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# Organizational outcomes of leadership style and resistance to change (Part Two)

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## Abstract

**Purpose** – Organizations must react rapidly to evolving environments by engaging in change, ranging from minor adjustments to radical transformation. Many obstacles are encountered on the path towards achieving positive organizational outcomes, among which resistance to change prevents the level of mobilization critical to achieve a successful transformation. The purpose of this two-part paper is to offer a review of the body of knowledge explaining how leadership styles may address resistance to change in order to achieve desired organizational outcomes. For this purpose, multiple organizational concepts are visited and linked through a synthesized model proposing causality relationships between the various elements.

**Design/methodology/approach** – A range of recently published empirical and practitioner research papers were reviewed to analyse the relationships in search of the variables that affect resistance during a major organizational change. In order to synthesize and bridge many concepts that are often studied separately, an overall model is proposed to help establish causal relationships between the elements of interest influencing organizational outcomes, in the context of a change.

**Findings** – Leadership acts as an input at multiple levels, influencing organizational outcomes both directly – by continuously shaping employee attitude throughout change – and indirectly – by regulating the antecedents and moderators of their predisposition to change. These subsequently shape the extent of resistance to change, which translates from the perception of, commitment to and involvement in the change process. The interaction of the organizational environment with these factors ultimately determines the organizational outcome resulting from the change initiatives.

**Research limitations/implications** – The model must be tested in another empirical article to measure its effectiveness. The complexity of the model may, however, hinder the ability to successfully correlate all the concepts.

**Practical implications** – The paper suggests an overall framework that may help leaders and organizational development practitioners identify the major factors which may be considered during a change initiative or a transformation.

**Social implications** – This paper highlights the multi-dimensional role of leadership style in successfully achieving organizational changes. Leaders' emotional aptitude to influence their followers and employees' natural and contextual predisposition to change transact to shape organizational outcomes. These social elements must be carefully assessed not only prior to embarking on a change implementation, but also to proactively invest in psychologically directed organizational training and development, at all hierarchical levels.

**Originality/value** – The synthesis model is the novel contribution of the paper. It proposes an organized approach to relate multiple close yet distinct concepts that have so far been predominantly discussed separately.

**Keywords** Transformational leadership, Transactional leadership, Leadership style, Organizational outcomes, Resistance to change

**Paper type** Literature review

## Introduction

Change is inevitable as companies fight for survival and market share. Recent economic conditions have challenged the sustainability and competitiveness of companies. Organizations

can no longer rest on their laurels, rejoicing in past successes. They must seek out new opportunities by challenging the status quo. For this purpose, many organizations initiate a transformational change process.

Kotter (1995) offered an eight-step methodology, later revisited by Appelbaum *et al.* (2012), for the implementation of transformational leadership. The first few steps are devoted to communicating about the change, assembling a change leadership team, and creating a vision. For these early stages, resistance to change is a roadblock, which leaders must overcome for a successful change.

We propose to study the existing body of knowledge pertaining to how leadership styles can address resistance to change in order to achieve desired organizational outcomes. For this purpose, various organizational concepts are visited and linked to the three centre pieces.

This two-part paper is segmented into six sections. The first section introduced leadership styles commonly identified in literature and the impact of each style, in the context of an organization. Leadership is crucial to overcome resistance to change. In the second section, the concept of resistance to change was explained and the main causes of resistance identified. The third section presented the concept of commitment, which is viewed as the polar opposite of resistance and may be nurtured and leveraged by leaders for successful transformation. Both resistance and commitment occur in a given environment and the fourth section clarifies the impact of this setting on individual behaviours and attitudes. The fifth section presents organizational outcomes, resulting from the various aforementioned factors. Finally, the paper concludes with a discussion and a synthesis linking all the concepts into a single model.

## Organizational environment

This section visits the relationships between the concepts of organizational structure, communication between the levels of hierarchy, and the impact of corporate culture on resistance to change/commitment to change in an organization.

### *Hierarchical distance and commitment to change*

Given its strategic nature, transformational change is usually initiated by top management team (TMT), meaning the CEO and vice presidents directly reporting to the CEO. Employees closer hierarchically to TMT, whose jobs focus more on the strategic aspects of the organization, are more likely to buy into the change and understand its goals. In contrast, low-level employees, participating less in decision making, are less aware of the strategic goals and more likely to be cynical about the change and pessimistic on its outcomes (Wanous *et al.*, 2000). This strategic understanding gap is further exacerbated by the tendency of individuals in top management to communicate more frequently with each other than with more distant employees (Wanous *et al.*, 2000).

Hierarchical distance is the number of organizational levels between the top management and an employee and is critical for predicting employees' affective and normative commitment to change (Hill *et al.*, 2012). Research has demonstrated that top management is often unconscious of eventual implementation challenges whereas low-level employees, responsible for daily operations, are more likely to be cognizant of these roadblocks (Beer, 2003; Reppenning and Serman, 2002). While the change is generally originated by the top management, the change must be implemented by employees' at all hierarchical levels. In this condition, widespread cynicism about change may become its own self-fulfilling prophecy by thwarting any successful change attempt (Wanous *et al.*, 2000).

Given the impact the hierarchical distance, communication – particularly from top management – becomes the glue holding an organization together.

### *The role of top management change communication*

Top management communication (TMC) is critical for conveying trustworthy, change-related information, and for setting the organizational direction during the change process

## **“[...] that top management is often unconscious of eventual implementation challenges whereas low-level employees”**

(Pincus *et al.*, 1991). However, this information is not perceived homogenously by all employees. TMC effectiveness is negatively related to hierarchical distance, creating an asymmetry in the perception about the benefits of the change (Pincus *et al.*, 1991).

Two types of TMC prevail in an organization: top-down communication – to spread information about the change – and bottom-up communication – to solicit information from low-level employees (Hill *et al.*, 2012). TMC partially mediates the negative correlation between hierarchical distance and commitment to change, implying that bi-directional communication is important to minimize the perception gap about a change down the organizational ladder (Hill *et al.*, 2012). Nonetheless, top-down communication is generally privileged in most organizations, although bottom-up communication is important to collect the feedback for employees and give an opportunity to the workforce to influence the change process – particularly during the initiation phase, during which such feedback helps break the nascent resistance.

Despite its role in determining an organization strategy and vision, TMC is remote from frontline employees and hence cannot interact directly with them. Given this limitation, the communication of major decisions to low-level employees hinges to a large extent on middle managers.

### ***Influence of middle management in the change process***

Middle management, defined as the intermediate management levels between top management and frontline supervisors, is instrumental in linking the frontline resources and the upper level and bridging the hierarchical perception gap. This linkage role is effective for strategy formulation as well as implementation.

Raes *et al.* (2011) stated:

MMs' position as organizational “linking pins” gives them the power to initiate new strategic initiatives, to support and accelerate strategy implementation, or to reduce the quality of implementation, delay it, or even sabotage it completely.

Given the ever-growing organizational complexity, the role of middle managers as change agents will increase, given their pivotal position between senior management and frontline employees (Balogun and Johnson, 2004).

First, by selling issues to TMT, middle managers may not only influence the strategic organizational decisions, but may also secure an effective action on their unit priorities (Dutton and Ashford, 1993). By doing so, the middle managers reflect the preoccupations of their units and its employees to senior management.

Second, particularly in the absence of senior managers (e.g. geographically distributed organizations), middle managers develop lateral sense-making with their peers and determine the change outcomes through their social interactions (Balogun and Johnson, 2004). These interactions may be just as important in shaping the organization as the TMT primary strategic intent.

Third, middle managers play a critical role in managing the frontline employees during the turmoil generated by a radical change. In a transformational context individual emotional states can converge due to the relative anonymity of the group, the threat perceived from the change, and emotional contagion (Huy, 2002). These mechanisms may derail the change process by altering the employees' predispositions to accept the change and comply with its requirements. Middle managers can substantially increase the likelihood of achieving the change by balancing unpleasant/high-activation emotions (e.g. anger, fear) with pleasant/low-activation emotions (e.g. calm) (Huy, 2002).

**“Middle management, defined as the intermediate management levels between top management and frontline supervisors, is instrumental in linking the frontline resources and the upper level and bridging the hierarchical perception gap.”**

In the face of their critical role, middle managers, through transformational leadership skills, may shape their unit behaviours by affecting both ACC and NCC (Hill *et al.*, 2012). Nonetheless, beyond actionable factors that influence organizational outcomes, any change occurs within a previously defined culture, which suggests how culture is of paramount consideration in building commitment.

#### *Organizational culture and commitment*

Organizational culture can be described as a set of values, beliefs, and behaviour patterns forming the identity of an organization, and shaping employees' behaviours (Rashid *et al.*, 2003). Deshpande and Farley (1999) have identified four types of corporate cultures: competitive (market competitive advantage), entrepreneurial (innovation and risk taking), bureaucratic (internal regulations and formal structures) and consensual (loyalty, tradition, and internal focus). Rashid *et al.* have linked these types of culture to dimensions of commitment (ACC, NCC, and CCC) and determined that the type of culture predicts to some extent the dimension of commitment. Additionally, Rashid *et al.* (2003) showed that both culture and commitment have an impact on financial performance.

Furthermore, Kamarul *et al.* (2011) explained that an additional factor, person-environment fit – encapsulating the concept that individual outcomes result not solely from a person or an environment but rather from an interaction between the two – mediates the relationship between organizational culture and organizational commitment.

The CEO's (and by extension the TMT) psychological states are related to their organization culture. For example, leaders, who value freedom and creativity, emphasize on innovation as embodied in entrepreneurial cultures. An alignment between the TMT and the envisioned culture is hence crucial to initiate the change process.

In conclusion, in order to create an environment conducive to a radical change, TMT must impersonate and promote the values congruent to the desired change. In doing so, TMT may influence the culture in order to obtain the targeted dimension of commitment. By involving the middle managers early in the process, TMT may not only benefit from their operational knowledge, but also influence indirectly the frontline employees reporting to these managers. The inclusion of the middle management creates the critical mass instrumental to successfully change the prevailing culture and move the organization forward – suggesting how both the environment and leadership may interact to mediate the impact of resistance to change on organizational outcomes. Multiple variables, as presented below, may be defined to measure these outcomes that will be explored in the next section.

#### **Organizational outcomes**

##### *Successful implementation of change via transformational leadership*

As illustrated previously, the success of such a change implementation process depends on the combination of variables that interact at the organizational level – hierarchical distance from top management, organizational culture, and predisposition to resist or commit to change are examples of contextual elements that mediate the way that different leadership styles are applied carry out the change process.

Some research argues that leaders never, rarely or only sometimes effectively implement change, describing leadership as a significant barrier or resister for change (Ford

*et al.*, 2008; Schiemann, 1992). This observation reinforces the need for the adequate and competent applications of leadership in order to reach the desired or intended outcomes from the change. Indeed, Shook *et al.* (2003) have found that leadership skills and abilities are positively associated with success in executing change – being capable of communicating, coaching, involving others, all in order to motivate, reward and build teams, and calls for the critical ability to recognize and respond to individual needs during change. Further studies also highlight the talent in motivating others and the ability to communicate effectively as being the leadership behaviours most important in effectively implementing change (Gilley *et al.*, 2009). Considering the nature of the behaviours described as positively related to change effectiveness, these findings suggest that transformational leadership is the leadership style most associated with successful change implementation.

Nonetheless, it is essential to consider the situational application of specific leadership styles in evaluating their probability for successfully executing change. Indeed, literature trends view transformational leadership as the naturally adequate approach for change, while transactional leadership is mainly applied to maintain stability and the status quo. However, Golm (2009) argues that both transformational and transactional leadership are important to leading change, highlighting that clarity regarding roles, responsibilities, vision and goals are essential to the implementation process of organizational change. Moreover, transformational leadership is also thought to play a critical role in shaping employees' perception and evaluation of top management's change-related communications (Hill *et al.*, 2012). In addition, transformational leaders are also more likely to display an adequate balance of both types of behaviours, which becomes particularly relevant as transformational leadership has the strongest effect early in the change process (Hill *et al.*, 2012), while transactional leadership may be more important over the course of the entire implementation (Golm, 2009). In addition to moderating the outcome of change implementation processes, leadership style, resistance to change and employee commitment also interact to ultimately impact organizational effectiveness.

### ***Improvements in organizational effectiveness and performance***

Literature generally describes organizational effectiveness as the “extent to which an organization, by the use of certain resources, fulfills its objectives without depleting its resource and without placing undue strain upon its members and/or society” (Erkutlu, 2008). By extension, leadership effectiveness can be viewed as the application of adequate leadership behaviours in such a way to as to contribute to achieving effectiveness and performance, at the group level or the organizational level as whole. According to Erkutlu (2008), performance measurement can be objective (financial) or subjective (behavioural) in nature.

*Objective performance.* Objective measures of performance include mostly financial metrics such as profit and sales growth, margins, market share, ROI, cost per unit and so on (Erkutlu, 2008). Though quantifying the financial impact of leadership behaviours is highly challenging (if even possible), evidence suggests that by enhancing employee commitment, transformational leadership can result in changes in some aspects of financial performance (Howell and Frost, 1989; Kirkpatrick and Locke, 1996). Indeed, transformational leadership was previously shown to be a predictor of and precursor to business unit performance (Howell and Avolio, 1993). Additionally, studies have also demonstrated that training and goal-setting interventions can steer transformational behaviours in expected directions (Barling *et al.*, 1996) – an attribute characteristic of transactional leadership, which implies setting and meeting clear performance expectations. Nevertheless, focusing solely on financial performance as an indicator of organizational effectiveness could potentially result in misleading conclusions (Judge, 1994).

*Subjective performance.* Leadership effectiveness in itself leads to outcomes that include group performance, goal attainment, survival, growth, preparedness and capacity to deal with crises, as well as subordinate satisfaction with the leader, commitment to group goals, and psychological well-being (Yukl, 1989). Inherently, transformational leadership aims to improve organizational effectiveness through social performance. Studies report that transformational leadership increases identification with the work unit, self-efficacy and means efficacy – all of which have been shown to be positively related to job performance (Walumbwa *et al.*, 2008). Indeed, a large number of studies suggest that, while laissez-faire leadership achieves exactly

the opposite, transformational leadership is positively correlated with job satisfaction, commitment and performance (Erkutlu, 2008).

Furthermore, general trends in the body of literature perceive transformational leadership to be more significant than change-oriented leadership or “change-specific leadership practices” in enhancing follower behaviour conducive to organizational effectiveness. Literature highlights the role of leadership in managing employee resistance – Noddeson *et al.* (2012) defends that change-oriented leadership alone is not sufficient to successfully overcome resistance to change in the context of implementing innovation.

Another study observes that change commitment is more strongly related to transformational leadership than change-oriented leadership, particularly when the change has significant personal impact on followers. However, good change-management practices were found to be associated with higher levels of change commitment in the absence of transformational leadership, suggesting that the impact of change-oriented leadership is a function of the existing levels of transformational leadership and of the impact of the change on the individual's job. Change-oriented leadership thus acts as a moderator of the relationship between transformational leadership and commitment to change only when the change has a low impact (Herold *et al.*, 2008).

Much of the impact of leadership style on organizational effectiveness has to do with the perception of the change, its implications and the way in which it is managed, at the level of top management as much as from the perspective of the employees. Conversely, transformational leadership plays a critical role in shaping the perception that employees have of top management's communication with respect to implementing change (Hill *et al.*, 2012).

#### ***Individual learning and organizational sustainability***

In a transformational change, the workforce must adapt to multiple variations in their work environment and firms must be able to change by solving problems as they arise and by learning from the problem-solution process (Gibb and Scott, 1985).

Learning becomes critical to achieve successfully the change process, hence Dixon's (1998, p. 31) statement: “The only way to cope with change is to keep learning”. Additionally, committed employees strive to contribute to the change and this should be made possible through an institutionalized learning process (Teare and Rayner, 2002). Consequently, organizations should include learning in their strategy execution (Teare and Monk, 2002). Conversely, companies which ignore learning are more reactive and less likely to reflect the market realities and their organizational capabilities.

Management must acknowledge the importance of learning and act accordingly. The key attributes of transformational leadership (idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration) have all been found to be positively related to a learning-oriented organization (Coad and Berry, 1998). Transformational leaders ignite a sense of enthusiasm and possess a compelling vision who reflects on followers, who strive to emulate the leader, and adopt a more proactive attitude and learning-friendly behaviour. Furthermore, transformational leaders intellectually stimulate their groups in addition to provide their followers with a personalized support to help navigate through the job challenges. As an end result, the organization develops dynamic capabilities providing ability to create, reshape, and assimilate knowledge in an ever-changing competitive landscape (Phipps *et al.*, 2012).

Key conditions to create a learning-friendly environment comprise: continuous and open access between individuals; free, reliable communication; interdependence and cohesiveness; trust and risk-taking; and conflict resolution (Fullmer and Keys, 1998).

Management may further influence the institutionalization of learning notably through reward and personal recognition inducing positive reinforcement. In such an environment, learning is included in the employee evaluation and is a criterion for promotion (Popper and Lipshitz, 2000).

As can be derived from the numerous possible actions that can be taken prior to, during and following the implementation of change initiatives to influence their outcome, it is essential to

gain an in-depth understanding of the contextual parameters that may affect the change process in order to successfully see it through. Adequately identifying patterns as conducive or threatening to a beneficial outcome is essential to envisioning how individuals and groups will respond to the transformational stimuli – allowing to subsequently adopting an appropriate course of action to maximize the organization’s propensity to derive sustainable value from the change. The following section proposes a few approaches in attempting to understand the organizational context at the onset of a change, along with an exploratory model, proposed as a conceptual framework to visualize and help assess the change situation.

## Discussion

### *Synthesis*

In light of the complex interactions described in the literature between leadership styles, resistance to change and organizational outcomes, implementing change successfully requires managers to continually maintain awareness of two considerations: their own leadership style, and the organizational context in which they are responsible for executing change. Doing so requires an evaluation of which behaviours are effective in which context (hierarchical distance, organizational culture and stage of change) and how modifying leadership behaviours can potentially affect leadership effectiveness and organizational outcomes. Implementing corrective measures accordingly when leadership behaviours are no longer aligned with organizational requirements is paramount in attaining organizational effectiveness within the ever-evolving business environment.

In summary, varying degrees of transactional, transformational and change-oriented leadership are the key to successfully implementing sustainable organizational change. Transactional leadership actively reinforces positive behaviour through contingent reward, maintaining control over ongoing performance output, acting as organizational support over the short and medium term. Transformational leadership, on the other hand, establishes a foundation for successful organizational change, by setting up a predisposition for adoption in the form of organizational readiness – the transformational mindset acts as the basis for long term, organizational growth. Finally, to effectively and successfully implement transformation, change-oriented leadership must provide the interface between transformational leadership and the application of transactional leadership within the context of a change process.

### *Integrated model: linking leadership style, resistance to change, and organizational outcomes*

This section proposes a synthesized view of the interactions connecting the multiple concepts reviewed in the paper to help identify the causal relationships.

Appendix depicts the main conceptual blocks and their interdependencies. Starting with the final output and regressing through the flow of causalities, these blocks are linked back to the three centre pieces of the paper:

1. Organizational outcomes are a result of RTC mediated by the business landscape. The corporate structure and prevalent culture may facilitate or hinder the adoption of change.
2. Resistance to change is a product of multiple factors:
  - RTC is caused by the anxiety (and other psychological states) generated by a change. This anxiety may greatly vary depending on the degree of change and its impact on the culture.

**“to effectively and successfully implement transformation, change-oriented leadership must provide the interface between transformational leadership and the application of transactional leadership within the context of a change process.”**



- Attitude to change, which is an antecedent to RTC, is impacted by three main variables: commitment (mostly affective and normative dimensions), perceived benefits of change, and involvement in change. All three factors are influenced by top management's capacity to appropriately communicate strategic direction, receive feedback from lower-level employees, and involve the entire organization in the change process.
- 3. Leadership style impacts multiples factors in the model:
  - Through their values and management style, leaders can directly impact organizational outcomes by influencing their followers' attitudes regarding learning and adaptation, which affect the organization's ability to successfully implement short-term change, as well as long-term transformation.
  - Indirectly, leaders can affect their followers' commitment and significantly reduce resistance to change by adopting the style appropriate to the organizational environment. By adjusting to and regulating the contextual determinants of predisposition to change, leaders can steer these antecedents and moderators, which ultimately interact to determine the penetrance and pace of the change.

## Conclusion

The above-suggested framework offers valuable insight in guiding leaders and organizational development practitioners to identify the major factors to be considered during a change initiative or a transformation. The model stresses the multi-dimensional role of leadership style in successfully achieving organizational changes, highlighting the importance of leaders' emotional aptitude in influencing their followers, which transacts with employees' natural and contextual predisposition to change, ultimately determining organizational outcomes. Significant benefit can be derived from carefully assessing these organizational components, prior to, throughout and following transformational processes of all scales.

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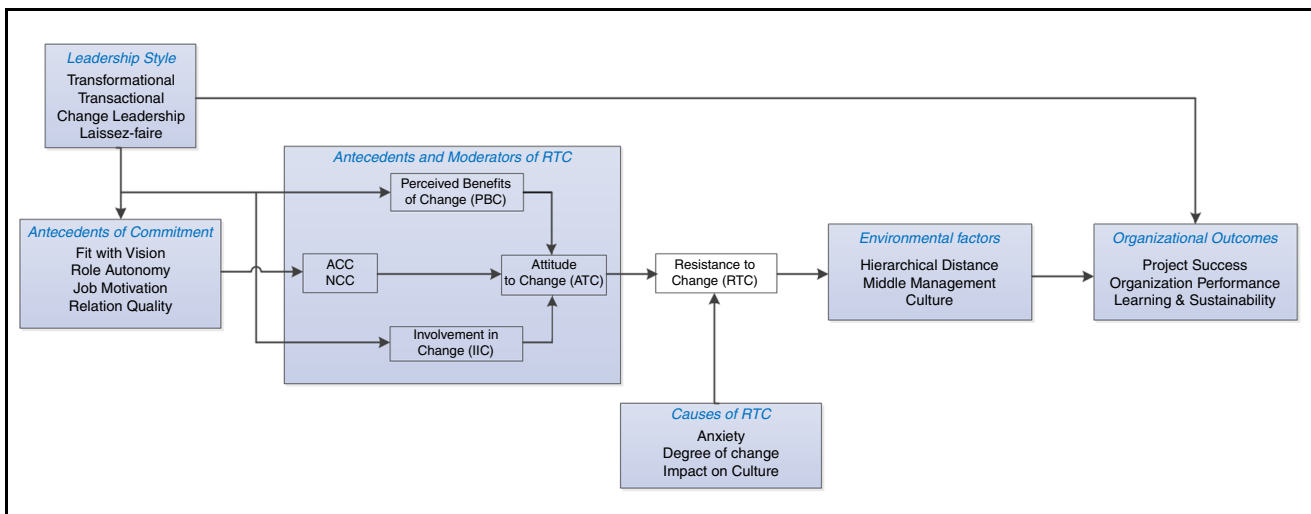
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## Appendix

**Figure A1** Interdependencies between leadership style, resistance to change and organizational outcome



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