

Transformational leadership is not enough for effective strategic organizational change: Results from exploratory research in Italy

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Abstract:

The extreme mutability of environmental (global) contexts and of any human and social activity makes change an essential necessity for every organization. This research explores the role of visionary leadership in managing strategic change in turbulent environments. The study uses an exploratory research design with a sample of global aerospace companies. It examines the predictive ability of visionary leadership (at the CEO and C-suite levels) on the effective implementation of strategic change and the role of systems thinking as a necessary condition. The aim is to theoretically explore leadership and systemic competencies and their influence on organizational adaptability.

Keywords: transformational leadership, organizational change, strategic change management, systems thinking, learning, dynamic capabilities, C-Suite.

Introduction

Managerial practice on the topic of effective change management and strategic change shows in ex-post analyses that companies led by visionary leaders have been able to grasp the opportunities and challenges of change, successfully managing the transition to a new order, e.g. post-critical.

Furthermore, the extant scientific literature and theoretical reflections have for many years emphasized the importance of dynamic capabilities (e.g. timeliness, flexibility, creative thinking, strategic reconfiguration) to successfully navigate companies in hyper-competitive arenas and turbulent contexts (Aaker & Mascarenhas, 1984; Genus, 1995; Helfat et al., 2009; Sanchez, 1997; Teece, Pisano, & Schuen, 1997).

Moreover, the extensive literature on leadership and its various styles underscores the efficacy of transformational leadership in change management, motivating team members to adhere to leaders' directives, surmounting fears and resistance, and indeed, embracing their enthusiasm (Avolio & Bass, 1995; Bass, 1985; Bass & Riggio, 2006).

Consequently, if analyses of change (even post-traumatic or post-critical) agree that leaders' vision plays a significant role in strategic change (D'Egidio & Moller, 1992; Karaman et al., 2008), this study aims to turn the tables by examining whether the presence of visionary leadership at the top of companies and among top managers in the C-suite can predict an effective strategic change management.

The central questions guiding our exploratory research are the following:

1. “Could the presence of visionary leaders at the highest levels of the organization, such as at the CEO level, or within the C-suite, be a valid indicator of effective change and successful implementation of change management?”.
2. “Is the possession of Systems Thinking skills a necessary condition for visionary leaders to grant effective transitions?”.

The following hypotheses are hereby proposed for testing:

***Hp. 0:** The presence of visionary leaders at the highest levels of the organization, such as the CEO level or within the C-suite, serve as a predictor of future firm performance, specifically successful implementation of strategic change management.*

***Hp. 1:** The possession of Systems Thinking Skills among visionary leaders at the highest levels of the organization, such as the CEO level or within the C-suite, serves as a predictor of future firm performance, specifically successful implementation of strategic change management.*

Objectives

In consideration of the research questions that have been proposed, the primary theoretical objective of our research is to explore, first and foremost, the link, and its nature, between Transformational Leadership (TL), Systems Thinking (ST) and Strategic Change Management (SCM) variables.

On a more pragmatic level, the study aims to assist large companies in the management of strategic change by proposing targeted organizational and/or educational solutions (e.g. the reinforcement or creation of certain specific skills through ad hoc training interventions).

Theoretical Background

This study builds upon three primary streams of literature: leadership theory, with a specific focus on transformational leadership, strategic change management and systems thinking.

The first pillar, Leadership, is known to play a critical role in shaping organizational dynamics, particularly in periods of transition and uncertainty (Castaldo & Gatti, 2021; Zanda & Castaldo, 2023).

Among the various leadership paradigms, transformational leadership has been widely studied for its impact on motivating and guiding individuals and organizations through change (Bass, 1985; Avolio & Bass, 1995).

Transformational leaders inspire and stimulate followers by fostering a shared vision, encouraging innovation, and addressing individual needs (Burns, 1978; Bass & Riggio, 2006). Through idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration,

transformational leaders create an environment conducive to adaptability and sustained growth (Podsakoff et al., 1990). Given the challenges associated with organizational change, transformational leadership is particularly relevant in facilitating employee commitment and reducing resistance to transformation initiatives (Yukl, 2013).

In his 1978 book entitled 'Leadership', James MacGregor Burns defined transformational leadership (which he initially termed 'transforming leadership') as follows: "Such leadership occurs when one or more people engage with others in such a way that leaders and followers rise to higher levels of motivation and morality" (Burns, 1978).

As Senge (1990) later noted, this alignment of values and goals is critical to creating a shared vision. Burns distinguished this type of leadership from transactional leadership, which is based on an exchange of benefits between leader and followers (e.g. work for wages). Transformational leadership, on the other hand, focuses on changing the values, beliefs and aspirations of followers, rather than on an exchange of benefits (Burns, 1978).

Key points of Burns' definition include mutual involvement (leaders and followers are actively involved in the leadership process), elevation (both leaders and followers achieve higher levels of motivation and morality), values focus (transformational leadership touches on the deepest needs and values of followers), and change (the goal is to create meaningful change in followers and ultimately in society). In summary, Burns saw transformational leadership as a moral process that elevates both leaders and followers towards higher goals and shared values (*ibidem*).

Similarly, Senge's shared vision is not simply a goal imposed from above, but a "picture of the future" that emerges from the participation and commitment of all members of the organisation. Transformational leadership, with its emphasis on inspiration and motivation, facilitates the process of collective creation, which, as a transformative process of change, is closely related to organisational learning, the focus of Senge's "Fifth Discipline" (Senge, 1990; Senge, & Sterman, 1992).

This seminal Burns' definition established the foundation for subsequent research by Bernard Bass, who theorized that "transformational leaders motivate followers to perform beyond initial expectations and frequently achieve beyond perceived capabilities" (Bass, 1985). The latter definition highlights the ability of transformational leaders to inspire and motivate their followers to exceed their own expectations and achieve extraordinary outcomes.

The second theoretical pillar of this study is rooted in the literature on strategic change management. Strategic change is defined as deliberate, long-term transformations aimed at enhancing an organisation's competitive advantage and aligning it with evolving market conditions (Johnson, Scholes, & Whittington, 2008; Pettigrew, 1987).

In his work entitled "Managing Strategic Change", Tichy (1983) proposes the notion that change assumes two possible forms: an "evolutionary" one, resulting from events largely beyond the control of organisational actors, and a "strategic" one, essentially discontinuous in nature, oriented and directed towards achieving a deep transformation of the organisation and individuals. Accordingly, Tichy asserts that change is initially driven by "natural" evolutionary processes of transformation and adaptation, akin to the functioning of any vital system. Secondly, strategic changes are substantially influenced by radical innovations, such as the evolution of processes and technologies, and the development of novel skills and competencies (Tichy, 1983).

Also, strategic change necessitates a fundamental shift in organizational structures, processes, and mindsets (Balogun & Hailey, 2004). Indeed, change can create tension in people, torn between the desire for improvement and development and the security of the *status quo ante*: the real risk is to remain too long in this limbo between "*stasis* and movement", failing to seize the opportunity to change (Senge and Sterman, 1990).

In day-to-day reality, organisations manage or introduce incremental change quite naturally, both in their internal structure and in their relationship with the outside world. The problem is that in today's world, this form of incremental adaptation is no longer sufficient to ensure the survival of organisations. Global growth trends, new technologies and sudden disruptions within intricate and complex social and political structures, force organisations to operate in a dimension of absolute timeliness (*ibidem*). This enables them not only to actively respond to change, but also to anticipate it, putting organisations in an advantageous position to seize available opportunities.

The effective management of strategic change is not just a procedural process: it depends on leadership. Indeed, empirical evidence recognizes that companies with strong leadership are more likely to manage change effectively, maintain a competitive advantage and achieve long-term performance improvements (Nadler & Tushman, 1990). Moreover, several studies suggest that the presence of visionary leaders at the CEO and C-suite levels significantly influences a firm's ability to successfully implement strategic change (Hitt, Ireland & Hoskisson, 2017; Tushman & O'Reilly, 2006).

Successful strategic change management, therefore, involves not only defining a clear vision and aligning resources but also addressing cultural and behavioural dynamics that influence implementation success (Kotter, 1996). Organizations must in fact navigate resistance to change, develop agile strategies, and ensure stakeholder buy-in to drive sustainable transformation (Armenakis & Bedeian, 1999). Leadership plays a crucial role in orchestrating these changes, as leaders must balance strategic foresight with the ability to engage and mobilize employees towards a common goal (Tushman & O'Reilly, 2006) and towards a general growth driven by learning (Armenia et al., 2024).

A learning organisation is one which intentionally uses knowledge processing to learn about itself and its potential (Castaldo & Gatti, 2020). This involves activating intra-organisational and extra-organisational dynamics of interaction suitable for organisational development, with learning serving as a lever for changing modes of operation with a view to continuous organisational development. This transformation is a gradual process that occurs as a result of learning (Argyris, 1957), or, to use Senge's (1990) words, "learning leads to development". Senge's conceptualisation of "learning organisations" encompasses the notion of individuals augmenting their capacity to achieve desired outcomes, the stimulation of growth-oriented thinking, the empowerment of collective aspirations, and the facilitation of continuous learning through collaborative endeavours (Senge, 1990).

Considering all of the above, it is clear that people within the company must be educated about change, developing skills that enable them to face and, above all, anticipate the challenges that environmental transformations impose on organisations. This initiative must be guided by a clear purpose, underpinned by a sense of urgency, and informed by a strategic approach to navigating the uncertainty that characterises modern organisations (Copeland & Wiener, 1990). However, it is important to note that the forms of resistance, as discussed by Senge, can often result in situations of passive acceptance or effective opposition, leading to sub-optimal outcomes. Through careful systemic analysis, these effects can be mitigated, and in some cases, avoided. This is achieved through the application of the five core disciplines for organizational change, with Systems Thinking, our third theoretical cornerstone, playing a pivotal role in strategic change management. By integrating the different disciplines into a unified vision and conceptual paradigm, Systems Thinking enables the effective deciphering of the complex situations that organizations face on a daily basis. While the systems approach is *de facto* reductive, it allows us to understand how systems interact and function, thus providing a solid foundation for driving strategic change.

Research Design

The research is exploratory in nature and employs a combination of qualitative and quantitative analysis techniques. These techniques include semi-structured interviews and questionnaires, which are administered to top executives and top managers of large companies. These companies are selected on the basis of high earnings performance.

To explore the links and nature of the variables of transformational leadership, systems thinking and strategic change management, and to determine whether one can predict the other, the research involved selecting large Italian companies that are S.p.A. global player firms, known for their high profitability and excellent performance.

The research focuses on the top levels of these companies, with the aim of investigating a particular leadership style of the top management (CEO and General Manager), of the CEOs of the subsidiaries,

of the heads of divisions, of the top managers sitting in the C-Suite (CFO, COO, CTO, CCO, CMO) as well as their competences in terms of systems thinking.

The leadership style to be investigated is that of transformational leadership - in the terms aforementioned defined by James MacGregor Burns (1978) and then developed by B.M. Bass (1985), which will be explored by means of the Multifactor Leadership Questionnaire (MLQ), developed by B.M. Bass and B.J. Avolio (1990), in its Italian version drawn up by A. Di Fabio (2018).

Change management will be explored through semi-structured interviews based on managers' self-assessments and considerations, both based on their history and on self-analysis focused on the present and future. These will be complemented by a questionnaire investigating a set of competencies and the relative importance attributed by respondents to a set of 21 skills, preliminarily outlined by us. In the context of the cognitive abilities that have been identified, conceptual thinking, holistic thinking and systems thinking are of particular significance and prominence.

The exploratory research will be conducted on a sample of 21 top managers. These individuals will participate in semi-structured interviews that focus on strategic change management, a questionnaire on transformational leadership, and a self-assessment questionnaire on skills.

The evidence, thus gathered from 21 semi-structured interviews, 21 Multifactor Leadership Questionnaire and 21 questionnaires on competencies, and suitably analyzed, will allow us to arrive at conclusions and hypothetical organizational solutions for the companies involved.

Methodology

We use both qualitative and quantitative techniques to carry out this mixed-methods exploratory research. These include 21 semi-structured interviews to top manager (focusing on strategic change management), 21 Leadership Style Questionnaire and 21 Self-assessment Questionnaires (exploring a range of competencies and the relative importance, on a scale of 1 to 5, that the respondent attaches to a set of 21 competencies that we have previously outlined).

Expected Results

Given the exploratory nature of the research and the fact that it is still in progress, the results are only tentative. The questionnaires completed so far, and the first round of interviews (9 out of 21) suggest that transformational leadership, while an important element, is not sufficient on its own to ensure the success of strategic change.

If the vision of individuals is not enough to manage change successfully, and the use of predictive tools does not seem to help much either, what does matter in strategic change is a certain set of skills. These include conceptual thinking, holistic thinking and, often underestimated, Systems Thinking (Barile et al., 2016).

Although transformational/visionary leadership and predictive intelligence tools are important elements, they are not sufficient on their own to ensure success in implementing strategic change. Strong analytical, problem-solving and Systems Thinking skills are also essential (Stroh, 2015). A robust set of these skills plays a crucial and often underestimated role (Puccio et al., 2013; Songini et al., 2024).

Consequently, organizations that develop leaders with these skills are better equipped to navigate complexity and uncertainty in strategic change.

Conclusions, Originality and Limitations

Despite the study being in the preliminary stages of research, it aspires to make significant theoretical and practical contributions.

From a theoretical standpoint, the study's originality stems from its integration of visionary leadership, strategic change, and systemic approaches.

As this is exploratory research conducted in global aerospace and defense companies on Italian and European managers and top executives, the main limitation is the generalizability of the results. However, this limitation opens up avenues for future research that could entail the following: firstly, the execution of qualitative or quantitative studies utilizing larger data sets, encompassing, for instance, the administration of questionnaires to Italian and European managers from diverse sectors; and secondly, the undertaking of analogous analyses in various regions of the world, with the objective of facilitating pertinent comparisons and/or extending the findings to a more extensive scale.

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