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### **Transformational Leadership: An option for Managing VUCA Environment**

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### **Abstract**

*The acronym VUCA for volatility, uncertainty, complexity and ambiguity typifies the contemporary environment in business. Though the term is increasingly being used, there is no standard definition of VUCA. Both academic and practitioner literature on VUCA are also sparse. This conceptual study examines the relationship between transformational leadership and managing VUCA. The study develops a definition of VUCA and makes propositions to further examine the relationship between the variable of transformational leadership and variables related to managing VUCA.*

Key words: VUCA, Transformational Leadership

## Introduction

VUCA, the acronym for volatility, uncertainty, complexity and ambiguity emerged from the US War College (Stein, Judith and Nicholas, 2002) to denote the environment of 21<sup>st</sup> century battlefield known for its rapid changes and fluidity. The framework is apt for the business of today also and has been gaining wide acceptance in the business world. While VUCA environment (VUCA) is a well-established term in the management practice circles as evinced from business conferences, blogs, articles by practitioners and consultants and management discussions, it has received little academic attention yet. For instance, when searched using the term 'VUCA' Google Scholar returned only about 2000 results; mostly from practitioner literature and a search of the EBSCO database returned only 41 instances including many commentaries. It is still so nascent in the academic circles that the term does not have an accepted definition to form the basis for research.

VUCA is not exactly a modern phenomenon, though the term has been in use only for the past decade or so. If we go back in time, the case of Krishna leading Arjuna into the battle of Mahabharata in the Indian mythological literature is a clear example of existence of VUCA and managing it. Moses leading the Israelites from the captivity of Egypt narrated in the Bible is yet another example from the ancient history. Gandhi and Nelson Mandela leading India and South Africa respectively to freedom under such circumstances are relatively modern examples. More recently, we have seen Malala speaking up for education of girls in the VUCA of Afghanistan, as a result of which she was dragged off her school bus and shot; only to resurrect like a phoenix from the ashes. Though not a new phenomenon, the intensity and frequency of occurrence of VUCA and its effect on day to day life is surely a modern phenomenon.

On the business front we have many examples of the impact of VUCA. Enron and Satyam Computers of India (both do not exist today), prima facie appear to be such ones. The former, whose business model survived on managing volatility and uncertainty of the deregulating market in energy and other commodities created complex methods for it and despite creating a sophisticated risk management technology platform, the company failed to manage the VUCA successfully. The case of Satyam is even more intriguing. In this case, the promoter who was also the CEO of the company created accounting frauds which resulted in the organization getting into a VUCA resulting in sale of the company after a few months of nurturing it under government leadership. In both these cases the VUCA was precipitated, if not created, by the leaders through omissions and commissions.

In recent years we have seen a series of cases which prima facie can be considered VUCA. The near collapse of the US banks in 2008 and nurturing it by the government and the Eurozone crisis management are possible examples of VUCA (I call them possible examples because we still do not have definition to classify them as VUCA).

In all the cases discussed above, leadership had an impact, positive or negative, on the creation and outcome of the VUCA environment at firm level. Therefore, it is reasonable to assume that leadership has an impact on VUCA. Within that assumption, I propose that transformational leadership would have a better impact on managing VUCA. This is the primary objective of this study. Both VUCA and the factors that affect decision making under VUCA are little researched areas and this work addresses the knowledge gap in 'leadership-VUCA relationship'. A related

objective, though secondary, is equally important i.e., to define the term VUCA because it is necessary for this and future researches.

## Methodology

This is a conceptual paper in an environment of paucity of literature. Therefore, I deviate from the standard procedure and define my methodology first and then orchestrate the literature.

Using dictionary definition of the constituents of VUCA i.e., volatility, uncertainty, complexity and ambiguity, I examine four firm level cases (a holiday Timeshare company in India, Enron, Southwest Airlines and Vodafone India). I confine to firm level instances and do not include industry level or national level business environment to limit the variance in the study and not because they are any less important. The organizations for the study are carefully selected to include 1) both small and big firms, 2) existing and wound up companies, 3) national and global firms, and 4) those which have successfully managed VUCA, those which failed to do and those endeavoring to do so. Firms selected are ones which are intimately known to the author or those whose cases are well documented. From the analysis of these, key characteristics of the components of VUCA are derived and then amalgamated to evolve a definition of VUCA.

Then I argue that even in a VUCA environment decisions are taken, even if by heuristics, wherein the leadership is a key component. I use practitioner literature to identify key variables in managing VUCA. I use literature to substantiate my preference for transformational leadership as more suited to manage VUCA and make propositions on the impact of transformational leadership variables on variables for managing VUCA.

## Defining VUCA

VUCA is still an ill-defined term and there is a tendency to classify every difficult situation as VUCA. This is at least partially the result of lack of a formal definition of the term. Its constituents such as volatility, uncertainty, complexity and ambiguity are defined independently and in different circumstances and also studied under various disciplines (for instance economic volatility, financial volatility, Knightian uncertainty etc.). But an integrated and accepted definition of VUCA is still at large. Therefore, I draw on the dictionary meaning of the constituents of VUCA and examine four firm level cases to identify a pattern. Based on this, a definition of VUCA is proposed.

Let us start with the dictionary meaning of its constituent terms. The Oxford dictionary defines volatility as *‘something liable to change rapidly, especially for the worse. Instability is inherent in volatility’*. It defines the term uncertain as *‘unknown, undetermined, unpredictable and unforeseeable’*. The term complex is defined as *‘something consisting of different and connected parts and not easy to analyze or understand’*. The term ambiguous is defined as *‘something that is open to more than one interpretation’*. Other dictionaries also broadly concur with these definitions. Let us now dwell into each of the constituent components from a business perspective.

## Volatility

Volatility is a well-researched subject in economics and finance. Economic volatility is usually defined as the idiosyncratic shocks being greater than aggregate shock (Haltiwanger, 2011). Factors that contribute to it such as business cycles, unemployment, inflation, stabilization policies and economic growth are well known. Volatility in financial market is also well studied and there are dozens of techniques to measure and manage them. But there are other types of volatility in the business world today which are ill defined and many of them affect the firm.

To understand this, let us consider what happened in late 1990s and early 2000 in one of the well-known holiday timeshare companies in India. In those years, it faced unprecedented exodus of manpower. Its employees were not moving to another hospitality company, but to the emerging healthcare sector to man the front office, kitchen, room service and such hospitality related roles in healthcare. Adept in building its manpower the company faced this challenge commendably; but by mid 2000s it was losing its manpower again and became unstable due to another emerging sector-the mobile telephone industry, which was looking for customer care staff.

Can we say that the situation of the holiday timeshare company was volatile? Perhaps we can answer in the affirmative because there was sudden change for the worse and this fits the definition we saw earlier. But it was also unpredictable or uncertain because the linkage between the growth of sunrise sectors such as healthcare and mobile telecommunication and their need for similar skills from another industry could not have been easily predicted because we have insufficient knowledge of 1) the emergence of such sectors, 2) what talent they would need and 3) more importantly that they would look at a relatively sleepy sector like hospitality to procure their much required talent. This is also a complex situation because different interconnected aspects such as deregulation of various sectors, investment, location of the emerging industries, similarity of job roles and shortage of trained manpower in these roles have to be understood before we can make any prediction. In hindsight, one may be able to understand this but since such events do not repeat themselves we would not have sufficient data points to identify a pattern. As a result of this, each such event is amenable to interpretation in many ways which makes it ambiguous also. For instance, the emergence of healthcare was well discussed in the hospitality sector in the light of opportunities for health tourism and resorts even initiated discussion for providing post treatment recovery facilities in the resorts; but never once did the threat of talent exit enter the strategic discussion room of the firm.

What manifested as a volatile situation, when analyzed in retrospect, indicates the existence of all other factor of VUCA also which is probably the reason why VUCA situations are often managed inappropriately.

## Uncertainty

In business uncertainty and risk are two closely related terms; but they are treated differently. Risk is measurable and it is mitigated through hedging, insurance etc. Uncertainty, on the other hand, is the existence of a danger that one is unaware of and more importantly cannot be measured (Knight, 2012). Though its existence in politics and military where competing forces operate without clear laws is well known, it is an entirely new phenomenon in business which is conducted by rule of law. Knight (2012), refers to it as:

*"I 'risk' means in some cases a quantity susceptible of measurement, while at other times it is something distinctly not of this character; and there are far-reaching and crucial differences in the bearings of the phenomena depending on which of the two is really present and operating.... It will appear that a measurable uncertainty, or 'risk' proper, as we shall use the term, is so far different from an immeasurable one that it is not in effect an uncertainty at all."*

To examine this, let us take another familiar case. In 2001, Enron collapsed with a suddenness seldom seen earlier in the business world and brought down its auditors, Arthur Anderson, along with it. Everyone knew that the Enron's business model had high risk, but managing risk was their differentiation in the business of commodities such as energy, water and spectrum. In order to build on their differentiation, they recruited the best brains and paid them high and contingent compensation to do what exactly Enron is good at – take risks. They adopted the 'mark to market' accounting system based on present value and rewarded the employees based on this. In order to measure and control risk, they developed a state of the art information system called RiskTrac capable of factoring in interest rate, time horizon, location, price risk etc. and fine-tuned it using Monte Carlo simulation. But the system perhaps had no way to capture when a state would deregulate its energy and other core sectors, what laws would be in place and so on. So, an otherwise well designed risk tracking system became uncertain because the time of deregulation and the laws governing the deregulation were uncertain.

To make the situation worse the business was became very complex based on asset light model in which several hundreds of companies were created to hold the assets and make it easy for Enron to show a favorable balance sheet within permissible limits. These companies were often owned by Enron employees. Though ethics and conflict of interest precautions were taken, it was difficult to state what constituted a conflict of interest because of the complex nature of the holding. Being in an era of technology, people had blind faith in the RiskTrac. Globalization had created several interlinked systems and Enron had invested in several foreign countries with varied laws. All these made the Enron system complex. This complexity was created to manage the former challenge i.e., uncertainty; rather to convert uncertainty to measurable and manageable risk.

A complex system is difficult to understand and hence ambiguity set in. The auditors felt that all is not well in Enron but could not clearly pinpoint any irregularity. Even the highly competent independent directors found the systems so complex that actions could be interpreted in multiple ways. The social sentiments of the era eulogized (this is so even now) risk taking and the ambiguous situation led to a positive way of looking at risk and most experts called the Enron system as 'bold and innovative' rather than 'dangerous' although they did not understand its complexity.

Enron was thus a company that had all the components of VUCA. It perhaps started when uncertainty was perceived as measurable risk using a technology platform with complex components which no one understood and therefore could be interpreted in multiple ways (ambiguous). As a result, the company became volatile and literally imploded.

## Complexity

Although dictionaries tend to define complexity as a state of being intricate or complicated, the consequences of being complicated and being complex differ. Complicated systems are ones in which there are a number of subsystems but they are largely, sequential in interaction which makes it possible to predict outcomes. Complex, on the other hand, is non-linear and therefore the direction of causality is unknown. As a result, proactive measures and responses are relatively difficult.

To understand this phenomenon better, let us turn to the case of Southwest Airlines (SW) known for sustained profit in an environment of losses by other airlines. SW was a new entrant to the deregulated airlines industry and operated in an environment of high fuel price volatility. It lacked airport rights in many important airports and had to rent them at exorbitant cost from other operators or operate without touching these hubs on the basis of point to point flights, which was operationally inefficient compared to hub and spoke model where people were flown to a central place (hub) from smaller places (spoke) and then flown out again to their respective destinations (spoke). Point to point method would normally imply high operating cost compared to seat occupancy.

In order to manage the airlines better, it focused on speedy turnaround of the aircraft. Employees were given a work environment full of fun and with the complex HR system (which we now call High Performance Work System) they created even the pilots helped in unloading to ensure the speedy turnaround. In fact SW fun and speedy turnaround was so complex that no other airlines could mimic it. The complex system that ensured the speedy turnaround (15 minutes versus the average 45 minutes) enabled a Southwest aircraft to make at least one additional trip a day which reduced the impact of fixed costs of the aircraft. Point to point flight to less known airfields made the turnaround faster and it also make it convenient for passengers, especially the business travelers, thereby creating a synergy between the route selection and turnaround and passenger convenience. Further, SW hedged as much as 70 percent of their fuel as against 20 to 30 percent by the competitors because they saw volatility in the fuel market in the long run. This reduced their fuel cost to half of what the other airlines paid. The combined synergy of making the trips, including the additional trip, with fuel that cost them less is self-explanatory. Thus the SW system had two well managed VUCA components i.e., complexity and volatility.

These systems were so complex that people could not interpret it effectively. So, there was considerable ambiguity about what made SW so successful and this ambiguity led to multiple interpretation of their success ó was it point to point, was it fuel hedging, was it fun loving workplace? The ambiguity made it difficult to imitate and gave Southwest airlines the competitive advantage for many years. This also removed the uncertainty because 1) uncertainty due to lack of hubs decreased, 2) uncertainty that competitors can create especially through price wars reduced and 3) uncertainty related to retrenching of workers almost became non-existent.

SW case is thus a good example of existence of the various components of VUCA and still being able to manage them proactively.

## Ambiguity

Ambiguity is defined as -being open to more than one interpretation, inexactness or something susceptible to multiple interpretations. To understand the impact of this, let us take the case of Vodafone India.

Indian tax authorities slapped a whopping Rupees 140,000 million (approximately US \$ 2330 million) tax cum fine on Vodafone for tax related acquisition of the share of Hutchison Essar, a deal executed in Cayman Islands in 2007. Though Supreme Court of India gave a favorable decision to Vodafone, the government made a retrospective amendment to the tax policy to recover the money (The Economic Times, 2013). The case still hangs fire with the assumption that the government may do a course correction.

If we track this incident, we can find that at the time of acquisition, Vodafone had not considered the tax laws as -ambiguous. But once the tax authorities issued notice, the issue of taxation became clearer i.e., the law could have multiple interpretations. It was at this stage the ambiguity was perhaps discovered. The situation became volatile when the tax authorities issued notice for recovery and then it made a positive turn when the Supreme Court verdict went in its favor and then became volatile again when the government passed a retrospective law to recover the taxes. The situation remains uncertain or unpredictable because the government states that it is not in favor of retrospective taxation, but has done nothing about it so far. It is also complex because of the position taken by the tax authorities, government department and trade bodies and the need to look fair and just to both corporate world and the larger public who might perceive revoking the order a climb down in favor of the corporate at the cost of the citizen. The situation still remains uncertain.

This case too has all the components of VUCA. Though it manifested through a volatile situation when the tax authorities slap a recovery cum fine, its roots lie in the ambiguity in law that Vodafone did not detect.

## Defining VUCA as a Three Dimensional Model

From the foregoing discussion, it is evident that VUCA is a unified phenomenon and needs to be addressed as such. In other words, all components of VUCA exist together even though the initial manifestation may be through one of them.

A closer scrutiny of VUCA across different types of companies indicates that the phenomenon is pervasive though its intensity and impact may vary. A further look at each of its constituent components reveals some predominant characteristic. In the next few paragraphs we discuss these.

Volatility can be perceived as rapid change in the environment in unexpected direction. We saw such changes in the Timeshare Company, Enron and Vodafone cases where the direction of change was quite unexpected. For example increasing salary, competitive pressure etc. are clear direction to predict employee turnover but not emergence of a sunrise sector. Volatility therefore has *lack direction* as a key characteristic.

Uncertainty refers to unprecedented eruption of external environment in a direction that was hitherto considered impossible. For instance a sunrise sector leads to turnover in another sector, a non-existent tax law suddenly props up in the form of a retrospective law and a complex politico-

economic situation and social acceptance of higher risk leads to undetectable erratic behavior in Enron. Inherent in uncertainty is immeasurability and a lack of awareness of the danger/opportunity which can be seen in all cases. For instance Enron's model was considered an opportunity and innovation rather than a danger and its risk could not be measured. Vodafone purchasing the shares in Cayman Islands was considered an opportunity and the direction of its consequences could not be identified. The success of failure of a point to point versus hub and spoke model aviation could not be measured. Thus uncertainty made situation both *directionless and immeasurable*.

Complexity is the result of multiple interrelated systems which makes it difficult to understand the causality. In other words, it is difficult to identify what event caused the other. This makes it difficult or impossible to *interpret*. This manifests best in Southwest Case. But even in the timeshare case, the complex emerging economic system made it impossible to predict the causality of turnover until it happened. This was true in the case of Enron and Vodafone also.

Ambiguity is the existence of possibility of multiple interpretations. For instance a discussion on emerging sectors did take place in the strategic meetings of the Timeshare Company when the author was a top executive working for it; the discussion revolved around the increasing market and expansion opportunities rather than on impending massive employee exit. The tax laws in India could be interpreted in several ways and so was the risk perception of Enron and the perceived foolhardy point to point system of Southwest airlines. This makes a situation impossible to *interpret*.

Three key characteristics of VUCA that emerge from the above discussion are 1) *directionlessness*, 2) *immeasurability* and 3) *uninterpretability*. Combining these, the author defines VUCA as *an environment of directionlessness, 'immeasurability' and 'uninterpretability'*.

Paraphrased, it means that *directionlessness* makes it impossible to extrapolate meaning from past experience and predictive tools which depend on such data become ineffective and redundant leaving us to heuristics and intuition or perhaps collective wisdom. *Immeasurability* creates a situation of not knowing what variables one should include and even when they are known partially, their combined effect remains unknown leading us to depend more on multiple, and perhaps, diverse views. *Uninterpretability* creates a situation where causality is not known which makes any interpretation useless leading us to a situation where one has to boldly try out various options and then determine whether they work or not.

### Perspectives on Managing VUCA

Though I argue that VUCA is directionless, immeasurable and uninterpretable, I concede that even in such circumstances decision are (and would be) made; but such decisions are likely to be based on heuristics. For instance, the managers and the auditors of Enron accepted that the practices they followed were bold and innovative but stopped short of calling it illegal or not permissible. This was a heuristics driven decision. The timeshare company that we discussed decided to train and hold larger manpower than required to face any future challenges of exit due to sunrise sectors and this affected its profit. Though the decisions were based on heuristics, their impact can be evaluated retrospectively. For instance, Enron got liquidated and the timeshare company realized that high levels of exit was never repeated perhaps because several training institutions emerged to train

people in skills required for the emerging sectors. Eventually an expansion helped the company to absorb its surplus manpower created to face the VUCA environment. Similarly despite the setback, Vodafone operates and continues to expand in India and Southwest airlines thrives.

While the academic world is still in the process of getting a grip on VUCA, the consulting world has been proactive to recommend many suggestions to manage the VUCA world. For instance, FMI Management consulting in its paper on "Redefining Leadership: Strategic Thinking in Today's VUCA World" makes a series of recommendations such as 1) ability to hold on to the vision while fighting the tactical battles, 2) having tangible closer milestones rather than one grand milestone, 3) frequent introspection, 4) aggressive action orientation, 5) shifting to network organizational architecture from hierarchy, 5) ability to let go the past and focus on the future and 6) encouraging individual critical thinking to face the challenge of VUCA (FMI, consulting paper, 2013).

Johansen and Voto (2013) identify ten leadership skills for the future. These are: 1) maker instinct, 2) clarity, 3) dilemma flipping, 4) exceptional learning ability, 5) bio-empathy, 6) constructive depolarizing, 7) quiet transparency, 8) rapid prototyping, 9) smart mob organizing and 10) commons creating. Out of these, the authors identify five skills as crucial for managing VUCA. The *first* of this is the maker instinct which implies the inner urge to create communities of makers for larger impact. *Second* is clarity which gives the leaders the ability to understand the strategic intent and take actions or operationalize the maker instinct at multiple levels based on the understanding of the intent. *Third* is "dilemma flipping" This means that rather than try to solve the unsolvable problems, flip them to identify newer opportunities. For instance, workplace would demand more freedom and so, rather than work with complex organizational structures that create control-freedom paradigm, one may be able to modularize work and hand it over to entrepreneurial teams. *Fourth* is smart mob organizing, which means bringing together dissimilar people using technology to solve seemingly irresolvable problem. For instance, it is the smart mob organizing that led to the change in Egyptian government in 2011. It is once again this mob organizing through crowd sourcing that enabled the Indian Civil Servant, Armstrong Pame, make 100 kilometers of road in the rural Manipur without any government help (Times of India, 2012). *Fifth* is bio-empathy which is the ability to take systems approach, integrating and sharing approach from the biological world and creating symbiotic problem solving. The author argues that this needs a "commons" approach. It is a concept of increasing dependence on pooled resources, a concept which is well articulated in the work of Nobel laureate, Elinor Ostrom (Ostrom, 1990) also.

Coats (2009), argues in support of "Arya" leadership, to manage VUCA. His suggestion is that leaders should have strong skill of discernment between what is reality and what are merely caricatures of it. In other words, leaders should be able to distinguish between the real and mere expression of the real. Of course the concept is rooted in Vedas from India.

Horney, Pasmore and O'Shea (2010) developed a leadership agility model to manage VUCA. Their proposition is that leaders in a VUCA environment should be flexible, fast and focused. They should 1) anticipate change through visioning, sensing the changes happening and monitoring, 2) generate confidence through connecting, aligning and engaging, 3) initiate action through showing a clear bias for action, decision making and collaborating, 4) liberate thinking through innovation,

customer focus (this author prefers to call it stakeholder focus) and idea diversity, and 5) result orientation through creating expectations, feedback and evidence based measurement.

Summarizing the insights from the above works, we can find that managing VUCA involves six distinct competencies: 1) introspection through suspension of judgment and ego to identify the real from the illusionary, 2) critical and creative thinking facilitated by dilemma flipping and diversity of ideas, 3) clear and focused vision building and adherence to the vision, 4) strong alignment to the vision rooted in action and result orientation 4) integrative and commons thinking in vision building and action and 6) strong engagement with people rooted in individual focus.

### The Leadership-VUCA Connection

Leaders play three fundamental roles: direction setting, aligning and engaging. A closer look would reveal that VUCA competencies and leadership roles have much in common. For instance, VUCA competencies of introspection, critical and creative thinking are preparatory steps to building vision. Creating a clear and focused vision is direction setting. Action and result orientation is aligning, integrative and commons thinking is about collective responsibility in building vision and aligning execution to the vision. And finally, engaging with an individual focus leads to mobilizing people into action directed towards the vision.

We can therefore infer that a leadership model that enables a leader to play his/her fundamental roles would also fit the challenge of managing VUCA. It is this quest that leads the next section where I examine various leadership models in brief.

### Leadership Models

A review of leadership literature suggests that there are several leadership models such as biological model which projects the man as the leader, power model (Connoor, 1984), paternalistic model (Takala, 1998) and trait model (Borgatta, Bales & Couch, 1954; Charan & Colvin, 1999).

The second set of models can be called quasi-behavioral models or styles and include laissez-faire, authoritarian and democratic and model (Lewin, Lippit and White, 1939). Laissez-faire refers to a leader who just lets things happen, autocratic to someone who tends to controls most things and democratic to someone with a collaborative, responsive and interactive style (Nelson and Quick (2012). Another framework to look at style is the managerial grid model (Blake and Mouton, 1964) which classifies leadership styles into 1) high task and high people oriented, 2) high task but low people oriented, 3) low task but high people, 4) neither task nor people oriented and 5) stuck in the middle styles. Inspiration for this model is perhaps drawn from two seminal studies namely Ohio University studies which found that leaders tend to be driven by consideration for people and initiating structure to jobs (Judge, Piccolo and Ilies, 2004) and Michigan University study which suggested that the leader's style is driven by employee centered or job centered approach (Boje, 2000). Styles were fine-tuned by Bass (2009) and he explained that there are five styles: 1) directive style where a leader tells the subordinates what to do, what is expected and operates by establishing standards and deadlines, 2) consultative style where one tells the subordinates what to do, but after discussing the issue with them and hearing them out, 3) participative style where the leader

discusses with the followers and reach a consensus on what to do, 4) a negotiating or selling style where one negotiates with the subordinates and sells the action to them and 5) delegating style where the leader makes a suggestion on what to achieve and let the subordinates full freedom to act.

With the full range leadership model (Bass, 1998; Avolio, Bass and Jung, 1999), there was resurgence in thoughts about leadership. Bass argued that leadership behavior can be perceived in a continuum with laissez-faire at one end and transformational leadership behavior at the other end with transactional behavior in the middle. Transactional behavior, as the name suggests, is driven by consideration of results for which the leader would use contingent rewards e.g., performance pay/promotions. The leader may additionally use a proactive style to avoid problems that undermine results or a reactive mode where s/he interferes only once the problems prop up; both being part of management by exception.

### Transformational Leadership

Transformational leadership behavior is however, radically different and the leader uses behaviors that results in idealized influence, inspirational motivation, intellectual stimulation and individualized consideration (Avolio, Bass and Jung, 1999) to lead people.

*Idealized Influence* is a type of behavior that results in creating an identity between the leader and the led (Michel, Lyons & Cho, 2011). It is done by creating moral ascendancy by the leader. S/he would use trust and confidence building, setting examples and more importantly, such a leader asserts values in talk and actions. I argue that idealized influence would enable a leader to introspect by suspending judgment and ego because the moral ascendancy that s/he creates would give such a leader the confidence and internal strength to do so. Also, because of the moral ascendancy, followers are likely to question the virtue of the leader less and this further strengthens his/her ability to introspect with freedom as also do so without ego. Idealized influence further enables a leader to get diverse ideas from the followers and the multitude of dilemmas that the diverse ideas create can be flipped to get multiple and unconventional ideas and options, which is the hallmark of critical and creative thinking. One of the ways to create moral ascendancy is through focusing on the larger benefit of the public through  $\text{æcommonsø}$  ideas. Therefore I argue that commons thinking and idealized influence would reinforce each other (shown by bidirectional arrow in the schema below). Based on the above arguments, I propose that:

*Proposition 1:* Idealized influence would impact 1) introspection through suspension of judgment and ego to identify the real from the illusionary and 2) critical and creative thinking facilitated by dilemma flipping and diversity of ideas required for managing VUCA.

*Proposition 2:* Idealized influence would impact and be impacted by integrative and  $\text{æcommonsø}$  thinking in vision building and action required for managing VUCA.

*Inspirational Motivation* is another key characteristic of a transformational leader. It is created only when a leader is able to create and communicate an attractive vision. Such a vision would

have core values, core purposes and an audacious goal (Collins and Porras, 1996). Inspirational motivation is an organization wide phenomenon. I agree that actions such as asking people to think critically, flip ideas and develop integrative and commons thinking would enable to create motivation of the individual because of the self-actualization that these would generate; but to convert this into an inspiration for all member of the organization to follow, it is necessary to have a focused vision. Clear and focused vision building and adherence to the vision is one of the requirements for managing VUCA and therefore there is near complete alignment with the behavior of a transformational leader and the actions required to manage VUCA i.e., Clear and focused vision building and adherence to the vision. Hence I propose:

*Proposition 3:* Inspirational motivation would impact clear and focused vision building and adherence to the vision.

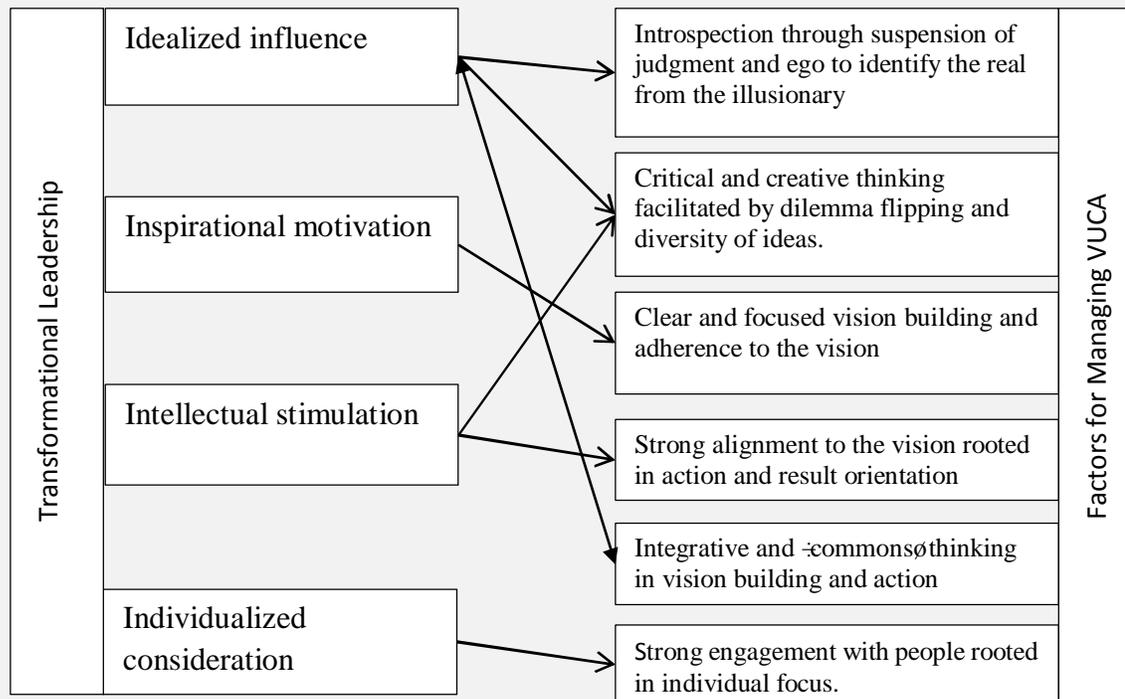
*Intellectual Stimulation* refers to the ÷challenge and changeø component. Through this behavior, the leader changes the perspective of the follower and enhances his/her willingness to take risks (Antonakis, Avolio, & Sivasubramaniam, 2003; Bass, 1998; Judge & Piccolo, 2004). This is done by arousing and changing the followersø awareness of problems and their capacity to solve them. Transformational leaders question assumptions and beliefs and encourage followers to be creative and innovative and approach old problems in new ways (Barbuto, 2005). It helps to empower followers and persuades them to propose new and controversial ideas without fear of punishment or ridicule (Stone, Russell & Patterson, 2003) and while they do impose their own ideas, they do not do so ÷at any costø (Simi , 1998). Because of the intellectual simulation behavior of the transformational leader, s/he is able to influence the followers to think creatively and take actions to align and have result orientation which are critical for managing VUCA. Therefore I propose:

*Proposition 4:* Inspirational motivation of a transformational leader would impact 1) strong alignment to the vision rooted in action and result orientation and 2) critical and creative thinking facilitated by dilemma flipping.

*Individualized Consideration* is the ÷customizationø component or the ÷wow, s/he cares for meø component. This involves catering for the individualø need in the organization. Thinking critically, creatively and in an integrated and commons way implies simultaneous focus on the individual and the group. The concept was first proposed by Graen (1976). The idea finds a place in transformational leadership framework in the form of individualized consideration. Later work of Graen and Schiemann (2013) reinforce the relevance of LMX theory for working with millennial generation (those born between 1978 and 1996). Individualized consideration would facilitate the leader to engage strongly with people rooted in individual focus. Therefore I propose:

*Proposition 5:* Individualized consideration behavior of a transformational leader would impact strong engagement with people rooted in individual focus.

These propositions are shown below schematically:



Before we close, it is pertinent to highlight the link between transformational leadership and change, which is fairly well established; for instance Singh (2008), Zagor-ek, Dimovski, and Terlavaj (2009), Kendrick (2011), Shunlong and Weiming (2012), Bommer, Rubin & Baldwin (2004), Wu, Neubert & Xiang Yi (2007) and McKnight (2013). Since VUCA involves rapid change (action orientation in new directions), the positive impact transformational leadership is reinforced.

## Conclusion

Unprecedented challenges need unprecedented response and VUCA is one such challenge. Research in VUCA is delayed and has a long way to go. To facilitate this, this study attempts an integrated definition of VUCA. Though it has been developed to support this study because of the non-existence of a definition, it can be used as a base to develop a discussion on the definition of VUCA. This study has focus on transformational leadership and makes propositions but do not test the same. Further studies should attempt this.

Though the focus of this study is the relationship between VUCA and transformational leadership, the author agrees that there are other contemporary models of leadership such as Servant Leadership (Greenleaf, 2002), Authentic Leadership (George, 2003 and Gardner et al, 2011), Level 5 Leadership (Collins, 2001) and Emergent Leadership. The first three can explained by the

degree of focus they have on one or the other components of Transformational Leadership rather than as distinctly different forms of leadership.

However, the Emergent Leadership literature and the ðcommonsð idea of VUCA demands an examination of this model which is clearly beyond the purview of this work. Contemporary thoughts on Emergent Leadership can be perceived as resultant of emergent events embroiled in dynamic interaction between people, situation and leader (Lichtenstein et al., 2006). Hazy, Goldstein, & Lichtenstein (2007) further argue that a leader may emerge to advance a common goal and then recede, while another one may emerge for another goal. In this view, leadership is not an ðall time one personð model and the permanency of leadership comes under challenge. Contemporary thinking is that it is incorrect to consider leaders as heroes or fall guys without considering the non-linear and emergent properties of the situation (Plowman & Duchon, 2007). Therefore it is strongly recommended that future research on the linkage between VUCA and leadership explores this area.

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