



Transformational Leadership in Business:

A Framework for Best Practice in Executive Coaching

Insights from Dr. Larry G. Lee, Senior Director of Research and Development for Birkman International, Inc., shaped much of this article. We at Birkman International as well as many of our corporate clients and consultants look forward to the Spring 2007 publication of his article, "Personal Diversity Management: A Praxis Approach to Diversity and Decision-Making."

Summary:

- Organizations need new leadership
- Transformational leadership fosters growth
- Leaders are cultivated
- Accurate assessments are the first step to creating a culture that fosters new leaders

U.S. companies are finding the leadership cupboard bare. Companies are shuffling and re-shuffling executives to find the right mix for their company—the right executives are hard to find in-house and even more difficult to recruit. The shortage of leaders has been exacerbated recently by three main things:

- Unethical business practices
- Focus on accelerated performance improvement
- Lack of industry expertise

A look at recent headlines provides examples for all of these. Myriad examples of unethical leadership exist in the U.S., from the infamous Enron and Worldcom scandals that have resulted in numerous criminal convictions to the more recent options backdating situations that have snared several hundred executives across industry lines. Business practices that lead to the Enron and Worldcom bankruptcies were the reason for the implementation of Sarbanes-Oxley and increasing demands for executive accountability. Sometimes, the reason for a change in executive leadership is far less sinister—a demand by the company's shareholders and board to increase profitability and regain a company's competitive advantage in rapid sequence. This was the case at Yahoo Inc. in early December when the company released two executives and moved another to a different position in an attempt to rebuild investor confidence. Finally, the lack of industry expertise is rarely overtly stated by a company but is rapidly becoming a more important issue in placing leaders. In the past, many companies believed that an executive who had previously proven success in another industry could provide the strategic planning and insight to generate greater revenue for their company. However, Avon is a case study in the ineffectiveness of this model. Former CEO Charles Perrin headed Duracell before transitioning to an unsuccessful stint at Avon. However, Avon promoted the then-president Andrea Jung to CEO and has experienced rising profits and product revitalization since.

With the rise of activist hedge fund investors, executive leadership has been in the line of fire more often for company failures, profit losses and competitor gains. Companies are discovering that the best leaders are often those that are invested in the company through more than just stock options, understand the culture and seek to further its business goals—in other words, the best leaders come from within.



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The challenge for many companies is to create a repeatable process for cultivating leaders in-house and ensuring they are going to be a positive force in their own company. Companies are re-evaluating their own internal talent and putting leadership programs in place that emphasize the development of transformational leadership skills in order to identify and support leaders who promote change and cohesiveness in employees in an ethical manner.

Transformational Leaders in Today's Business Climate

In organizational theory, there are two types of leaders: transactional and transformational. These concepts were first introduced by James Burns to define types of political leadership but are now used frequently in organizational psychology. The essential difference between these two types of leaders is in the relationship between the leaders and the followers and what they offer each other in their interactions. Transactional leaders use a conventional reward and punishment systems to get what they want, and transformational leaders lead with a purpose that inspires both them and their followers.

According to leading researchers, transformational leadership is built from four principles: charismatic leadership, inspirational motivation, intellectual stimulation and individual consideration.

"Transformational leadership is the highest and most effective form of leading in most organizations," Lee said. "In a transformational leader, power and authority are centered in an ethical, rational leader who commands both trust and respect."

Charismatic leaders accomplish their methods by defining issues and creating a sense of social purpose. Inspirational leaders appeal to core human emotions in order to link meaning to the proposed objectives. Intellectually stimulating leaders are able to promote intelligent and careful problem-solving processes, initiating creativity and innovation for an institution or company. Leaders who possess an extraordinary amount of individual consideration are able to initiate personal mentoring and coaching, give personal attention to each person, and differentiate between the needs of different individuals.

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In addition to these four facets of leadership, people need five essential characteristics to succeed in an executive position in a modern business. In a recent interview, Dr. Lee outlined these five traits.



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- **Excellence** - Individuals who have excelled at something are different from those who have not. Somehow, they understand the price that must be paid to accomplish significantly and they don't whine about how hard it is to do it. They know how to focus. It does not matter what domain the excellence has been achieved. It might be work related or it might not.
- **Teachable** - A "quick study" and an avid learner is essential. One who is teachable is also open to the changes that cause mid-course corrections. Learners stay current and keep adding to their knowledge. Learners don't get into foxholes and cover up their heads.
- **Teacher** - Teaching is the other side of learning. It's like an ecosystem in a lake, rain provides the fresh water and the stream vents it to the world. Teachers increase the organization's capability to thrive, even in adverse conditions. They give of the bounty they have acquired.
- **Integrity** - If you have integrity, then nothing else matters, and if you don't have integrity, then nothing else matters. The Sarbanes-Oxley Act reminds us all that plain, old, common integrity isn't too common. "Saying what you mean and meaning what you say" is still in fashion.
- **Skilled** - The top jobs go to people who bring relevant skills to the table. Skills needed for the future. This includes the skill of looking as far as possible through the windshield and not the rear window. Skilled individuals know that the key question is "What does success demand of us?"

These characteristics, when combined with the qualities of a transformational leader, are the signs of an executive who could positively impact an organization. However, these characteristics and qualities must be fostered within the individual to yield a productive executive.

"Working towards mastering these qualities can take a lifetime, but even the basic seeds of facility in each can make a typical person into a leader," said Lee. "They can also help a person already comfortable with leading become more prudently courageous and more able to bring out the best in employees."

Cultivating Transformational Leaders

In-depth personality assessment is a powerful tool for promoting transformational leadership. Effective assessments allow potential leaders to see in which areas they are strongest and in which areas they are weakest, thereby allowing them to focus on effective use of their strengths and manage the places they need improvement.

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"Achieving immediate results is imperative to the success of my coaching and consulting company," said Robert A. Rausch, CEO of 1 Executive Energy. "Leaders demand it, I expect it, and Birkman provides the method to accomplish it."

Additionally, an assessment program like the Birkman Method® can identify systemic deficits in groups of leaders or leadership development programs that reduce their effectiveness.

"By understanding the traits of a successful transformational leader and assessing key attributes, we can speed up the growth process," said Lee. "The people who are revealed to be the boldest and brightest may surprise you, even as they surprise themselves."

To support those identified as leaders, executive coaching is essential. According to Lee, each person in the leadership team should have an executive coach. Executive coaches who are exemplary executives themselves will teach upcoming leaders by offering them a continuous example and giving them the support they need to make the right decision for their company.

Effective organizations adopt a proactive approach to leadership and coaching. Instead of waiting for the need for new leadership to arise, an effective organization will test those in leadership positions (including mid- and

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upper management) in order to discover strengths and weaknesses early. Once the assessment is complete, a coach will work with that employee, helping him or her to hone his or her leadership potential and develop in the areas he or she was lacking. That employee can then become a better manager and help create a better organization from the ground up. When this process produces homegrown executives, those executives will promote the organization's needs and reinforce organizational priorities because they are invested in the organization. Unlike many modern executives, they are in their position for more than just stock options and the goods they can acquire when in power. The potential for a company with a transformational leader in place who has the best interests of the company at heart is unlimited. Those companies that are capable of developing, grooming and coaching their own transformational leaders will be better prepared to meet the leadership challenges of the upcoming decades and avoid coming up short in the leadership gap.

If you would like additional information about how the Birkman Method® can help you or your organization develop transformational leadership, [click this link](#), email mwickliffe@birkman.com, or visit our [website](#).

About Birkman International

The Birkman Method® has been in use for over 50 years and has been used by over 2 million people and 5,000 organizations worldwide. The assessment accurately measures social behaviors, underlying expectations of interpersonal and task actions, potential stress reactions to unmet expectations, occupational preferences and organizational strengths. For more information: <http://www.birkman.com> or 1-800-215-2760.