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# Transformational Leadership in a Transactional World

By William Seidman and  
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They are highly successful managers of a telephone sales operation. They have perfected the “one call close” producing an average of four closes a day. They really know how to run telephone sales. However, when asked to restructure their process to accommodate new more complex products, they too were stumped.

These managers, all of whom are excellent at managing business transactions, are considerably less effective when asked to design and lead a transformation. Like most managers, the pressures of daily business transactions dominate their lives. They live in a transactional world.

Yet, increasingly these same managers are being asked to transform their organizations in order to achieve consistent, systematic performance improvements. How can a manager living in a transactional world be a transformational leader?

The purpose of this article is to address one of the most difficult and complex issues that impede OD practitioners’ success, the dominance of transactional thinking in organizations, particularly their leadership, and the negative impact that transactional thinking has on organizational performance improvement. The article’s secondary purpose is to be useful

as a handout to managers to help them think about the changes required. As such it is meant to both encourage OD practitioners to advocate for transformational leadership and give them a means of making transformational leadership a reality in organizations.

## Transactional World

What is a transactional world? All around us organizations are striving to make everything they do into a discrete, measurable transaction. Many diverse business processes are being analyzed and converted to a series of finite, specific steps that can be consistently and easily measured. For example, telephone sales effectiveness is measured by the number of dials a sales person makes in a day. Customer service relationships are measured by the speed of problem resolution. Patient care effectiveness is measured by the number of patients seen per hour. This micro-focus on transactions is driven by a wide variety of pressures ranging from financial analysts’ expectations for precise forecasts and results to the focus on metrics in the Total Quality and Lean movements. In fact, many organizations seem to believe that all work can and should be reduced to a measureable transaction.

Such a transactional focus has led these organizations to focus overwhelmingly on tactical goals. They strive for operational excellence in the limited sphere that they can measure, which they do constantly. They tend to provide detailed checklists and strong financial incentives

to achieve the required operational results. For a manager in this world, all that matters is making the numbers.

In turn, these intense transactional pressures tend to produce a narrowing of perspective and skills. Transactional managers often become highly skilled at driving their people to make the numbers, frequently jumping in to be the sales or service person if that is required to achieve the numerical goals.

While some organizations thrive on transactions, the intense focus on narrow, measureable activities has some negative consequences. In particular, an intense transactional focus reduces an organization's ability to adapt to new markets, competitors, products, or systems. In these circumstances, transformational leadership is critical but usually in short supply. This is largely because transformational leadership is often not valued highly by the organization.

### Why Transformational Leadership?

Transformational Leadership is primarily about the intangibles required to motivate others in the organization to make changes that optimize their performance. It is holistic and relies on stimulating the intrinsic motivations of the followers. As such, transformational leadership requires an uncommon balance of diverse skills, knowledge, and experience that relatively few people have. A transformational leader must:

- » Create and communicate a compelling vision for the future that inspires large numbers of people to function at higher levels than previously imagined
- » Hire a team that has just the right combination of skills and knowledge
- » Manage this team with a delicate balance between drive and support
- » Continue to achieve transactional excellence while the transformation is in process

Why is transformational leadership important for an organization? Transformational leadership is directly correlated to long-term high performance (e.g., Bass & Riggio, 2006; Cameron, 2008; Collins,

2001). In addition, there is significant evidence that thinking and acting transformationally actually improves transactional performance (Pink, 2009). Simply put, organizations that think and act transformationally, not transactionally, do better over the long term.

### Reducing the Transactional-Transformational Leadership Gap

Obviously, there is a significant conflict between the continuous and even growing pressures on organizations to quickly and efficiently change themselves and the simultaneous need to optimize daily transactions. Organizations need to find a way to be transformational, even as they

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effectively maintain operational excellence. What are transactional organizations to do when they need to change?

Fortunately, recent advances in several areas related to organizational change make it possible to lower the requirements for effective transformational leadership while simultaneously boosting the capabilities of transactional managers that must lead organizational change. Specifically, breakthroughs in four areas – positive deviance, fair process, neuroscience, and mass customization – now make it possible to systematically and quickly guide transactional managers to function as transformational leaders. When these findings are combined with the emerging field of persuasive technology, almost any organization can achieve the performance levels formerly reserved for those with experienced transformational leaders.

More specifically, the recent advances suggest two approaches for creating the impact of transformational leadership in organizations:

**1. Leading a Single Initiative:** Creating the impact of having transformational

leadership for a single performance improvement initiative (e.g., a specific customer service improvement initiative or a manufacturing quality initiative)

**2. Developing Core Competency:** Developing transformational leadership as a core competency of the organization in which everyone contributes to organizational transformations

The first approach is more tactical and narrowly focused. It has the advantage of being less demanding of the organization, but also produces a more limited impact. The second approach is more difficult to achieve and requires a deeper commitment from the organization, but transforma-

tional leadership as a core competency has many long-term benefits in a constantly changing world.

This methodology for developing transformational leadership has been used successfully in a wide variety of environments and cultures including:

- » A fast food restaurant chain with 1,400 restaurant and 180 district and region managers, all of whom were expected to provide transformational leadership as part of a service initiative to compete with larger chains
- » A large technology manufacturing company with 600 people in 5 call centers around the world that were undergoing a significant cultural change from taking orders to “collaborating with customers”
- » An insurance company with 5,000 agents, 70% of whom were stuck at a 2,000 policy plateau, used it to bring these agents up to 15% growth in just 6 months
- » A smaller program for “case management” co-morbidity patients in hospital emergency rooms that decreased repeat

visits 25% (Seidman & McCauley, 2009)

### Transformational Leadership for a Single Initiative

The most direct and effective way to create the impact of transformational leadership without investing heavily in developing sustained leadership capabilities is to apply a simple process based on the above breakthroughs (Figure 1) to a specific area of desired improvement. More specifically, the process of managing transformation initiatives with minimal formal leadership development has these four components:

#### Set the Bar

Any transformation, even a narrowly focused and seemingly mundane initiative like “improving speed of service” for a quick service restaurant, requires a compelling vision of the future that engages and motivates personnel to adopt a change and strive for performance improvements. However, unlike more traditional approaches that rely on the formal leadership of the organization, most of this requirement for creating a passionate vision of success in an initiative is provided organically by the organization’s own positive deviants (Pascale, Sternin, & Sternin, 2010).

Positive deviants are the few people in an organization who consistently and systematically outperform others, even with the same resources and limitations. They are often highly respected for their energy, excitement and effectiveness, including past transactional excellence. More specifically, positive deviants organize their attitudes, thought patterns, and behaviors into four primary domains (Figure 2) several of which directly facilitate organizational transformations.

The most important of these positive deviant areas is the positive deviant’s passion for their work. Positive deviants love what they do. Underlying this love is usually an unarticulated commitment to a greater social good. For example, positive deviant pharmacy managers in a large drug store chain think of themselves as

Figure 1: A Transformational Model

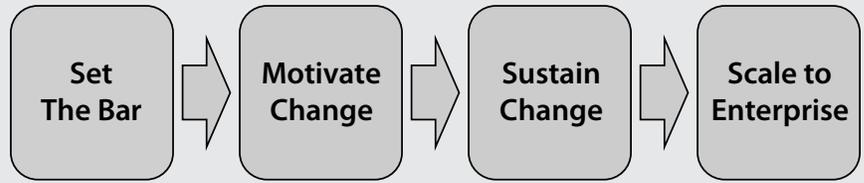
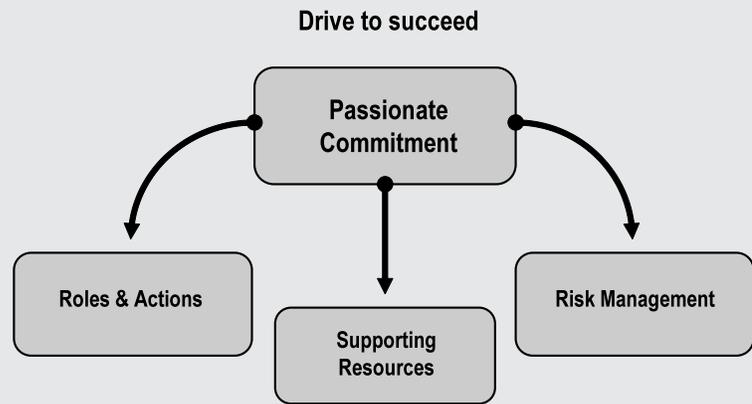


Figure 2: Structure of Positive Deviant Wisdom



“helping families in distress” while others think of themselves as “delivering 120 prescriptions per day.” Notice the critical difference here between being transformational and transactional. Positive deviants are passionate about the social good they are creating, which is a transformational attitude while others are focused on the narrowest of job interpretations, which is purely transactional. Thus, by articulating their social good, positive deviants can provide a specific definition of the inspirational vision that can align with short-term performance improvement goals. Their transformational perspective is the foundation for a change, but also for on-going transactional excellent.

The second way that positive deviants effectively drive a focused transformation is in the actions they take to achieve transactional excellence. They are simply more committed and efficient than others at driving toward their social goals. For example, in a quick service food chain, the positive deviant restaurant managers literally stand in a different place in the restaurant than others, which both

enables them to better align with their social goal and improve transactional excellence. Because of their commitment to the social good, they concentrate on the specific transactional behaviors, and just those behaviors, that provide the maximum value. Positive deviants, through their proven actions, present a well-defined transformational path.

Finally, because positive deviants tend to be highly respected for these traits, they exert significant influence across an entire enterprise, even a very large transactional one. For instance, a group of skeptical insurance agents proactively embraced a new approach to agency growth primarily because the new approach was developed by well-known positive deviants in the organization. The positive deviants can define the general vision for a performance improvement, present it to the organization as an inspirational message about the social good and back it up with an effective means of achieving it, thereby fulfilling one of the most important criteria for a change, getting others to personally “buy in” to the change.

## Motivating Change

Organizational change requires the people in the organization to personally embrace the change, which is not an attitude typically found in most transactional environments. Much of what makes a transformational leader different is their ability to motivate the organization to change in beneficial ways. In the past this was achieved mainly through personal influence, which means that any transformation is substantially reliant on an individual's capabilities. Fortunately, by using fair process and positive visualization to leverage the positive deviant passion, it is possible to substantially reduce the requirement for personal influence and enable relatively more transactional leaders to accomplish transformational inspiration.

Fair process research indicates that people respond better to a change when they are treated with honor and dignity during the change process (Kim & Mauborgne, 2003). When an organization gives its people a genuine opportunity to achieve the positive deviants' social good, people often feel that they are being honored by the organization's faith in their ability to contribute. For example, customer service agents in a large manufacturing company who spent most of their time defending the company from angry customers were thrilled to have the company's support in trying to change the service relationship to promote greater collaboration. This sense of honor increases peoples' willingness to change which means that fair process can at least partially substitute for a leader's personal passion.

The impact of fair process on motivation is multiplied when people envision themselves as being as well respected and effective as the positive deviants. This "positive visualization" releases neurotransmitters similar to endorphins that create a sense of well-being and increase people's willingness and ability to learn (Rock & Schwartz, 2006). In addition, when a person re-writes the positive deviant's social good into their own language, the act of writing cements their image of the social good and reinforces their own motivation to change. Thus, visualization of the

positive deviants' passion creates wide spread motivation without a transformational leader or external incentives. People are motivated to embrace a change solely because it is the right thing to do.

In summary, the positive deviant social good, if presented with fair process and positive visualization, accomplishes many of the motivational impacts of a transformational leader. The system creates the same motivation, or more, as a transformational leader, but without having to invest in intense leadership development.

## Sustaining Change

Have you heard anyone refer to an initiative as the "management fad of the week" or possibly respond to it by saying, "just ignore it long enough and it will go away." These are all too common responses to most change efforts, particularly in a transactional environment. As such, they capture the essence of one of the biggest challenges for transformational leadership – sustainability. A successful change to transformational leadership requires people to both be motivated in the short-term and sustain the motivation in the face of contrary daily transactional pressures.

How then can any leader, even one with only a few transformational skills, effectively sustain a change? Neuroscience, as well as information from the positive deviants, provides a means of achieving sustainability with minimal leadership involvement.

The fundamental principle of all learning and all neuroscience is: "neurons that fire together wire together." As people learn, their thinking exercises neural pathways, which increases the density of neuron concentrations along these pathways. The more frequent, consistent, and intense the exercising of the pathways, the more the neurons become densely packed resulting in increases in thinking speed and efficiency along those pathways. Sustained learning (i.e., getting neurons to fire together enough to permanently wire together) occurs with sufficient mental practice.

Fortunately, the positive deviants can specify the type and length of practice

required to completely learn a new, transformational attitude, thought pattern, or behavior. For instance, a group of software quality assurance positive deviants described their various learning experiences including the mentors they had, situations they had to resolve, articles they read, and classes they attended. Each of these experiences was relatively short and focused, but the cumulative effective was extraordinary expertise. These essentially ad hoc positive deviant experiences can be easily converted into a highly effective, proactive learning program in which the learner is guided to learn and apply the new capabilities. Furthermore, because the learning experiences derive from the positive deviants' real-life growth, they are always seen as very practical and useful.

Consequently, in order to sustain a focused transformation, all an organization needs to do is to ensure that people actually execute the learning tasks defined by the positive deviants. Every day, each person is held accountable for completing daily learning experiences (i.e., transactions) that teach them to be transformational until they become completely transformational and can function without transactional support. In this way, the common transactional environment is harnessed to create transformation.

More specifically, there are just three transactional processes required to ensure the sustained transformational impact of a narrowly focused initiative. The organization must:

- » Overtly set an expectation that people will practice the new capabilities, monitor progress, and intervene with consequences if the results are not satisfactory
- » Sustain the practice through the period when resistance to a change is most acute, normally around six weeks into the implementation
- » Continue to demonstrate commitment by monitoring progress, and rewarding people who follow-through with the change

While these requirements aren't particularly demanding, each is essential. Most organizations will revert to their original,

pre-change transactional behavior almost immediately if the organization cues that it is either no longer committed or interested in sustaining the transformation.

## Scaling

Scaling any transformation, even a very limited one, to a large number of people is one of the most difficult challenges for any organization. As with motivating an organization, most change models rely on the personal charisma of a leader to engage large numbers of people to embrace a change. The leader's vision, passion, and overall drive are expected to cause large numbers of people to want to transform.

Unfortunately, relying on a charismatic leader has some serious drawbacks. The impact of the leader is most powerful when there is direct personal contact which is not always possible for everyone within an organization. Also, such leaders tend to move to new initiatives fairly quickly, reducing their impact in a particular focus area. So, how can an organization create the impact of personal interaction with a leader when there are many people involved who are often geographically spread-out?

Mass customization (Pine, 1993), when applied to a focused change initiative, allows an organization to obtain all of the economies of scale, consistency, and quality standards of mass change with unique tailoring to each individual. The key to mass customization in support of transformational initiatives is again the positive deviants and neuroscience.

Positive deviants employ a set of underlying principles that give them a foundation for how to think about and act in each particular situation. For example, positive deviants defining a new global supply chain management program identified universal principles about customer collaboration, inventory management, and the use of statistical forecasting tools that were uniquely adapted during the deployment to each client's situation. By intensely practicing the principles for a particular transformation (the mass part), and uniquely applying them to a given situation (the custom part), almost anyone

anywhere can function transformationally. Consequently, the transformation can occur for large numbers of people without direct contact with a charismatic leader.

## Persuasive Technology

Is it possible to accomplish a large scale, sustained transformation without using technology? It can be done, but it is extremely difficult. The recent emergence of a new technology called "persuasive technology" makes it much easier. Persuasive technologies include a range of applications from simple ones such as pop-up menus and the prompts Amazon gives for additional books to quite sophisticated applications such as intelligent systems that guide engagement with expert content.

A specific category of persuasive technology, called organizational persuasive technology, is designed to incorporate fair process, neuroscience, and mass customization for the purpose of "changing people's attitudes and behaviors" (Fogg, 2003), which is, of course, the foundation for any transformation. This technology guides each user to a powerful interaction with the positive deviant content that causes both the adoption of the core elements of the desired change on a mass basis and the adaptation of the specifics of a deployment to each user's particular situation. For example, persuasive technology guided a sales team through a transformation from product selling to solution selling with minimal management involvement. Similarly, persuasive technology guided a group of software quality assurance personnel into improved performance by expanding their role from "tester" to "trusted advisor," again with minimal management support. Persuasive technology makes it possible to produce the organizational impact of transformational leadership even transactional environments, with minimal development of management's leadership skills.

## Transformational Leadership as a Core Competency

While the above process makes it easier for people to act as transformational leaders for managing single, focused initiatives,

organizations increasingly need intensely transactional managers to think and act transformationally on a more sustained basis. If the axiom is true that "change is the only constant," then being good at leading change is a critical competency for the organization. As one of our clients put it, "We have so many market, product, regulatory, and competitive issues popping up every day, that we better be really good at identifying change requirements and transforming ourselves or we will fail." For many companies, developing sustained transformational leadership as a core competency is becoming a high priority.

The same four part transformation model can be used to create and deploy a broader set of best practices that directly develop transactional managers into transformational leaders. With a long-term, leadership development focus, the model presented earlier looks like this:

1. **Set-the-Bar for Transformational Leadership** – A group of transformational positive deviant managers develop best practices for how to be a great transformational leader in their specific transactional environment. These best practices incorporate the management perspective about the social good that will be achieved as part of the providing transformational leadership.
2. **Motivate Transformational Leadership** – The persuasive technology is used to guide self-directed learning by the transactional managers that results in the managers becoming more transformational. They read the leadership best practices, usually with the support and participation of their manager, and apply them to their own situation, producing an immediate sense of the growth opportunity available to each of them.
3. **Sustain Transformational Leadership** – Prospective transformational leaders are further guided by the methodology and technology to systematically and consciously practice functioning in a more transformational way until they develop a long-term competency.
4. **Scale** – Through the persuasive technology, the direct transformational leadership program touches a sufficient

number of managers, fast enough to generate momentum in the organization. Managers perceive that they must become transformational or they will lose status and opportunities for promotion. Social pressure drives large scale change.

As an example, a highly transactional pharmaceutical company that was anticipating entering a series of new markets as well as having to respond to changing global regulatory environments decided that it needed to develop “change leadership as a core competency.” It assembled a small group of positive deviant managers who had already shown great success in leading their organizations through changes. In just three days, these positive deviant leaders defined processes for:

- » “Sensing” and developing great new performance improvement opportunities
- » Driving alignment and motivation in the organization around these opportunities
- » Guiding development and execution of an action plan for effectively deploying the change
- » Creating an infrastructure for monitoring and managing changes to the initiative

This program was deployed using persuasive technology to an initial test group of eleven managers. In just seven months, the initial group produced so many cost-saving and revenue generating innovations that the program was quickly deployed to 20 more candidates, then 200 more. Using this approach, transformational leadership rapidly became a core competency of the organization.

The key is that this process subtly develops a new leadership norm in the organization. Everyone starts out entrenched in their old transactional paradigms which are gradually eroded while the new transformational paradigm is emerging. Without being appreciably aware of the change, transactional managers become more transformational, which also improves transactional performance.

### Minimum Requirements for Success

The four step process presented here is a repeatable, predictable, well-proven system for creating the impact of transformational leadership virtually anywhere. It requires only four things from any organization or leader to be successful:

- » The organization’s leadership must actually want to improve performance
- » The leadership must have at least some vision of the change desired, or at least enough to identify the positive deviants.
- » The leadership must allocate resources to the change effort, including taking time away from purely transactional work.
- » The leadership must be sufficiently committed to the approach that they are willing to hold the rest of the organization accountable for execution (i.e., measure transformation in the same way they measure transactions).

Here too, the requirements are not particularly demanding, but they are minimum criteria required for a transformation. If the organization lacks either the ability or willingness to meet these criteria, transformations will not occur.

### Conclusion

Using the approach discussed here, almost any organization can become significantly more transformational even if it is intensely transactional. This is important because transformational leaders and transformational organizations produce better results. Ultimately, this is all about the bottom-line. Using this approach, any organization can achieve transformational results.

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