LEADING IN GLOBALISED MARKETS: THE EMERGING ROLE OF TRANSFORMATIONAL LEADERSHIP

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ABSTRACT

This paper presents a literature review of leadership over the years and the emerging role of transformational leadership. We also argue that this form of leadership is appropriate in the context of globalised markets, where there is increasing diffusion of goods, services, values and technologies globally, which results in the convergence of societies toward a uniform pattern of economic, political and cultural organisation. Transformational leadership, comprising characteristics of idealised influence, individualised consideration, intellectual stimulation, and inspirational motivation has implications for higher leadership effectiveness in new market environments and production locations. We provide suggestions and scope for empirical investigation into Australian organisations to evaluate the extent of transformational leadership apparent and how effective they can be in globalised markets. The findings from empirical studies could provide managerial and research implications on Australia's competitiveness in today's dynamic and globalised environments.

INTRODUCTION

The business environment is constantly changing as organisations are increasingly participating in global markets. Globalised markets place demands on the roles of leaders in organisations operating in this modern environment. In Kock and Slabbert's (2003) view, the emergence of global business environments drives companies to become world-class. They argue that leaders within companies can play a crucial role in achieving a high level of effectiveness and world class efficiency. Today's globalised nature of competitiveness is placing more pressure on organisations to employ effective leaders who are capable to develop a global vision for organisations (Patterson et al 2007). Local strategies need to be realigned with the global economic integration and for individual countries to remain competitive at the same time. There are many studies that focus on the organisational and managerial factors that drive firm competitiveness. Leadership is one such area that plays a critical role and is a strategic prerequisite for business success in global markets.

There are various issues and consideration existing in the leadership literature as "the core of the criticism in the literature is that organisations of all sorts (corporations, government agencies, and not-for-profit organisations) tend to be over-managed (and/or over-administrated) and under-led" (Mills 2005, p.19). Mills (2005) highlights the vital importance of leadership in both political and business areas, and argues that organisations in both areas, in the absence of effective leadership, are not capable of effectively implementing changes at the organisational level. In this paper, we review the role of leadership in the business area and establish the need to investigate transformational leadership, as an ideal leadership form in enabling firms to accomplish sustainable competitiveness as they operate in global markets.

A REVIEW OF THE LITERATRUE

To demonstrate the importance of leadership in business environments, Mills (2005, p.10) argues that "investors recognise the importance of business leadership when they say that a good leader can make a success of a weak business plan, but that a poor leader can ruin even the best plan". Elliot and Simon (2011), in their book, *The Steve Jobs Way: iLeadership for a New Generation*, give examples of business leaders who could build a successful company in a highly competitive industry. They examine the leadership of Steve Jobs, former leader of the Apple Inc., and explain that this leader has taken a change-oriented approach through focusing on four main paradigms, including organisation, product, talent and marketing. In addition, Teerlink, former leader of Harley-Davidson, is another example of these successful leaders in the business area. Teerlink and Ozley (2000) highlight Harley-Davidson's leadership in the 1980s, and argue that this leadership could enhance the effectiveness of Harley-Davidson by implementing fundamental changes at the organisational level. In describing the importance of this leadership, Teerlink and Ozley (2000) posit that these fundamental changes could highly contribute to developing a more successful company built on three major principles, thereby actively reacting to customers' needs, rapidly and continuously exerting changes at the organisational level, and uncovering leadership as a process in which each person can participate. Based on such examples of global firms, it can be argued that leadership is highly essential for business organisations to achieve a sustained change and eventually higher degree of effectiveness, especially when operating in global markets.

THE CONCEPT OF LEADERSHIP

In Markham's (2012) view, leadership stems from ancient history. The concept of leadership highly manifested itself in ancient extended families that constructed clans as the central ingredients of cities such as Rome. The role of leadership was considerably centralised, and membership in the clans was highly demanded for success in all the social institutions. In the same line of thought, Bass and Stogdill (1990, p.5) argue that leadership is also rooted in ancient history, and state that "the study of leadership is an ancient art". To demonstrate, Rindova and Starbuck (1997, p. 409) provide some examples of the ancient writings. For example, Confucius, a philosopher of ancient China, says "if a leader behaves as a noble should, all goes well even though the leader gives no orders. But if a leader does not behave as a noble should, people will not even obey when the leader gives orders". Based on these, it can be seen that leadership is not a new phenomenon, and conversely stems from the ancient world.

In an attempt to differentiate the concepts of leadership and management, Bennis (2009) illustrates that while a leader acquires his competencies by embracing education, a manager becomes familiar with managerial activities by undergoing training. He asserts that the education system is more strategic, synthetic, experimental, flexible, active, and broad when compared to training principles that manifest themselves in being passive, narrow and rote. In Zaleznik's (1977) view, there is a profound difference between leaders and managers. He believes that a leader takes a proactive approach towards more strategic goals, and evoke expectations and images in the direction of influencing and coaching their followers. He argues (p.76) that "the net result of this influence is to change the way people think about what is desirable, possible, and necessary". Herein, it can be seen that leadership highly focuses on challenging the current norms and motivating employees, as intellectual capital, to think about organisational issues in a more innovative manner. Moreover, this intention cannot be achieved without developing trust-based relationships by which human assets could share their knowledge and new ideas with others. On the contrary, Rost (1991, p. 145) conceptualises management as "an authority relationship between at least one manager and one subordinate who coordinate their activities to produce and to sell particular goods and/or services". From this statement, it can be argued that management is highly grounded on hierarchical structures, and emphasises more operational objectives rather than investigating strategic goals. In addition, management has been highlighted as an authority relationship to maintain the status quo through coordinating and controlling subordinates' activities. The following table summaries some distinctions between leadership and management.

TABLE 1. COMPARING THE FEATURES OF LEADERSHIP AND MANAGEMENT

Leadership	Management
doing right things	doing things right
coaching	evaluating
taking a proactive approach	taking a reactive approach
having a long-term perspective	having a short-term perspective
enhancing trust	controlling subordinates
innovating	performing functions
focusing on people	focusing on structure
challenging norms	maintaining the status quo

Source: Bennis (2009) and Marquis and Huston (2012)

Burns (1978, p. 2) reviewed the historical foundations of leadership, and concluded that "leadership is one of the most observed and least understood phenomena on earth". This was also argued by Bennis and Nanus (1985, p.4) where "no clear and unequivocal understanding exists as to what distinguishes leaders from non-leaders". Based on these, there is no comprehensive definition that encompasses all of the leadership aspects. Although the current definitions on the concept of leadership are somewhat different, it can be seen that these definitions provide various viewpoints about leadership that could positively contribute to define the concept of leadership. In the reviewed literature, leadership is defined as influenced interactions with groups of followers to implement changes and achieve the determined goals (Rost 1991; Bess & Goldman 2001; Zaccaro, Rittman & Marks 2001; Kan & Parry 2004; Ohman 2000; Osborn, Hunt & Jauch 2002; Pearce & Conger 2002; Mills 2005; Vroom & Jago 2007; Sims, Faraj & Yun 2009; Western 2008). Therefore, this concept of leadership creates change through taking process-oriented and relationship-practices in pursuit of attaining goals.

LEADERSHIP THEORIES

In an attempt to portray the concept of leadership, various leadership theories have been presented to date. As history progressed, several shifts occurred in the leadership studies, and subsequently newer approaches emerged leading up to the concept of transformational leadership. This section reviews these theories to highlight this evolution.

Trait Theory

In Judge, Piccolo and Kosalka's (2009, p.855) view, "the leader trait perspective is perhaps the most venerable intellectual tradition in leadership research" that highly recommends an approach in which "great men and women with certain preferred traits influencing followers to do what the leaders wish in order to achieve group or organisational goals that reflect excellence defined as some kind of higher order effectiveness" (Rost 1991, p. 94-95). Whetten and Cameron (1991) collect these traits in the second edition of *Developing Management Skills*, and summarise them as being honest, inspirational, competent and credible. Similarly, Kirkpatrick and Locke (1991, p.48) identify the following traits: "drive (a broad term which includes achievement, motivation, ambition, energy, tenacity, and initiative), leadership motivation (the desire to lead but not to seek power as an end in itself), honesty and integrity, self-confidence (which is associated with emotional stability), cognitive ability and knowledge of the business." Nanus (1989) suggests several other traits such as initiative, farsightedness, and integrity. Accordingly, this theory highlights that a leader is significantly different from other employees, and portrays various traits as a leader. These traits are illustrated in the table below:

TABLE 2. TRAITS OF LEADERSHIP

Researchers	Leaders' Traits
Stogdill (1948)	Alertness, Initiative, Intelligence, Insight, Persistence, Responsibility, Self-confidence, Sociability
Mann (1959)	Adjustment, Conservatism, Dominance, Extroversion, Masculinity
Stogdill (1974)	Achievement, Cooperativeness, Initiative, Influence, Insight, Persistence Responsibility, Self-Confidence, Sociability,
Lord, DeVader and Alliger (1986)	Dominance, Intelligence, Masculinity
Kirkpatrick and Locke (1991)	Confidence, Cognitive ability, Drive, Integrity, Motivation
Zaccaro, Kemp and Bader (2004)	Agreeableness, Cognitive abilities, Conscientiousness, Emotional stability, Extroversion, Intelligence, Motivation, Openness, Problem solving, Self-Monitoring, Social Intelligence,

Source: Zaccoro, Kemp and Bader (2004)

Judge, Piccolo and Kosalka's (2009) research explains the paradoxes of this theory, where initially, there exist some mismatches between today's leadership conditions and those traits which have already been determined for leaders. In fact, this paradox reconfirms that "traits that were adaptive in ancestral environments might no longer produce adaptive behaviours in modern environments, especially when these environments dramatically differ, as is the case with those of modern humans" (Van Vugt, Hogan & Kaiser 2008, p.191). These authors recommend that new requirements are continuously required for leadership in global environments today. Subsequently, these traits may have different effects on followers depending on the situation, where "a trait which aids one's ascension to or success as a leader, might in other ways represent threats to one's success or survival as a leader" (Judge, Piccolo & Kosalka 2009, p.859). The ultimate paradox is that while trait theory tends to "treat personality variables in an atomistic fashion, suggesting that each trait acted singly to determine leadership effects" (Stogdill 1974, p.82), it highlights that these personality traits could not have a linear impact on the outcomes of leadership, and conversely emphasise the role of other traits as a critical component of this relationship. It is evident that these studies indicate that this theory has been challenged in terms of successfully developing a limited set of traits for an effective leadership. Due to these limitations, Fuchs (2007) also argues that trait theory could not be applicable at the organisational level or even for global implementation.

Behavioural Theory

The paradoxes, as mentioned above, could have been the impetus for a change in the focus of leadership studies (Marturano & Gosling 2008), and encouraged researchers instead to embark on empirical studies to identify "leader behaviours and accompanying categorisation schemes" (Pierce & Newstrom, 2008, p. 165). Stogdill and Coons (1957) and Likert (1961) investigated the behaviours of leaders at both universities of Ohio and Michigan, and also classified leadership styles, which are rated in two aspects of task and people. These studies aimed to portray the best leadership style in both aspects of task and people, and also illustrate the behaviours of effective versus ineffective leaders.

Ohio State Studies

To investigate effective behaviours in leaders, Stogdill and Coons (1957) conducted an empirical study in which they employed a Leader Behaviour Description Questionnaire (LBDQ) for subordinates to evaluate the behaviours of their leaders, using 150 items that reflect important functions of a leader. More importantly, Stogdill and Coons (1957) rated these behaviours using a range between two aspects of initiating structure and consideration. They

commented that a leader can score high or low on each of these aspects. While initiating structure refers to the "behaviour that organises and defines relationships or roles, and establishes well-defined patterns of organisation, channels of communication, and ways of getting the job done" (Yunker & Hunt, 1976, p.46), consideration has been highlighted as the "behaviour indicative of friendship, mutual trust, respect, and warmth" (Yunker & Hunt, 1976, p.46). In Stogdill and Coons' (1957) view, there can be four types of leadership styles. These are classified as low initiating structure and low consideration, low initiating structure and high consideration, high initiating structure and low consideration, and high initiating structure and high consideration. Conceptually, these four leadership styles resulted from a combination of initiating structure and consideration, and portray a transformation of leadership approaches from a set of universal traits to some context-dependent styles.

Michigan University Studies

Likert (1961) conducted another empirical study at the University of Michigan, which aimed to define the relationship between leaders' behaviour, group performance and processes within a group. This research adopted a mixed method approach, and used both survey questionnaire and qualitative interviews to classify effective versus ineffective leaders. This classification highlights several interesting differences in the behaviours of these leaders, and reveals three styles of leadership which emerge differently with respect to effective or ineffective leaders. Accordingly, Likert (1961) suggested the three leadership styles as (1) task-oriented, which focuses on planning the work, organising employees and technically supporting them to achieve their business goals. These are similar functions to 'initiating structure' as identified by the Ohio State Studies; (2) relationship-oriented behaviour that reflects supportive behaviours for subordinates, and is consequently equivalent to 'consideration' as described by the Ohio State Studies; and (3) participative behaviour which is reflected by paying attention to both task-oriented and relationship-oriented behaviours, and demonstrating some behavioural aspects such as being supportive, collaborative, cooperative, and highly oriented towards accomplishing high performance, solving problems, and facilitating conflict resolution. Northouse (2010, p.149) posits that "a leader who practices participative leadership is one who invites others to share in the ways and means of getting things done. They work to establish a climate that is open to new and diverse opinions. This leader consults with others, obtains their ideas and opinions, and integrates their suggestions into the decisions regarding how the group or organisation will proceed". In Likert's (1961) view, most effective leaders have a dual concern for task-orientation and relationship- orientation, and undertake a participative leadership style to enhance a climate of openness within organisations.

Several authors have challenged these two studies, because of the failure to account for situational variables in order to recommend the best leadership style (Fisher & Edwards 1988; Bryman 1992), and also the methodological limitations of these studies. Yukl (2012, p.67) explains these limitations in that firstly "the selection of behaviour items for a questionnaire is usually influenced by preconceptions about effective leadership or the desire to develop a measure of key behaviours in a leadership theory." Secondly, "the sample of respondents is seldom systematic, and the accuracy of most behaviour questionnaires is seriously reduced by respondent biases and attributions". He critiques this theory for applying the fundamental assumption of factor analysis, which searches for high association among variables in terms of a similar category. He argues that this basic assumption could be effective for leaders when they only need to take one alternative way among a category of various behaviours. While the behavioural perspective adopts a new approach to overcome the problems of trait theory, the empirical studies themselves suffer from several limitations.

Situational Theory

Situational theory was developed to highlight the importance of situational factors and how they impact the effectiveness of leadership. Murphy (1941, p.12) argues that leadership is naturally situational, and that "leadership study calls for a situational approach; this is fundamentally sociological, not psychological. Leadership does not reside in a person. It is a function of the whole situation". Sims, Faraj and Yun (2009, p.149) also explain the fundamental idea of situational theory, and highly recommend that "one type of leadership will be effective in one

situation, but a different type of leadership will be effective in another situation". Consequently, this theory, unlike behavioural and trait theories, highlights that there is no best single leadership style for all the situations, and conversely encourages leaders to consider the impact that situational variables can have on the effectiveness of a behaviour.

Northouse (2010) however critiqued this theory for its weaknesses and devoted his book, *Leadership: Theory and Practice* to identifying the limitations of situational theory. He asserts that situational theory suffers from several weaknesses. Firstly, this theory has been challenged based on the lack of empirical studies to test its hypotheses. Secondly, there exists a high degree of ambiguity that is highly reflected in a failure to theoretically justify the relationships between the variables presented in the models. The third relate to the fact that even these models themselves lack a theoretical rationale by which these relationships can be justified. Moreover, the studies replicated by other researchers could not have actually supported the fundamental prescriptions of this theory. In addition, this theory has been criticised because of the failure to account for the critical role of demographics in its prescriptions. Later on, situational theory failed to sufficiently differentiate between group and one-to-one leadership within organisations, and consequently could not have adequately addressed these concepts. Finally, the methods of data gathering generally suffer from bias, particularly in those questionnaires that have been constructed "to force respondents to describe leadership style in terms of the specific parameters of situational leadership…rather than in terms of other leadership behaviours" (Northouse 2010, p. 98). Therefore, this finding supports Hersey et al.'s (1996 cited in Graeff, 1997, p.164) argument that situational approach cannot even represent a theory or a practical model to study leadership.

Transformational Leadership Theory

Burns (1978) initially developed the theory of transformational leadership. Transformational leadership emphasises satisfying basic needs and meeting higher desires though inspiring followers to provide newer solutions and create a better workplace (Chandrashekhar, 2002; Eagly & Carli, 2003; Norris, 2005; Jue, 2004; Horwitz et al, 2008; Marturano & Gosling, 2008; Patiar and Mia, 2009). This leadership theory actually employs charismatic behaviours and motivates subordinates to provide better outcomes (Druskat, 1994; Norris, 2005). The "effectiveness among transformational leaders is measured by the effect of leader behaviours on followers; subordinates of transformational leaders verbalise feelings of admiration, respect, trust, and appreciation toward these leaders and are motivated to provide extra effort" (Webb 2007, p.54). Yukl and Van Fleet (1992) postulate that transformational leadership focuses on the critical human assets' commitment in effectively exerting organisational changes. Based on this, this leadership theory sheds light on the strategic role followers' attitudes and values to accomplish a higher degree of effectiveness, and highlights the importance of employees in implementing changes at the organisational level. It is evident that as today's global business environments involve a high level of uncertainty, organisations will increasingly need more transformational leaders to be more innovative and creative. Although Zaccaro and Horn (2003) critique the literature of leadership for having no relevance between leadership theories and today's changing business environment, transformational leadership theory unfolds results in organisations, influencing employee individual interests to align with institutional interests, and through inspiring followers to create new ideas and innovations for effective business outcomes.

Bass (1985) uncovered four dimensions of transformational leadership. They are idealised influence, individualised consideration, intellectual stimulation, and inspirational motivation. The idealised influence aspect aims to develop a shared vision and improve relationships with followers (Avolio, Waldman & Yammarino, 1991; Canty, 2005); while individualised consideration concentrates on identifying employees' individual needs and empowering followers (Avolio, Waldman & Yammarino, 1991; Canty, 2005) in order to build a learning climate (Lowe, Kroeck, & Sivasubramaniam, 1996) and mobilise their support towards goals at the organisational level (Osong, 2006). On the other hand, intellectual stimulation propels knowledge sharing in the company to generate more innovative ideas and solutions (Canty, 2005). Finally, inspirational motivation focuses on inspiring human assets, thereby setting a higher level of desired expectations for them (Bass & Avolio, 1997; Canty, 2005). These four dimensions represent

an effective leader in a knowledge-based economy grounded on developing and managing intellectual capital within organisations.

Following the evolution of leadership theories, the early 1980's has been earmarked by dissatisfactions from previous leadership theories, which were a dichotomy of people-oriented versus task-oriented views (Gardner & Cleavenger, 1998; Hinds, 2005). Subsequently, a new shift occurred in leadership studies with this new paradigm based on the theory of transformational leadership (Conger & Kanungo, 1994). This is seen as a leadership form at its highest level of evolution (although somewhat associated with the trait theory). There is a substantial difference between transformational leadership theory and trait theory. The researchers associated with trait theory (such as Stogdill, 1948; Mann, 1959; Stogdill, 1974; Lord, DeVader & Alliger, 1986; Kirkpatrick & Locke, 1991; Zaccaro, Kemp & Bader, 2004) believed that a great man has been "born, not made" (Kirkpatrick & Locke, 1991, p. 74). In contrast, Burns (1978) has determined four dimensions of transformational leadership, and formulated how to be a great man at the topmost levels of organisations. Accordingly, it is apparent that transformational leadership is more realistic, the ideal form, and has far more superior characteristics than the other leadership forms. Hunt (1999) and Lowe and Gardner (2000) reviewed published articles from the Leadership Quarterly journal, and concluded that transformational leadership theory has increasingly become one of the most dominant paradigms today. By analysing 188 cases, Lowe and Gardner (2000) also found that transformational leadership theory captured more interests during the period 1995-1999 as compared to the period 1990-1994. These results are demonstrated in the following Table.

TABLE 3. A REVIEW OF ARTICLES PUBLISHED IN LEADERSHIP QUARTERLY

Leadership Theories	Total Publications
Trait Theories	17
Behavioural Theories	5
Situational Theory	25
Transformational Leadership Theory	37

Source: Lowe and Gardner (2000; p.480)

More recently, Dinh et al (2014) reviewed the articles published in the 2000-2012 period in 10 top-tier academic journals, including The Leadership Quarterly, Administrative Science Quarterly, American Psychologist, Journal of Management, Academy of Management Journal, Academy of Management Review, Journal of Applied Psychology, Organizational Behavior and Human Decision Processes, Organisational Science, and Personnel Psychology. By analysing 752 cases, these researchers concluded that transformational leadership theory is still one of the most dominant paradigms as compared to other leadership theories such as trait theory, behavioural theories, and situational theories. The findings of this study are illustrated in the following Table.

TABLE 4. A REVIEW OF ARTICLES PUBLISHED IN 10 TOP-TIER ACADEMIC JOURNALS

Leadership Theories	Total Publications
Trait Theories	149
Behavioural Theories	64
Situational Theory	55
Transformational Leadership Theory	154

Source: Dinh et al. (2014; p.40)

Yammarino and Avolio (2002) wrote their book *Transformational and charismatic leadership: the road ahead*, to describe the benefits of transformational leadership theory in organisations. They conducted a meta-analysis to illustrate that transformational leaders take a more outcome-oriented approach when compared to other leaders. This pragmatic approach is highly important and appropriate to succeeding in business practices. This metal-analysis also highlights the strong correlation between transformational leadership and employee satisfaction. This important form of leadership in today's global business environment enables employees as knowledge holders to become the most critical asset in organisations. Hence, this form of leadership articulating a vision, having high performance expectations, and providing individualised support, while embracing intellectual stimulation is relevant in many organisations today; particularly in globalised markets where there is convergence of societies, talent, knowledge, skills and culture.

DISCUSSION

In Kasul and Motwani's (1995, p.21) view, "pursuit of world-class status in a global market means constant change". They propose various measurements such as organisational commitment, flexibility and innovation to evaluate the success of organisations in global markets. Similarly, Patterson et al (2007) argue that effective leaders in world-class organisations are highly characterised by enablers of organisational commitment, flexibility and problem-solving. These organisations in global markets represent cross cultural settings and require top management executives who can adapt to various environments and successfully lead human resources from different cultural backgrounds. The study by Dunn, Dastoor and Sims (2012) from a cross cultural setting reveals how this form of leadership can enhance employees' organisational commitment through empowering human assets and developing an inspiring vision for the future.

Organisational innovation results in the creation of new and valuable services or products (Woodman et al., 1993) through applying new ideas and knowledge. Damanpour (1991, p.561) takes a more market-oriented approach and defines organisational innovation as "new products/services introduced to meet an external user market need". To demonstrate the role of transformational leadership in organisational innovation, it can be argued that these leaders facilitate the generation of new knowledge and ideas through applying intellectual stimulation aspect that motivates employees to approach organisational problems in a more novel approach. Herein, these leaders inspire followers to rethink problems and challenge current attitudes and values. They "transform or change the basic values, beliefs, and attitudes of followers so that they are willing to perform beyond the minimum levels specified by the organisation" (Podsakoff et al, 1990, p. 108).

Moreover, transformational leaders, as visionary leaders, develop a shared and inspiring vision for future, which play a critical role in shifting organisations toward the creation of new services and products. Hence, the inspirational motivation aspect of transformational leadership contributes to new products and services to meet dynamic market needs, through higher expectations and stimulation for new and strategic opportunities in markets. From these statements, it can be established that transformational leadership is positively associated with organisational innovation. Numerous empirical studies investigated this correlation, and highlighted transformational leadership as an enabler of innovation (Jung, Chow & Wu, 2003; Jung, Wu & Chow, 2008; Gumusluoglu & Ilsev, 2009). Accordingly, we establish the appropriateness of transformational leadership as a managerial-based, output-based as market-based competency for firms in globalised markets.

Kock and Slabbert (2003) uncover the major tasks of leaders in global organisations: empowering employees, generating a shared vision, and creating fundamental changes at the organisational level; all of which tie in with transformational leadership. Blanchard and Waghorn (1999) maintain that sustained performance in global markets is dependent on continuous learning. Herein, transformational leaders develop a learning climate by identifying intellectual capital and empowering them (Avolio, Waldman & Yammarino, 1991; Canty, 2005). Moreover, through intellectual stimulation, these leaders facilitate knowledge sharing and learning. Transformational leaders are clearly those leaders who are able to enhance organisation performance in global markets through empowering human

resource and enabling change (Kimberly & Quinn, 1984; Allaire & Firsirotu, 1985; Senge, 1999). Hence, transformational leadership theory sheds light on the critical role of employees' attitudes and values in implementing changes at the organisational level, and features effective organisational change as a product of developing relationships with subordinates. This theory instills organisational changes through creating major changes in individuals' assumptions and attitudes; and taking a strategic approach for a shared vision. Hence, it is apparent that transformational leadership should be embraced at senior levels to enable performance in globalised markets.

A report on the Industry Task Force on Leadership and Management Skills in 1995 critiques Australian top managers for inadequate effective leaders in the emerging global business environment. This report illustrates the weaknesses in leaders, such as failing to develop organisational flexibility, taking a more strategic approach, and developing a clear vision for future. This report challenges the current abilities of Australian top managers in achieving a high degree of effectiveness as compared to other countries in international business environments that are highly competitive. In addition, a recent report in 2012 on Management Matters in Australia also illustrates that top managers in the Australian manufacturing sector score the least in people management when compared to two other areas of operations management and performance management. Importantly, this report highlights that Australian manufacturing companies need to enhance leverage on human assets, in order to achieve sustained competitiveness. In this research, while Australian manufacturers have been ranked low in almost all dimensions of people management, this report recommends that these companies "must improve their human resource-related practices with a target of attracting, retaining and promoting" their human capital. Effective leadership focusing on people could in turn enable these companies to overcome their deficiencies. Equally important, it is evident that transformational leadership can improve the capabilities of Australian manufacturers through applying the two aspects of intellectual stimulation and individual consideration that enhance knowledge sharing and human resource empowerment. On the basis of this critique and reviewed literature, there is a need to investigate if transformational leadership needs to be embraced by Australian top management executives in order to address the current gaps and improve their competitiveness in global markets.

The success in today's business environment is not achievable without employing an effective leadership that can enable organisations to accomplish their goals. Transformational leadership instills major changes at the organisational level through changing attitudes and assumptions at the individual level and creating collective-interests (Bass & Steidlmeier, 1999). Moreover, this leadership facilitates organisational innovation and learning, and generates a shared and inspiring vision for future. These tasks are highly necessary when operating in global environments. We establish the need for empirical investigation into transformational leaders in Australian organisations operating in global markets in order to be effective.

Scope for further research

This serves as a foundation for future research to measure the impacts that this theory of leadership has on the success of Australian organisations competing in global market. Since a report on Trends in manufacturing to 2020 illustrates that Australian manufacturers lack effectiveness, an empirical study can be implemented to investigate the capabilities of leaders in this context. The capabilities of top management executives in the four aspects of transformational leadership (i.e. idealised influence, individualised consideration, intellectual stimulation, and inspirational motivation) can be measured based on the scales of the Multifactor Leadership Questionnaire (Bogler, 2001; Hogg et al., 2005). Bass formulated this questionnaire in 1985 based on this assumption that leaders can provide a range of behaviours between two extreme aspects of no behaviour (i.e. laissez fair) and fully effective behaviours (i.e. transformational leadership). Researchers have actually investigated the correlation between leadership behaviours and leadership effectiveness. For this purpose, Multifactor Leadership Questionnaire measures transformational leadership by embracing items evaluating four aspects of this leadership based on a 5-point Likert scale ranging from 1 (Not at all) to 5 (Frequently, if not always). The empirical study by Howell and Avolio (1993) affirms this correlation, and reveals how two aspects of individualised consideration and intellectual stimulation can improve performance through developing innovation around the company. Accordingly, future

research can focus on investigating the correlations between the aspects of transformational leadership and organisational innovation and performance in both Australian manufacturing and service industries. This empirical study will be carried out through an online survey among top managers in both industries to gather empirical data. From a practitioner approach, the findings from this study will illustrate that the existing weaknesses in organisational leadership at the senior levels, and provide practical guidelines to empower Australian manufacturers in order to be more innovative and effective in global markets.

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