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Organizational Leadership in Times of Uncertainty: Is Transformational Leadership the Answer?

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Abstract

In a world that is rapidly changing, organizations are finding that they must adapt quickly to meet the needs of their changing environment. Organizations can only remain relevant and achieve long-term success and sustainability by adopting a model of leadership that addresses the needs of their fluctuating environment. However, many organizations have failed to adapt to their operating environment. Some examples of recent major organizational failures and bankruptcies include: Circuit City, Hollywood Video, and Mervyn's. To remain competitive, leaders must adopt a model that allows for rapid responses to the changing business environment. Transformational leadership can serve as this needed model.

Bernard Bass' (1995) expanded theory of transformational leadership meets the emerging needs of organizations and recognizes the importance of both transactional leadership and transformational leadership. There is a body of evidence that demonstrates the merits of transformational leadership and its benefits over autocratic or unilateral forms of leadership (Wang, Oh, Courtright, and Colbert 2011). Transformational leaders have the ability to motivate others, inspiring their followers to admire, respect, trust, and be loyal to them (Yukl 2010). Organizations need leaders who are able to cope with change, maintain daily operations, and provide a competitive advantage. Transformational leaders can stimulate and inspire their followers, rallying them behind a collective cause, resulting in improved output, performance, and job meaningfulness (Purvanova, Bono, and Dzieweczynski 2006; Wang et al. 2011).

The theory of transformational leadership has its roots with political historian and leadership scholar James MacGregor Burns (Bass 1995). In Burns' work *Leadership,* he provided the initial framework for the theory of transformational leadership by identifying what he considered two polar opposites: transactional leadership and transformational leadership (Wofford and Goodwin 1994). In transactional leadership, leaders maintain a relationship with their followers as a series of exchanges or bargains to satisfy current needs (Howell and Avolio 1993). Transformational leadership foregoes the traditional model of exchanging inducements and achieves desired performance by "developing, intellectually stimulating, and inspiring followers to transcend their own self-interests for a higher collective purpose" (Howard and Avolio 1993, 891). Leadership has transcended beyond the premise of clarifying and outlining the required performance of workers to increasing the value of the output which followers produce (Bass 1995).

Bass greatly expanded on the initial theory of transformational leadership proposed by Burns. Bass, along with his colleague, Bruce Avilo, built upon Burns' notion of transformational leadership, developing a more robust concept and model for organizational leaders (Conger

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1999). Bass conceptualized the transactional and transformational dimensions as separate and also suggested leaders should be able to use either leadership dimension as appropriate to a situation (Wofford and Goodwin 1994). Thus, a leader can be both transformational and transactional, and it is possible for transformational leadership to "be used separately from, or in conjunction with, transactional leadership" (Wofford and Goodwin 1994, 162). The underlying theme of Bass' model is transformational leaders are able to motivate followers to commit to and achieve performance that exceeds personal expectations (Conger 1999). Transformational leaders utilize three principles to achieve improved performance and organizational success: emphasize the importance of goals and the necessary means for their achievement; induce followers to transcend self-interest for the overall benefit of the collective; and stimulate the higher order needs of followers (Conger 1999).

Transformational leadership is comprised of four behavioral components or dimensions: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration (Bass and Bass 2009). Idealized influence is the level of social identification that leaders create among their followers resulting in the desire to closely identify with him or her (Oke et al. 2008). Increases in idealized influence can result from leaders sharing risk, cultivating trust and respect, and engaging in self-sacrificing behavior (Oke et al. 2008; Bass and Roggio 2006). The inspirational dimension refers to the degree to which leaders are able to motivate and inspire followers. This dimension can be increased by setting realistic expectations and demonstrating commitment to shared visions (Oke et al. 2008). Intellectual stimulation refers to a leader's ability to motivate subordinates to discover new ways of accomplishing tasks (Levine, Muenchen, and Brooks 2010). Individual consideration is a leader's ability to identify and develop the higher order needs of subordinates while providing the necessary feedback to achieve organizational goals (Levine et al. 2010). Levine et al. (2010) argue that the most common verbs to describe the four components of transformational leadership are: influence, inspire, motivate, and communicate, respectively. Furthermore, Levine et al. (2010) argue that effective articulation, motivation, and inspiration are all components of effective communication. Thus, effective communication skills are a requirement for a transformational leader because without these skills, a leader would find it difficult or impossible to accomplish any of the three principles of transformational leadership.

Transformational Leadership and a Changing Environment

Why are some organizations able to adapt to their changing environment while others are unable to and ultimately fail? Can the differences in leadership styles and actions help to explain such puzzling results? This paper is a literature review examining the effects of transformational leadership through a multidisciplinary lens. Transformational leaders guide an organization experiencing a crisis event through the sensemaking process by providing structure in the form of a compelling vision. According to Weick, Sutcliffe, and Obstfeld (2006), "Sensemaking involves the ongoing retrospective development of plausible images that rationalize what people are doing" (409). Sensemaking describes the process of organizing and turning circumstances into an understandable framework, which then provides a springboard for action (Weick, Sutcliffe, and Obstfeld 2006). Transformational leaders empower followers and, in doing so, can stimulate the higher order needs of the followers (e.g. self-actualization) and spur collective action, effectively achieving the three principles. Moreover, crisis situations can increase the need for leadership, and leaders perform a pivotal role in sensemaking during a crisis (Hunt,

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Boal, and Dodge 1999; Weick 1995). This paper argues that through cultivating an environment of empowerment and guiding followers through the sensemaking process during a crisis, transformational leaders can stem the effects of group disintegration and the collapse of sensemaking, which can result in the failure of the organization.

Although it can be argued that factors such as a troubled economy and reduced consumer spending were contributors to the ultimate demise of the three companies here examined— Circuit City, Hollywood Video, and Mervyn's—each organization also exhibited poor leadership, management, and decision-making while operating in an uncertain environment. In addition, all of the aforementioned companies also demonstrated poor adaptations to changing marketplace conditions and consumer tastes. Since each of the companies possessed a large customer base, it makes it difficult to believe that the organizations were unable to translate at least some of the customers into a source of sustainable profits. Such large organizational failures can lead scholars to question why these companies were unable to translate sales from the existing customer base into future sales, and how transformational leadership can influence the operating environment and decisions made by leaders.

Idealized Influence

Conger and Kanungo (1998) suggest that transformational leaders can demonstrate dedication while building good will and follower trust through self-sacrificial behaviors. In addition to sacrifice, trust can be built through behavioral integrity, fairness, and follower empowerment (Bass and Riggio 2006). When there is a perceived incongruence between message framing and actions, trust can erode and problems can arise. Such incongruence can be examined through the lens of signaling theory. Signaling theory refers to information asymmetry and is often used to describe the decision-making process when two parties have access to different information. Connelly, Certo, Ireland, and Reutzel (2011) state that there are two characteristics of efficacious signals: signal observability and signal cost. Observability refers to the extent to which outside viewers can see the signal, while cost refers to the extent to which an organization is able to absorb the cost of the signal. Signals do not only affect shareholders and investors, but also the other stakeholders of an organization. Through their actions, leaders send signals to followers that can be interpreted as either positive or negative. When a leader's actions are incongruent with message framing, it may cause followers to experience a degree of cognitive dissonance. The resulting dissonance can potentially leave followers feeling disempowered and unmotivated to help meet organizational goals.

Transformational leaders help build follower commitment to organizational goals. Through role modeling and idealized influence, transformational leaders can induce followers to personally identify with the goals, interests, and values of the leader (Bass and Roggio 2006). Thus, for continued commitment, leaders need to continually send signals that encourage follower commitment, respect, and loyalty. When leaders share in the sacrifice of an organization, it can signal that there is a combined effort taking place, it can be positively interpreted, and it can increase idealized influence. However, when a leader's actions are not congruent with the framing of a message, there may be a reduction in follower commitment and motivation. For example, in the same year that Circuit City announced layoffs of its highest paid hourly employees to reduce costs, Philip Schoonover, the company's CEO, received $7 million in compensation (Hamilton 2008). During the same year, Circuit City's main rival in the marketplace was Best Buy, the top consumer electronics chain in the US. The layoffs were part

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of an attempt by Circuit City to reduce expenses after the company reported its first loss in six quarters; however, Schoonover's 2006 compensation was more than double that of Best Buy's CEO, Brad Anderson (Clothier 2007). Such actions by organizational leaders can send a negative signal to the current employees and potential talent. Shared sacrifice can elicit follower support, and it is not unreasonable to assume that this was the perception on the ground when hourly employees are being laid off while executive compensation in the company trumps that of a rival competitor with higher market standing and market share.

Inspirational Motivation

Transformational leaders can motivate and inspire followers by setting realistic expectations and demonstrating commitment to a shared vision (Oke et al. 2008). The creation of a compelling vision is a factor in most theories of transformational leadership (Bass and Bass 2009). A vision can be a collaborative effort that addresses disparate issues that an organization may be facing. A compelling vision serves as a meaningful, forward-looking goal to followers, acting as a roadmap for the future direction of the organization (Bass and Bass 2009). Through the articulation of a vision, a transformational leader can stimulate and inspire followers and rally them behind a collective cause (Purvanova, Bono, and Dziewczynski 2006). The vision can serve as an idealized image of the future and a mental model for the desired state of the organization. It should be an expression of complex ideas in a clear and credible manner. Thus, a vision should "convey an image of what can be achieved, why it's worthwhile, and how it can be done" (Bass and Bass 2009, 630).

It can be argued that transformational leaders can create resonance by articulating a shared vision. Bass and Bass (2009) state that, "envisioning requires translating intentions into reality by communicating that vision to others to gain their support" (630). The envisioning process provides a platform to empower others and provide the social architecture required for achievement of the vision (Bass and Bass 2009). Effective leaders are able to monitor effects of actions undertaken to achieve a vision and make adjustments as necessary. Visions can be likened to mythmaking as a means of inspiring followers and compelling them into action. Myths can have a lasting effect and work to shape the culture of an organization or a group (Schien 2004). As individuals assist in the achievement of group goals, the more integrated they become as a part of the group (Schien 2004). This can act as a psychological contract increasing commitment to the organization and transformational leader.

Transformational leaders can use visions to clarify objectives and refocus the direction of their organization. For example, Mervyn's department store struggled between 2005 and 2008 while its competitors, Ross Stores and Kohl's, continued to offer similar merchandise with greater consumer appeal. Ross Stores managed to increase net earnings during the same period that Mervyn's struggled to remain operational (Ross Stores 2009; Ross Stores 2010). This was accomplished by the company leadership setting a vision to maintain leaner company inventory levels, allowing stores to have "fresh" product and fewer markdowns (Ross Stores 2010). During this same period, Kohl's experienced an increase in net sales but a small decrease in net income (Kohl's Inc. 2011). Kohl's refined its vision and sought to differentiate from similar retailers (Kohl's Inc. 2011). This led the retailer to offer private and exclusive brands and to take on strategic initiatives to improve inventory management and the in-store experience (Kohl's Inc. 2011). Visions can serve as an inspiring motivator to organization members as they see their efforts as being a key component of goal achievement.

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Intellectual Stimulation

Intellectual stimulation refers to a leader's ability to motivate subordinates to discover new ways of accomplishing tasks (Levine, Muenchen, and Brooks 2010). According to Bass and Bass (2009), "Intellectually stimulating leaders help make their followers more innovative and creative. They question assumptions, reframe problems, and look at old problems in new ways" (621). Leaders must be adaptive to face the problems of a rapidly changing operating environment. To be adaptive, leaders should encourage feedback and novel approaches to current problems or new issues as they arise. Transformational leaders solicit feedback and new ideas and do not publicly criticize the mistakes of individual members (Bass and Riggio 2006). According to Yammarino, Spangler, and Bass (1993), intellectual stimulation is "seen in subordinates' conceptualization, comprehension, and analysis of problems they face and solutions they generate" (85). It can be argued that organizations can be more responsive to emerging threats when leaders intellectually stimulate subordinates because when scanning current problems and questioning assumptions, it may be possible to detect emerging trends and potential threats.

It can be argued that the failure of Hollywood Video and subsequently Movie Gallery was a result of a lack of intellectual stimulation. In Hollywood Video's (2004) 2003 annual report the company states:

> The video retail industry is highly competitive. We compete with local, regional and national video retail stores, including Blockbuster and Movie Gallery, and with mass merchants, mail-delivery video rental subscription services, such as Netflix, supermarkets, pharmacies, convenience stores, bookstores and other retailers, as well as with non-commercial sources such as libraries. (para. 36)

Yet within the following paragraph that describes its competition, it seems that the company only seeks to compete with Blockbuster Video.

> We believe that the principal competitive factors in the video rental industry are price, title selection, rental period, the number of copies of popular titles available, store location and visibility, customer service and employee friendliness, and convenience of store access and parking. Substantially all of our stores compete with stores operated by Blockbuster, most in very close proximity. (para. 37)

The same statement of competition appears in the company's 2004 annual report as well, with little attention given to other direct competitors (emerging threats) such as cable or satellite providers (Hollywood Video 2005). However, during this time, Netflix's revenue continued to grow, almost doubling each year between 2001 and 2003 (Netflix 2004). During this same period, Hollywood Video's net income began to steadily erode (Hollywood Video 2005), although revenue growth occurred during this period.[1] As Netflix's subscriber base continued to grow, Hollywood Video struggled to keep up with Blockbuster Video.

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[1] There was an amortization expense taken, and it adjusted the income by $3.1 million and $29.9.

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After a buyout in 2005, the company's direction did not change. The two companies, Hollywood Video and Movie Gallery, separately showed strong financial performance, yet after the buyout, the direction of the new company did not seem to change (Hoovers 2004). However, at the end of 2006, Netflix had grown to over 6.3 million subscribers, with a 50% growth (from 4.2 to 6.3 million) in 2006 alone (Netflix 2007). Transformational leadership encouraging intellectual stimulation could have helped the company review the validity of its operations and growth plan by challenging assumptions and looking at problems in new ways. Partially, this would have required a realistic assessment of the operating environment and realizing that emerging competitors were not only in the form of the established brick-and-mortar video rental companies but also the emerging internet-only rental/streaming providers. Market competition became more complex after 2000 as big retailers (e.g. Walmart) offered discounted prices on DVDs and online streaming services became more popular (Bell 2010). In addition, video vending machines were introduced in stores and fast food restaurants, eliminating the need for the consumer to make an additional trip to a separate rental location (Bell 2010). Such complementary services proved to be useful for consumers. It should have been apparent that kiosks, DVDs-by-mail, and online streaming provided convenience for consumers and were a source for revenue, yet Movie Gallery did not invest in addressing changing consumer and market trends (Bell 2010).

Individualized Consideration

Individualized consideration is a leader's ability to identify and develop the higher order needs of subordinates while providing the necessary feedback to achieve organizational goals (Levine et al. 2010). This is accomplished through setting examples, assigning subordinates specific and relevant tasks, and creating new learning opportunities in a supportive environment (Yammarino et al. 1991; Bass and Bass 2009). Transformational leaders serve as mentors and coaches to followers, provide individualized consideration of follower needs, and encourage two-way communication (Bass and Bass 2009). For example, Deluga and Souza (1991) found that in a police environment, transformational supervisors may be perceived as being more approachable and more likely to be sensitive to rational influencing attempts. Transformational leaders utilize task delegation as a method of developing followers; regular follow-ups are conducted to provide support and assess progress, not micromanage (Bass and Riggio 2006). Such behaviors are likely to instill self-confidence and increase commitment as followers develop task-mastery.

Individualized consideration affords leaders the opportunity to make interactions with followers more meaningful. Leaders who personalize communication and encourage two-way communication can find it to be a valuable asset for their organization. Boden (1994) argues that organizations act via talk. Meetings, whether formal or informal, serve as the primary medium where decision makers gather together to discuss and agree on organizational courses of action. Meetings serve as a forum for individuals to express ideas, justify actions, and make recommendations. Informal meetings can occur frequently when a leader practices "management by walking around." Although informal meetings may not have written agendas, they are usually focused on an organizational goal or specific purpose (Boden 1994). During such informal meetings, leaders have the opportunity to address problems, identify weaknesses, and provide support. In addition, subordinates may be more likely to provide insight on potential problems

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because of the informal nature of the meeting and because they are accustomed to the two-way communication that has been established.

Empowerment

Quinn and Spreitzer (1997) identify four shared characteristics of empowered individuals: self-determination, competence, impact, and meaning. When employees have a sense of self-determination, they are free to determine many aspects of how they do their work and are not micromanaged (Quinn and Spreitzer 1997). Competence refers to the confidence that employees possess in regard to their ability to perform tasks and produce high quality work (Quinn and Spreitzer 1997). Impact refers to the belief that employees hold about their ability to exert influence over their work and others within their workgroup, both leaders and co-workers (Quinn and Spreitzer 1997). Employees who have a sense of meaning care about the work they do and feel that their work is important (Quinn and Spreitzer 1997). These four characteristics represent an empowered employee's belief about his or her role in the organization. Furthermore, Quinn and Spreitzer (1997) argue that empowerment is "not something that management does to employees, but rather, it is a mind-set that employees have about their role in the organization" (41). Therefore, it is reasonable to argue that through the behavioral components of transformational leadership, leaders can foster an organizational environment that is conducive to the empowerment mindset. Moreover, in their research, Bass, Waldman, Avolio, and Bebb (1987) have found that transformational leadership has a ripple effect throughout an organization. As organizational leaders model transformational behaviors, subordinates emulate these behaviors in their work and with their direct reports (Bass, Waldman, Avolio, and Bebb 1987).

Based on their research on the benefits of empowerment among middle managers, Quinn and Spreitzer (1997) found that empowered employees see themselves—and are evaluated—as being more effective; they perceive themselves as being innovative and are more open to try new ideas; and they exhibit transformational behaviors and are more likely to engage in upward influence. Thus, empowerment results in employees who are more effective, innovative, and transformational (Quinn and Spreitzer 1997). In addition, empowerment encourages a cycle of continuous learning on both a personal and organizational level. Because of this, empowered employees would be better suited to operate in a rapidly changing operating environment that requires the development of new ideas to meet the needs of various stakeholders. Furthermore, empowerment helps employees develop a strong sense of personal meaning and identification with their organization, which in turn, increases commitment to organizational goals.

Discussion

When large organizational failures occur, it is often difficult to isolate a single cause of the failure. However, each organization (Borders, Circuit City, Hollywood Video and Mervyn's) can be said to have had a shared experience, as each organization operated during a period of major uncertainty, experienced a crisis, and did not survive. According to Mumford, Friedrich, Caughron, and Byrne (2007), "a crisis implies change from standard operating procedures, where this change has significant implications for performance and people—potentially both positive and negative consequences" (521). Moreover, Mumford et al. (2007) have identified four key attributes of crisis events: limited time for solution development; affect is induced and must be

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managed by a leader; resources must be allocated to the crisis; and the leader alone cannot resolve the crisis because of its complexity, but must develop a solution that incorporates others who are also under stress from the crisis event. Transformational leadership may have a moderating effect in crisis situations because of how the four behavioral components positively influence followers.

During a crisis situation, it is important for leaders to provide the necessary guidance, inspiration, and motivation for followers/members of an organization. Haslam (2001) argues that individuals who share group membership are motivated to actively develop a sense of shared meaning. The social construction of reality and role systems are built over time and reinforced in the minds of the members (Weick 1993). Social constructions and role systems can be a guiding force or influence over the actions of individual members (Weick 1993). It is possible that the gravity of crisis situations can cause group disintegration or feelings thereof. Group disintegration, in turn, leads individuals to panic (Weick 1993). Leaders should act to forestall group disintegration, as failing to do so can result in the questioning of previously accepted social roles and incite further panic (Weick 1993). Furthermore, group disintegration can lead to a loss of structure and instill a sense of individualism or self-preservation. When individuals begin to lose structure, they lose the associated meanings with the structure, potentially causing stress and uncertainty as they engage in sensemaking (Weick 1993). This may lead individuals to engage in actions that are motivated by self-interest, rather than engage in behaviors that would benefit the group as a whole. Transformational leaders can address the precipitation of group disintegration through exercising idealized influence and role modeling behaviors. Through behavioral integrity and message congruence, transformational leaders can help to signal positive behavior, manage negative affect generated by the crisis, and maintain structure and group membership. When Schoonover, Circuit City's CEO, took a large compensation package in the same year that employees were laid off to reduce costs, it is possible that this event was interpreted by individuals as an act of self-interest, promoting feelings of self-preservation and serving to further feelings of group disintegration.

During a crisis, individual perception of a leader and the leader's impact on group performance is greater (Mumford, Friedrich, Caughron, and Byrne 2007). According to Mumford et al. (2007), leadership can make a key difference to people, groups, and organizations under crisis conditions. Simply because a leader is intelligent and has performed well during stable operating periods does not mean that the leader will respond appropriately during a crisis. Although several studies have demonstrated a link between intelligence and leadership, it is important to note that this relationship is moderated by the context of leadership situations (Mumford et al. 2007). Mumford and his colleagues have found that in some situations critical thinking, or the generation and implementation of a new idea, is related to leader performance and achievement (Mumford et al. 2007). Since transformational leaders empower followers, it may be possible that they are able to draw on the collective intelligence of followers and help generate novel solutions to address a crisis.

It is reasonable to argue that members of an organization can experience a collapse of sensemaking during a crisis. The nature of a crisis can lead to a rise in situational constraints, causing task accomplishment to be more difficult (Kane 1993). Leaders must develop a structure for understanding and responding to change events precipitated by crisis situations (Mumford et al. 2007). Weick (1995) argues that when addressing crises, leaders play a central role in sensemaking, while Mumford et al. (2007) argue, "The articulation of sensemaking reduces stress, clarifies the causes and goals, and provides the basis for integrating actions among

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multiple parties" (522). Transformational leaders can help followers navigate through the sensemaking process, reducing the stress followers may experience in an uncertain environment, using inspirational motivation. Moreover, leaders can reframe chaotic events into opportunities for decisive action. The formulation of a compelling vision provides a meaningful forward-looking organizational goal, arouses team spirit, provides followers with guidance about the future direction of the organization, unifies followers behind the collective cause, and identifies clear expectations of how to reach the future state (Bass and Bass 2009; Bass and Riggio 2006; Purvanova et al. 2006).

Perhaps transformational leadership can moderate some of the effects of groupthink. Leaders must be able to understand when a poor decision has been made and when it is necessary to change course. During crisis situations, organizational members may automatically defer to ego defenses such as denial and idealization. Ego defenses serve as coping mechanisms for an individual to maintain self-esteem, reduce anxiety, and resolve conflict (Brown and Starkey 2000). Moreover, ego defenses insulate and defend existing self-concepts from challenges and critical self-analysis (Brown and Starkey 2000). Denial can be manifested in behaviors such as denying the existence of a problem or denying the validity of feedback (Brown and Starkey 2000). Denial can make it impossible to draw accurate or adequate conclusions about a situation because of the omission of key facts and details. Idealization can lead an individual to imagine that conditions are more favorable than they actually are and can result in poor or unrealistic judgment (Brown and Starkey 2000). As with denial, idealization can cause an individual to ignore key data that are instrumental to making the best or most appropriate decision in response to a situation. To further complicate matters, idealization can result in habitual responses to nonexistent or no longer existent cues (Brown and Starkey 2000). Habitual responses may lead an individual to respond inappropriately or underscore the severity of a situation. Such behavior can be reflected in the phrase, "business as usual." During a crisis, significant situational changes have occurred and transactional leaders may fail to realize or accept the fact that conditions have changed.

Ego defenses can inhibit good decision-making and lead to the breakdown of good communication among members of an organization. Both denial and idealization are capable of causing an individual to draw false conclusions. False conclusions may cause individuals to misplace their attention and focus on unimportant issues rather than devote necessary attention to the real or current issues at hand. In addition, individuals may fall prey to confirmation bias and rationalize all feedback as validity for a previously drawn, but incorrect, conclusion (Wright, Van Der Heijden, Bradfield, Burt, and Cairns 2004). It is possible for confirmation bias to cause an irrational commitment to a previous decision that is based on a false or incomplete premise because all feedback is seen as reinforcement for the validity of the false premise. The expression of dissenting thoughts or concerns from other members of the organization can potentially be an effective challenge to confirmation bias because it introduces new data from multiple sources that may contradict individual perceptions of a conclusion (Wright et al. 2004). Transformational leaders can act as situational facilitators against some of these issues by empowering employees. Encouraging followers to be innovative, challenge assumptions, and reframe problems can potentially mediate issues related to ego defenses (Bass and Bass 2009). Through intellectual stimulation, followers are more likely to provide dissenting thoughts or concerns without fear of public criticism.

Through its behavioral components, transformational leadership encourages collective action. Working as a team can reduce task complexity, which allows a team to make better

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decisions when responding to a complex series of problems (Weick 1990). When confronted with stressful situations, individuals may regress back to previously learned responses, acting out of habit, rather than responding with situation-specific actions or solutions (Weick 1990). This demonstrates a regression in behavior, indicating that an individual may engage in habitual individual responses, which may or may not be appropriate. In addition, Mumford et al. (2007) argue that tacit and associational knowledge, which are contextually driven knowledge systems, are unlikely to have substantial value during crisis events. If a leader resorts to habituated responses, this can set off a series of chain reactions magnifying the damage of small mistakes. Perception has the ability to shape beliefs and many people mistakenly believe that their personal judgment is sound, even if it is only supported by false premises and cognitive habits. Habituated responses can be overcome with strong group synergy (Weick 1995). Group synergy, which results in a greater output than the sum of the individual inputs, can be facilitated by team building (Weick 1995). It can be argued that transformational leadership promotes group synergy because it motivates followers to achieve greater performance and work together towards a collective good (Oke et al. 2008). When leaders do take action, cased-based knowledge, although also contextually driven, may hold greater relevance in crisis situations because the information may be relevant to the crisis at hand (Mumford et al. 2007). However, leaders should be able to accept feedback from followers that questions whether or not a chosen course of action is an appropriate response to the current crisis event.

There is the tendency for communication to turn hierarchical under stressful conditions (Weick 1990). Weick (1990) argues that "it is the increased salience of formal structure that transformed open communication among equals into stylized communications between unequals" (585). This could indicate that during periods of crisis, people will rely on formal and social structures for sensemaking and to establish order in their worldview. Communication is necessary for organizations to function and Boden (1994) argues that organizations act via talk. Organizations develop regular routines through talk and desired changes are initiated through talk. The interruption of routines can result in stress, causing interdependencies to become tighter and a loss of cognitive efficiency (Weick 1990). More importantly, this can result in communication distortion. Communication distortions can serve to reinforce false premises and conclusions (i.e. potentially strengthening ego defenses). Distortions can also result in a perceiver hearing what they choose to hear. Without the "open exchange of messages, independent verification, and redundancy" the existence of false hypotheses cannot be identified an individual may continue to reinforce unwarranted fears or irrational optimism (Weick 1990, 583). In a hierarchal organization, subordinates may continue to withhold information because they may continue to mistakenly believe that it is what their leadership wants or that it is in their best interest. When two-way communication is encouraged, it stands to reason that subordinates are more likely to share concerns. In addition, when coupled with intellectual stimulation, two-way communication can encourage subordinates to propose solutions to problems.

Transformational leaders provide individualized consideration for followers, supporting development and achievement through coaching and mentoring (Bass and Riggio 2006). By practicing "management by walking around" and conducting informal meetings, transformational leaders can discover problems, address issues, and provide attention to the individual needs of followers (Bass and Riggio 2006). Bartolome (1993) argues that a decline in information flow is one of the first warning signs of trouble. Leaders must be mindful of follower behavior and monitor if the flow of information changes. Understanding changes in information flow can only be accomplished through keen observation and continuous

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engagement of subordinates. Leaders who regularly communicate with followers will be more likely to notice a change in information flow; thereby, transformational leadership behavior has the potential to address small problems before they become large problems.

Transformational leadership is not a "checklist" style of leadership nor is it a formulaic manner of engaging with followers. Transformational leaders act with courage, challenging assumptions and habituated patterns, and integrity, maintaining behavioral congruence and providing meaning to address follower needs in times of uncertainty. The dyadic influence process between transformational leaders and followers encourages shared leadership and can instill a greater sense of commitment. During a crisis, information, plans, and structures that were once relevant may no longer be applicable. Strictly transactional leadership is not sufficient to meet the new demands of a rapidly changing environment. In times of uncertainty, transformational leaders clarify roles and provide guidance to followers. Kuhn (1996) argued that paradigm shifts were sweeping changes, and that paradigm shifts act as sweeping changes that help to call into question assumptions. During times of crisis, transformational leadership acts as an organizational paradigm shift, and it can challenge the status quo and usher organizations into new levels of success and integration.

In conclusion, during periods of great uncertainty and crisis events, organizations must adapt quickly to meet the needs of the changing environment or die. Organizations can only remain relevant and achieve long-term success and sustainability by adopting a model of leadership that addresses the needs of their fluctuating environment. Transformational leadership supplements transactional leadership, encourages organizational learning, and provides a platform for leadership through periods of crises and stability. Transformational leaders empower followers by delegating responsibility, promoting independent thought and self-awareness, and challenging the status quo (Kark et al. 2003). This, in turn, results in employees who are more effective, innovative, and committed to the organization. In addition, the behavioral components of transformational leadership act as moderators against Mumford et al.'s (2007) four attributes of a crisis. Furthermore, transformational leaders guide followers through the sensemaking process during a crisis by developing a compelling vision that emphasizes transcending self-interest for the overall benefit of the collective that may ultimately mean the survival of the organization.

Limitations

The focus of this paper is on the impact of actions and decision-making of leaders and it is recognized that there are limitations to this analysis. Limitations include situational constraints and overriding factors, many of which are outside the scope of this paper, such as: inventory management problems such as those of Circuit City; high debt-to-asset ratio such as that of Mervyn's; and the long-term contractual leases on large commercial properties of Borders Group. In addition, non-operational factors can also influence or place pressure on management decision-making, such as the influence of large shareholders (J. Darroch, personal communication, January 17, 2012). It is recognized that these factors can exert influence over leadership decision-making and the overall solvency of an organization. However, such factors also shed light on the areas of opportunity for transformational leadership in organizations.

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