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Transcend the Panic

In times of crisis, a company's viability and sometimes its very survival depends on the leadership skills of its top management. We are sailing in choppy waters that demand exceptional performance. At no other time is it more vital to ensure that employees are committed team players with initiative. This is the foremost task of the leader. But is this type of leadership possible in times of crisis?

In recent decades, many organizations have adopted what is known as "transformational leadership." This type of leadership offers people an attractive plan for the future in the form of a vision statement, a strategic plan, and corporate objectives. The key is to motivate the team. The project should be realistic but at the same time highly ambitious, with objectives such as to double turnover in five years or become the best company in its class.

This leadership style, however, seems to be far removed from current realities. In recent months, several companies have had to shelve ambitious plans and adopt urgent fire-fighting measures to ensure their survival instead. For many, what used to be an exciting project is now muddled with confusion and uncertainty. This, coupled with the lack of short- and medium-term vision, has prompted many executives to consider a return to the old style of leadership, known as transactional leadership.

The primary goal of transactional leadership is to ensure the company's financial well being and is characterized by an authoritarian style of management. To some extent, it distills down to a style of leadership motivated purely by financial objectives, which engenders power and fear.

This type of leadership is attractive as a fast way of implementing fire-fighting measures, but it raises two problems. First, it does not inspire people and therefore impedes commitment and teamwork. Second, by generating fear and centralizing power, it undermines employees' motivation to use their initiative.

Transcendent leadership

There is an alternative that overcomes these limitations: transcendent leadership¹. This type of leadership, highly effective for both good and bad times, can harness people's commitment and enthusiasm to pursue a common goal. In transcendent leadership, the company's vision and strategy are grounded in a shared mission. In hard times, transcendent leaders can rely on support for this shared mission to convince employees to make necessary sacrifices and changes.

Achieving transcendent leadership is not merely a matter of making an announcement or changing communication styles, though. It has to be rooted in a deep strategic approach focusing on all areas of the company's mission and especially on its three main stakeholders: clients, shareholders and employees.

A transcendent leader's fire-fighting measures should therefore address all aspects of the mission forcefully and consistently. It is not enough to propose purely economic measures to protect shareholders' interests. There should also be measures to shield customers and a responsible attitude toward employees.

Logically, this style of leadership does not imply ignoring the reality or failing to take drastic measures where necessary. Quite the contrary, transcendent leadership comes with a greater sense of urgency (the mission is at stake) but also a greater sense of responsibility.

Executive Summary

"Transformational leadership" has been the prevailing model in recent decades. This leadership style offers an attractive plan for the future in the form of a vision statement and strategic plan. But fallout from the global downturn may lead some to abandon this paradigm and seek cover in "transactional leadership," an authoritarian style of management focused on financial objectives. There is a third way, though: "transcendent leadership." A transcendent leader implements fire-fighting measures that address all aspects of the mission without jeopardizing employees' commitment to the firm or centralizing power. This makes it the most effective leadership style in times of crisis.



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When measures to combat the crisis ensure the collective interests of shareholders, clients and employees, they will stand a greater chance of being understood and accepted by employees, even when they involve layoffs.

William George, who increased **Medtronic Inc.**'s stock market valuation from \$1 billion to \$70 billion over 10 years during his time as CEO of the firm, said that employees could adapt to major strategic changes if the company's mission and values remain intact. On top of that, he said that employees are able to make extraordinary sacrifices if fully confident in their leaders.²

The ego and the id

Transcendent leadership is the most effective leadership style in times of crisis. The problem is that there is no easy way to segue from the prevailing transformational leadership model to transcendent leadership. Transforming leaders, generally charismatic and visionary, are used to being the font of inspiration and motivation. As a result, they may not feel comfortable with the idea that a corporate mission is more important than their own personal vision.

Transformational leaders to some extent share common ground with transcendent leaders. Both are highly dedicated and capable of gaining their colleagues' buy-in to projects. Both are characterized by their tenacity to launch and implement changes.

The problem with transformational leaders, however, is that the commitment, cooperation and change they inspire are centered in their personal charisma backed by an exciting plan, not necessarily by the corporate mission. And as we said before, this type of leadership is less compelling in times of crisis.

Adopting transcendent leadership does not mean having to abandon transformational leadership. In fact, in certain positions it is good for leaders to fuse a sense of mission with personal vision and charisma. Such is the case of company chairmen or CEOs. All they have to do is put their leadership skills and personal charisma at the service of the mission. This requires a bit of wrestling with the ego. And strong egos tend to be fairly common among top business leaders.³

A leader's ego can be a serious stumbling block in times of crisis. For example, self-obsessed leaders tend to interpret proposals for coping with the crisis as personal threats to their authority. This

reaction provokes frustration and a lack of support. Especially in an adverse business environment, leaders' egos can feed their excessive self-reliance (and lack of trust in their team), which leads to a greater centralization of authority and sidelines teamwork.

The battle to control one's ego may surface in different stages of a business leader's career, but it is a vital part of becoming a truly transcendent leader. In times of crisis, self-confidence must give way to a focus on the mission, all personal opinions and ambitions set aside. Subordinates' leadership skills should also be fostered without fear of losing authority. In fact, cultivating subordinates' leadership has exactly the opposite effect. It underscores one's personal leadership credentials and strengthens the group as a whole.

Transcendent leadership is undoubtedly the leadership style that best maintains workers' commitment and enthusiasm in times of crisis. Moreover, once the crisis is over, leaders who reinforced their commitment to the mission in hard times will not only survive the downturn but will be better prepared for new challenges in the future. ■

1 Cardona, P. y Rey, C. "Transcendent Leadership", *IESE Alumni Magazine* No. 110, July-September 2008

2 George, W. *Academy of Management Executive*, 2001, Vol. 15, no.4, p. 42

3 Maccoby, M. "Narcissistic Leaders: The Incredible Pros, the Inevitable Cons" *Harvard Business Review*, January 2000

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