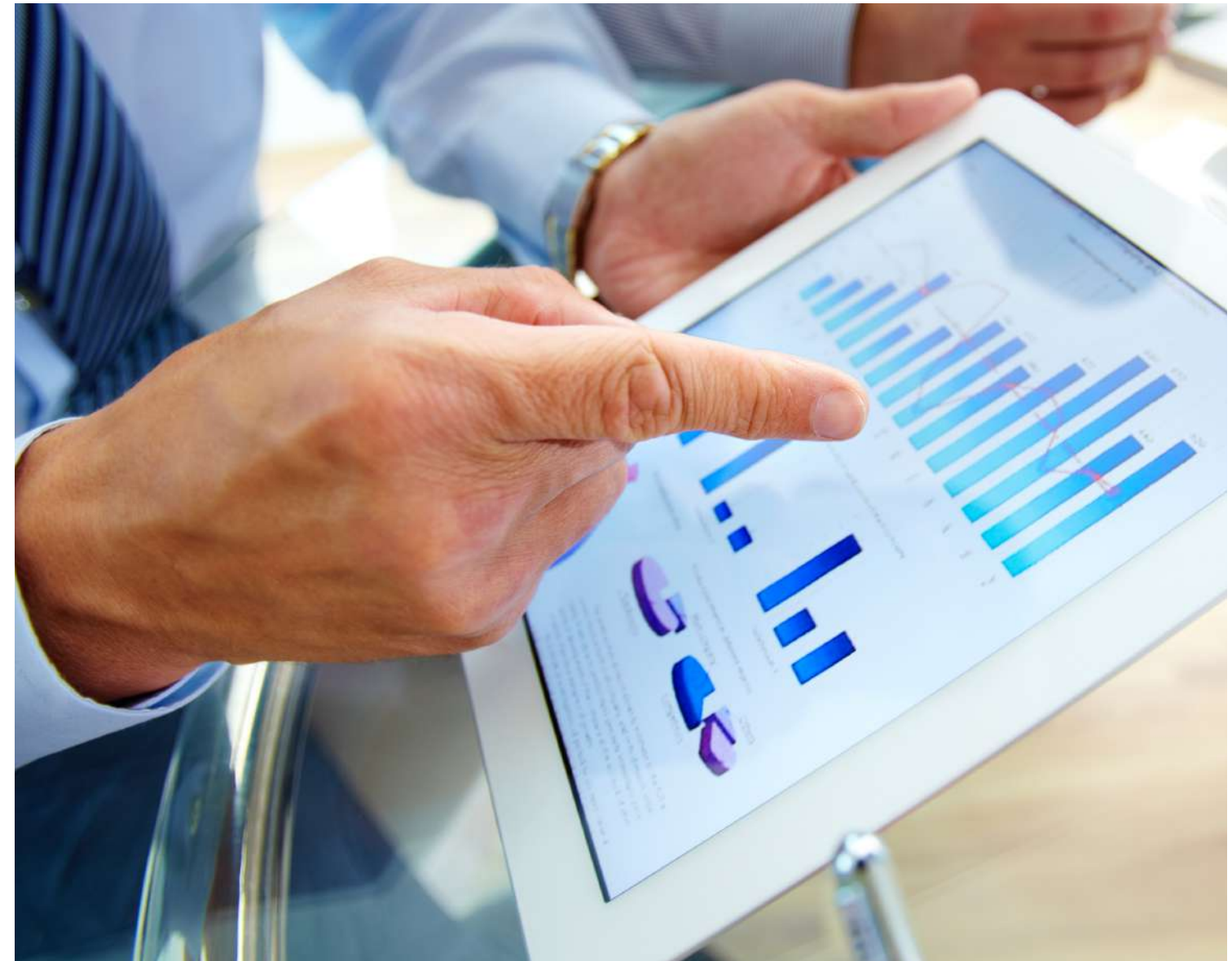
employee can participate in leadership decision-making.

Another example of transformational CEOs in a highly competitive environment is Steve Jobs, former CEO of the Apple, who built a highly effective organization through taking a change-oriented leadership approach, which highly manifested itself in talent, product development, organizational structure, and intense marketing.

The evidence from these examples suggests that transformational leadership is highly demanding at the corporate level. For organizations to achieve a sustained change and eventually a higher degree of efficiency and effectiveness, selecting a CEO acting as a transformational leader is the key to success. In the absence of transformational leadership, organizations lose their required direction to achieve a high degree of hyper-competitiveness, and cannot implement successful change in order to adapt with today's global business environment.

Building Blocks

One tool for executives to use when considering on lessening the gaps between success and possible failure, is to adopt transformational leadership and become a transformational CEO. Transformational leadership focuses on developing relationships to create valuable resources for companies. Transformational CEOs, therefore, contribute to firm performance through developing relationships with subordinates that link follower's individual interests to the organization's



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collective-interests.

Transformational CEOs know that financial aspects of firm performance include return on assets, return on sales, earnings per share, and stock price performance. Also, non-financial performance can be enhanced through aspects such as active response to environmental changes, production and service quality, customer focus, innovation, and providing learning and growth opportunities

for employees. Armed with these two tools, transformational CEOs effectively increase firm performance.

As CEOs attempt to manage people they find that intellectual capital is the in the forefront of success – Bill Gates once mentioned that if he lost his top 50 people that he would not have an organization anymore. Transformational CEOs aggregate human capital into social capital and develop organizational communications



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aimed at providing valuable resources for all organizational members. They enhance knowledge sharing among intellectual capital and stipulate knowledge to be shared around the organization.

Sharing the best practices and experiences could positively impact some aspects of non-financial performance such as innovation, providing learning and growth opportunities for employees. Empowered employees can enable organizations to actively respond to environmental changes, which can in turn

enhance financial aspects of firm performance in terms of return on assets and return on sales.

The outcome is success which narrows the gap between success and failure and this can be achieved by the commitment of organizational members and facilitated by a CEO acting as a transformational leader. Transformational leaders identify employee's needs and show concern for both organizational needs and follower's interests concurrently. When transformational CEOs show concern for the employee's individual needs, individuals begin to

contribute more commitment and they become more inspired them to put extra effort into their work. This extra effort improves the quality of products, customer satisfaction, and impacts shareholder value and improves operational risk management.

Transformational leadership also highlights the vital importance of employee's attitudes in accomplishing commercial objectives. Transformational CEOs, therefore, inspire employees through setting highly desired expectations.

The higher level of desired expectations for employees can enhance productivity and perhaps decrease organizational costs. Thus, transformational CEOs positively affect firm performance through decreasing costs, improving innovation, increasing the rate of responses to environmental changes, improving the quality of products and services, and increasing sales and profitability.

Cultural Aspects

You're probably asking why corporate culture is so important. CEOs act in a supportive role as leaders but academicians point out that if CEOs do not adequately support knowledge management processes through various mechanisms such as corporate culture, knowledge management projects cannot be successful. Just as human resource is a huge component of corporations, corporate culture is the resource that builds upon the foundations that helps organizations prosper.

Transformational CEOs know how corporate culture constitutes the foundation

of a supportive workplace to improve firm performance. They manifest themselves as change agents who reshape, and in some cases, manipulate organizational culture to conform to the needs and expectations of strategic goals and objectives. Organizational culture includes three dimensions of collaboration, trust and learning. Transformational CEOs facilitate collaboration by developing relationships in organizations. They contribute to the cultural aspect of trust, through considering both employee's individual interests and company's essential needs. Also, they identify individual needs of their employees and develop a learning culture within companies.

Particularly, the three cultural aspects of collaboration, trust and learning play a critical role in increasing firm performance. For example, both cultural aspects of collaboration and trust positively contribute to companies to effectively and actively respond to environmental changes and customer needs and employee growth needs through developing effective learning workplaces within companies. This helps companies to improve performance in terms of the quality of products and services. Learning culture as another cultural aspect sheds light on organizational capabilities to develop learning.

It is quite understandable that this cultural aspect can particularly increase firm performance, by developing suitable workplaces for employees to effectively share their knowledge with others. This can help companies to create new and better innovative ideas for organizational problems. David



Maister in his book, *Managing the Professional Service Firm*, says that new idea generation can improve profitability for companies. Ergo, transformational CEOs can contribute to firm performance through building a more effective corporate culture.

IT Transformation

Technology, now referred to as, Information technology, is an internal resource that increasingly facilitates organizational communication and improves the search for

knowledge. When executives have people in place to manage technology and embrace transformational leadership, the organization can see increased revenues, better satisfaction by employees and customers, and most importantly enhance their own effectiveness as leaders. For example, transformational leadership can be considered as an important facilitator of communication technology, which enhances interactions among organizational members and departments.

Transformational CEOs are effectively a role

model for their followers and they are often admired and respected by subordinates. Thus, information technology could be perceived as a critical resource by organizational members because a transformational CEO becomes a role model who uses technology to build shareholder value. For example, Dianne Yee posits that transformational CEOs serve as role models who highlight the importance of the application of information technology.

Information technology is a key factor to improve business. Forbes' Reports on

American industries clearly indicate that effective information technology significantly contributes to firms' financial performance. These researches acknowledge that information technology is an important enabler to effectively implement organizational processes.

Communication technologies can in fact reduce paper-based transactions for companies that potentially decrease costs and subsequently improve profitability for companies. Furthermore, it can be seen that communication technologies contribute to companies to effectively identify opportunities in external business environment that leads to identify best opportunities for investment in the industry that potentially leads to improve financial performance for companies in terms of return on investment (ROI). Decision-aid technologies as another kind of information technology can also help companies to effectively create more innovative solutions for their organizational problems. Therefore, transformational CEOs build a high-performance company through implementing information technology.

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