

A Primer for Transformational Leadership in Nonprofit Sector

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Abstract

This study attempts to provide a framework for successful leadership in nonprofit organizations taking the concept of transformational leadership as a model. Unlike for-profits, nonprofits address the issues of shaping social policies through innovative human life-changing approaches and moral contract with society. This research adopts a case study of a change initiative in both organizational objectives and management undertaken at a prominent NGO in Turkey. The study provides a different point of view by extending the notion of nonprofit leaders with high quality of transformational leadership are those who can make strategic changes tuned with organization's mission and objectives. It also reveals that transformational leadership has a significant effect on the embracement of the mission and its accomplishments in voluntary and nonprofit organizations and enables nonprofit sector managers to build a clear vision and mission for their organizations. Finally, the study extends two rationales for the necessity of transformational leadership in nonprofit sector ever changing and developing world.

Keywords: Nonprofit Organizations, Transformational Leadership, Organizational Change, Change Management

Kar Amacı Gütmeyen Kuruluşlarda Dönüşümsel Liderliğe Bir Bakış

Özet

Bu çalışma dönüşümsel liderlik kavramını model olarak kullanarak kar amacı gütmeyen kuruluşlarda başarılı liderlik konusunda bir çerçeve sunmayı amaçlamaktadır. Kar amacı güden kuruluşlardan farklı olarak, kar amacı gütmeyen organizasyonlar ahlaki bir toplum sözleşmesi ya da insan hayatını değiştiren yenilikçi yaklaşımlara yönelik sosyal poli-

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tikalara şekil verme konularıyla ilgilenir. Bu doğrultuda, bu çalışmada Türkiye'de önde gelen bir sivil toplum kuruluşunda örgütsel hedefler ve yönetim konusunda uygulanan değişimler örnek olay olarak ele alınmıştır. Çalışma, üstün dönüşümsel liderlik vasıflarına sahip kar amacı gütmeyen kuruluşların liderleri, örgütsel misyon ve hedeflere uyumlu stratejik değişimleri yapabilen kişiler olduğu düşüncesini genişleterek farklı bir bakış açısı sağlamıştır. Çalışma ayrıca, dönüşümsel liderliğin sivil toplum kuruluşlarında misyon ve başarıların benimsenmesi ve kar amacı gütmeyen kurum yöneticilerinin açık vizyon ve misyon oluşturmalarına önemli etkisi olduğunu ortaya koymuştur. Son olarak, çalışma dönüşümsel liderliğin sürekli gelişen ve değişen dünyamızda neden gerekli olduğu konusunda iki açıklama sunmaktadır.

Anahtar Kelimeler: Kar Amacı Gütmeyen Kuruluşlar, Dönüşümsel Liderlik, Örgütsel Değişim, Değişim Yönetimi.

Introduction

Nonprofit organizations exist to improve the quality of community life in modern societies. In recent years, heightened expectations from the nonprofit sector have made them more prominent, because of its crucial role in society. These organizations generate more influential initiatives in terms of mobilizing local resources, solving social and ecological problems and making use of opportunities when compared public and/or business organizations. The literature on the nonprofit organizations shows that nonprofit sector has considerable impacts on governments in terms of influencing social and economic policies and strategies because of their focus on root causes of the social problems, instead of profit and relying on the voluntary workforce¹.

This era of change pushes nonprofit leaders to enhance their range of qualifications as well as to have different kinds of skills, knowledge, and competencies to lead their organizations. Obviously, innovative societies call for true nonprofit leadership behaviors which are able to respond to ubiquitous challenges of the third sector. Since effective leadership is associated with his /her role during transformation process, organizational success and effectiveness highly depend on whether leaders have appropriate balance of skills, competencies, and capabilities². From this point of view, nonprofit organizations need transformational leaders to survive in

1 Ronald E. Riggio; Bernard M. Bass and Sarah Smith Orr, Transformational Leadership in Nonprofit Organizations In Improving Leadership in Nonprofit Organizations, edited by Ronald E. Riggio and Sarah Smith Orr. (California: Jossey-Bass 2004), p. 49-62

2 Sheila Jackson; Elaine Farndale; Andrew Kakabadse. Executive development: meeting the needs of top teams and boards. Journal of Management Development, 2003, Vol. 22 Issue 3, p.186

a changing and competitive environment. Volunteer activities are more open to innovations than public and business agencies. In a public organization, for instance, there is a pyramid of power in which top managers give the orders and the employees at the bottom of the pyramid follow them³. However, the situation is quite different for nonprofit sector because they try to understand and solve problems in a bottom-up style rather than following the top down instructions. In nonprofit organizations, the coordination and the efficiency of the organization can be maintained through mutual adjustment, high level of training, specialization and low levels of formalization⁴. The hierarchical pyramid is generally slim. The flow of information is mostly horizontal and cross-sectional rather than vertical. The technical core (grassroots) and middle level managers are authorized and required to make operational, tactical and in many cases strategic decisions in their own capacity by consulting with each other. The environment is complex with many stakeholders and unstable where conditions do not last unchanged for a reasonable duration. In addition, the environment is hostile that means the organizations should react spontaneously or even be proactive to compete with other organizations to survive and sustain their relevance. There are also some other material and financial limits in the case of nonprofit organizations to operate effectively and efficiently. From a different point of view nonprofits operate in an environment where the focus is external changes and the conditions require flexibility. In such a setting, the best org. culture that is conducive for sustainable efficiency and effectiveness could be adaptability and entrepreneurial culture.

With different levels of effectiveness and efficiency, persons, called leaders, have led their followers taking into account progress of organizations. Therefore, leadership in economy, public, politics, and nonprofits have been studied hitherto from different point of views and people have tried to identify effective ways in leadership. In this era of rapid change, as innovative societies make nonprofit sector a critical part of developing social good, it is important for the nonprofit leaders to represent innovative and pioneering management skills. Leadership in nonprofit sector has become a forefront issue in such visionary and innovative modern societies. Scholars present that the complex nature of nonprofit sector urges compe-

3 Ahmet Erhan Yüksek, 2005 Türk Kamu Yönetiminde Önderlik Davranışı, (Yayımlanmamış Doktora Tezi, Ankara Ün. Sosyal Bilimler Enstitüsü, Ankara, 2005)

4 Henry Mintzberg. Structure in Fives. Designing effective organizations. (Englewood Cliffs, NJ: Prentice-Hall, 1983)

tent and energizing leaders today⁵. Through transformational leadership, a leader can develop an organizational environment within innovative and capacity building framework. Therefore, in the contemporary management world, growing numbers of nonprofit organizations are seeking better management and competent leaders. Leadership capacity of nonprofit and voluntary organizations will definitely determine whether or not the basic goals and ambitions of these organizations are effectively accomplished.

This study attempts to use transformational leadership as a model to provide a framework for successful leadership in nonprofit organizations. It highlights transformational leadership by sharing the arguments of some scholars who suggest that the transformational leadership is the underpinning factor of organizational innovation and change⁶. The article is organized into four major parts. The first part addresses the term of “transformational leadership” and scans the theory of transformational leadership literature. The second part examines the transformational leadership concept in the third sector.⁷ In this part, the author discusses the necessity of transformational leadership in the nonprofit sector and transformational leadership components from a nonprofit sector perspective. The third part includes some recommendations to nonprofit organizations with several examples. The final part wraps up the findings of the research and conveys the conclusions.

I. The Theory of Transformational Leadership

Many scholars and practitioners have presented different leadership theories and approaches. In the course of time, as the “change” phenomenon has become a focus issue for contemporary organizations, more scholars have been attracted to the area of transformational leadership. Burns (1978; 2003) is recognized as the founder of transformational theory. He, initially, approaches the theory of transformational leadership through making comparisons with transactional leadership model. According to Burns transactional leadership requires an exchange of demands between leader and follower⁸. While Burns claims that transactional and transfor-

5 For more information see Erçetin 1998; Jurkiewicz and Massey 1998; Nanus and Dobbs 1999; Eraslan 2004b.

6 See Kauzes and Posner 1993; Berber 2000; Riggio et. al. 2004

7 “Third sector” is used as synonym of nonprofit sector. This term is coined by Peter Drucker (1989), American scholar, in his study “What Business Can Learn from Nonprofits.”

8 James MacGregor Burns, *Leadership*. (New York: Harper&Row. 1978) p. 258

mational leadership theories are at opposite ends, Bass and Avolio (1994) argue that transformational leadership is “an expansion of transactional leadership” and it is built on the foundations of transactional leadership⁹. In transactional leadership, the leader stimulates the followers to achieve the organizational goals as expected. In one study, for instance, the results suggest that followers’ psychological empowerment like competence, self-determination and meaning has an effect on their acceptance of organizational identification¹⁰. On the other hand, transformational leader motivates people to perform more beyond the formerly anticipated organizational objectives than originally expected¹¹.

Transactional and transformational theories have been the focus of scholars and practitioners especially within the past two decades. Burns suggests that it was quite easy to define transactional theory because it was “the basic, daily stuff of politics, the pursuit of change in measured and often reluctant doses”¹². The author emphasizes the distinction between the verbs “change” and “transform.” The use of the verb “change” is more appropriate to attribute to transactional leadership. According to Burns, “change is [something] to substitute one thing for another, to give and take, to exchange places, to pass from one place to another.”¹³ Yet “change” in transformational leadership is special, deep, and broad; therefore, it intrinsically refers to “making difference.” Burns uses the verb “transform” and explains that to transform is “to cause a metamorphosis in form or structure, a change in the very condition or nature of a thing, a change into another substance, a radical change in outward form or inner character.”

9 Bernard M. Bass and Bruce J. Avolio, Executive Summary. ‘In Improving Organizational Effectiveness Through Transformational Leadership’, edited by Bernard M. Bass and Bruce J. Avolio, (California: Sage Publications, 1994), p.3

10 , Weichun Zhu; John J. Sosik; Ronald E. Riggio, Baiyin Yang; (2012), “Relationships between Transformational and Active Transactional Leadership and Followers’ Organizational Identification: The Role of Psychological Empowerment”, *Leadership and Organizational Identification*, pp:186-212

11 See also Den Hartog et. al. 1997; Eraslan 2004a; Bayhan 2002.

12 James MacGregor Burns, *Transforming Leadership*. (New York: Grove Press. 2003), p. 24

13 James MacGregor Burns, p. 24

Table 1. Images of Managing Change

		Images of Managing	
Images of Change Outcomes	Intended	Controlling (activities)	Shaping (capabilities)
		Image of Managing Change:	Image of Managing Change:
		DIRECTOR	COACH
	Partially Intended	Image of Managing Change:	Image of Managing Change:
		NAVIGATOR	INTERPRETER
	Unintended	Image of Managing Change:	Image of Managing Change:
		CARETAKER	NURTURER

Source: Adapted from Palmer, Dunford, and Akin 2006, 24.

Concomitantly, to Palmer et al., in order to attain an intended change in an organization leader has an image of directing role (Table 1)¹⁴. Yet, external factors are out of control in such situation. The caretaker image provides partial control over change due to the limited power of using control. While the image of coaching can intentionally motivate employees through desired outcomes, interpreter clarifies the meaning of change to them. The nurturers, on the other hand, assume that the outcomes of change are out of managers' control due to the various dynamics and entities of the organizations.

According to Transformational Leadership Theory, the strong interaction between leaders and their followers is an influential factor for the practice of innovation. According to Burns, the aim of agreement between the leader and followers is to produce real change in persons' lives, behaviors, and their institutions through vis a vis interaction in organizational environment¹⁵. Leaders are the primary actors assuming the main role in activating people into an organizational change process. Burns believes that when leaders support a sense of group identity and collective efficacy, the followers participate with powerful feelings of "self-worth" and "self-efficacy" which he calls this process "empowerment."¹⁶ Trans-

14 Ian Palmer; Richard Dunford, and Gib Akin. *Managing Organizational Change: A Multiple Perspectives Approach*. (New York: McGraw-Hill 2006).

15 James MacGregor Burns, 1978

16 James MacGregor Burns 2003, p. 26

forming leaders do not use their power over their followers; instead, they inspire and promote the followers by making them work together to go beyond organizational objectives. In such an environment where tension develops, followers should become independent leaders themselves that transforms participatory and democratic leadership in organizational settings. Similarly, Kouzes and Posner (2002) underline the significance of empowerment by suggesting that the leader should generate power all around for people around themselves who think they are weak, incapable, meaningless, and cannot work with their full capacity; as a result, want to run away from the organization¹⁷.

I.1. Major Components of Transformational Leadership

Leaders employ one or more of the four components of transformational leadership to achieve their agreements with their followers¹⁸. Bass conceptualized these factors as (1) idealized influence, (2) inspirational motivation, (3) intellectual stimulation, and (4) individualized consideration¹⁹.

In the idealized influence factor, leaders serve as idealized role models for their followers by applying high moral and ethical standards. As a result, followers take leaders as a model for their own achievements and practices²⁰. In the second component, which is inspirational motivation, leader motivates his/her subordinates by demonstrating commitment to the shared vision and objectives, supporting team spirit, and providing meaning and challenge to their jobs²¹. Thus, transformational leaders stimulate followers' enthusiasm and sustain team spirit²². In the intellectual stimulation component, the leader encourages the followers to present their ideas and try new solutions to address new challenges. Followers are not criticized in front of the others because of their individual faults and leader intellectually stimulates the followers to increase their enthusiasm and skills²³. In the last component, the individualized consideration,

17 James M. Kouzes and Barry Z. Posner. *The Leadership Challenge*. (San Francisco, CA Jossey-Bass, 2002) p. 281

18 Bruce J. Avolio and Bernard M. Bass, *Developing Potential across a Full Range of Leadership: Cases on Transactional and Transformational Leadership*. (New Jersey: Lawrence Erlbaum Associates, Inc., 2002), p. 2

19 Bernard M. Bass, *The Ethics of Transformational Leadership*. KLSP: Transformational Leadership, Working Papers. (Academy of Leadership Press, 1997)

20 Bass and Avolio 1994, p. 3-4; Riggio et. al. 2004, p. 51

21 See Bass and Avolio 1994, p. 3-4; Bass 1998; Kouzes and Posner 2002

22 Riggio, et. al 2004, p. 51

23 Avolio and Bass 2002, p. 3

leader is acting as a coach or mentor who pays attention to each person's needs to provide achievement and growth²⁴. Not only do leaders listen to their followers effectively, but also they show sensitivity to emotional needs and concerns of followers²⁵.

Bass's conceptualization the components are the core elements of the transformational leadership. However, the underlined components should not be considered independent from personal attributes and characteristic and be understood as a leadership practice methodology. For the purpose of discussion, these components will be revisited in the view of nonprofit sector perspective in the following sections.

II. Transformational Leadership Concept in the Third Sector

Societal challenges create a pressure on nonprofit and governmental agencies towards innovation and change. Although limited number of studies has combined transformational leadership with nonprofit organizations, they primarily focused on organizational change in nonprofit sector²⁶. Attempts to explore transformational leadership in nonprofit sector are mainly intensified in 21st century societies. Several scholars echoed multiple approaches to this field. Jaskyte examined the association between leadership and organizational culture and innovativeness²⁷. All organizations, and in general all systems, exist in an environment and inescapably being affected by the changes in their surrounding conditions. Since nonprofit organizations, as any other organization, interact with their environment and being affected by the external changes, nonprofit leaders should know the ways of influencing the work conditions and environment to adapt them to those changes. Jaskyte states that leaders create organizational culture by "teaching, coaching, role modeling, reward allocation, recruitment, selection, promotion, and other mechanisms" that promote changes, or can form an organizational edifice to support changes²⁸. The findings of her exploratory study reveal that although leadership has been held out as one of the most important predictors of innovation, it was not correlated with organizational innovativeness. However, examining the

24 Bass and Avolio 1994, p. 3-4

25 Riggio, et. al. 2004 ,p. 52

26 Riggio et al 2004, p. 53

27 ,Kristina Jaskyte. Transformational Leadership, Organizational Culture, and Innovativeness in Nonprofit Organizations. *Nonprofit Management & Leadership*, Winter 2004, Vol. 15, No. 2, p. 153 - 168

28 Jaskyte, 2004, p. 154

link between leadership and organizational culture is important for understanding how leadership and innovation are related and presents practical implications to nonprofit leaders.

Similarly, Eisenberg believes that as the nonprofit world grows more complex, it needs strong and vital leadership more than ever²⁹. Fragmentation and corporatization of the nonprofit world, unwillingness of many young people from taking on nonprofit careers because of financial issues and lack of teamwork generate a leadership gap for nonprofit sector. The author presents several analytic approaches. These are (1) subsidizing entry-level jobs for young people, (2) strengthening academic centers by improving their curricula and expanding the faculties, (3) renewing civic education to show the people the nonprofit institutions' critical role in shaping the society, and (4) getting nonprofit groups to focus on leadership development³⁰. Light aimed to develop a deeper understanding about how a successful and innovative leadership for both government and nonprofit organizations. By studying 26 nonprofit and government organizations in Minnesota, which have maintained organizational innovation, the author offers four common themes behind their success: a commitment to controlling their environments, an internal structure that creates the freedom to imagine; leadership that prepares the organization to innovate and management systems to accomplish the goals of organizations³¹.

In order to be successful transformational leaders, resource professionals and nonprofit executers, they should recognize the importance of organizational tasks, and develop their skills that are necessary to carry out them. Weinstein mentions managerial resource development issues, which include staffing, development of board, team interaction, fundraising, vision, and growth of organization³². The author believes that there is a strong connection among these issues and becoming a transformational leader of a nonprofit organization; and puts forward the importance of transformational leadership in the nonprofit sector³³. Since the success of nonprofit organizations is crucial to the social structure, there is a need

29 Pablo Eisenberg, *Solving the Nonprofit Leadership Crisis Will Take Much Work*. *Chronicle of Philanthropy*, 12/9/2004, Vol. 17 Issue 5, p. 44

30 Eisenberg 2004, p. 44

31 Paul C. Light 1998 *Sustaining Innovation: Creating Nonprofit and Government Organizations That Innovate Naturally*, by. San Francisco: Jossey-Bass Publishers,

32 Stanley Weinstein, 2004. *Transformational leadership and the resource development professional*. *New Directions for Philanthropic Fundraising*, No. 44, (summer): p. 28

33 Weinstein, 2004, p 28.

for the transformational leaders to overcome challenges of continuously changing organizational structures.

II.1. The Necessity of Transformational Leadership in Nonprofit Sector

Nonprofits are unique institutions serving people through providing needed and pleasing services and products³⁴. Thus, they have a critical mission in establishing public good with the partnership of public and private sectors. Transformational leadership model enables nonprofit sector managers in creating a clear vision and mission. According to Conger, vision component includes articulation of objectives of what the organization can accomplish in the future³⁵. Even though it is not necessary that the original source of the vision must be the leader, the leader must have a role in crafting and articulating the vision. Leader encourages the followers to support each other while accomplishing the objectives and stimulates team spirit by demonstrating enthusiasm for shared goals in the inspiration component. Hence, transformational leaders support the followers in a way beyond their personal self-interests for collective mission³⁶. As a result, transformational leadership can intensify the acceptance level of the mission and facilitate its accomplishment in voluntary organizations.

Bass conceptualized transformational leadership as a core element of organizational change, stating that “leaders are truly transformational when they increase awareness of what is right, good, important, and beautiful, when they help to elevate followers’ needs for achievement and self-actualization, when they foster in followers higher moral maturity, and when they move followers to go beyond their self-interests for the good of their group, organization, or society.”³⁷ This is also directly related to the democratic leadership approach. Ruscio suggests that leader is accepted as a positive change agent in the course of modern democratic thought and “elevates other individuals to higher moral planes of collective goodness against the image of leaders as congenitally manipulative power-seekers,

34 Peter Drucker, *The Leader of the Future: New Visions, Strategies, and Practices for the Next Era*, edited by Frances Hesselbein, Marshall Goldsmith, and Richard Beckhard. (San Francisco: Jossey- Bass 1996), p.319

35 , Jay A. Conger 1999. *Charismatic and Transformational Leadership in Organizations: An Insider’s Perspective on These Developing Streams of Research*. *Leadership Quarterly*, Vol 10, 1999, p. 145-180.

36 McCauley Cynthia D. *Successful and Unsuccessful Leadership*. In *The Nature of Leadership*, edited by John Antonakis, Anna T. Cianciolo, and Robert J. Sternberg (California: Sage Publications, 2004), p. 199-221

37 Bass 1997, p. 171

who by their very willingness to assume positions of leadership portray an ambition that renders them even more prone to deviousness than the people they lead.”³⁸ In this sense, transformational leadership plays a crucial role in creating a democratic and clear understanding of management in nonprofits which would promote the civic participation and engagement.

Notwithstanding private and public sector, the application of transformational leadership to nonprofit organizations strengthens its efficacy. A study by Egri and Herman in which thirty-three nonprofit leaders were compared to thirty-eight leaders in for-profit companies found no significant differences in the transformational leadership qualities of leaders in nonprofit and for-profit organizations. However, they discovered that organizations in nonprofit sphere seemed to be highly receptive to transformational leadership while for-profit organizations appeared to be moderately open³⁹. It is a matter of fact that micro and macro environments for all systems and organizations change at a dizzying speed for all organizations regardless of their structural characteristics. Changing nature of environment for third sector frequently urges transformational leadership to adopt. Furthermore, the biggest challenge for the nonprofit leaders to convince their followers that the cause of the organization matters and it deserves to be honored in all possible means. Second, the nonprofit leaders should be creative, innovative, and flexible enough to provide the necessary financial and technological capacity for running their “business”. Transformational Leadership facilitates innovation and the better allocation of the resources.

II.2. Transformational Leadership Components in the View of Nonprofit Sector

In the current evolving organizational change environment, the successful and effective organizations highly depend on leaders possessing appropriate balance of skills, competencies, and capabilities⁴⁰. The organizations/leaders ought to proactively seek new ways of providing services in response to the rapidly increasing level of change in the dynamic communities they serve. In this regard, the major components of transformational

38 Kenneth P. Ruscio, *The Leadership Dilemma in Modern Democracy*. (MA: Edward Elgar 2004), p.5

39 Carolyn. P. Egri and Suzan. Herman. 2000. Leadership in the North American Environmental Sector: Values, Leadership Styles, and Contexts of Environmental Leaders and Their Organizations. *Academy of Management Journal* Vol 43, 2000,p. 571-604.

40 See Francis et al., 2003; Gümüştekin and Emet 2007.

leadership would help nonprofit leaders to rebuild their organizational environment and the philosophy of their mission.

The “idealized influence” component has a vital role in terms of the voluntary nature of the third sector. This component of transformational leadership is particularly relevant to leaders of nonprofit organizations because it helps in building follower commitment to the cause.⁴¹ People never make a contribution or join voluntary activities where their nonprofit leaders are untrustworthy and have unethical conducts. In addition, the expanding nature of voluntary organizations requires nonprofit leader for being consistent in his or her behavior, displaying high standards of moral and ethical behaviors today more than ever. The success of the voluntary sector highly depends on the level of followers’ beliefs to the organizational objectives⁴². By being admired, respected, and trusted, the nonprofit leader acts to make him or her role models for their followers.

The second component, which is “inspirational motivation”, has a pivotal role in voluntary organization leadership. This component aims to motivate practitioners and create enthusiasm and team spirit among followers. Csikszentmihalyi explains that besides trust, a shared enthusiasm for the team mission, team members believe that they can accomplish, supports team spirit⁴³. By ensuring that team can accomplish tasks, leaders encourage team members via organizational achievements. Unlike for-profit organizations, motivating employees does not rely on monetary means in non-profit organizations. Thus, motivating nonprofit followers is based on nonmaterial ways such as being enthusiastic about the mission and inspired by the organizations goals. For instance, James E. Austin , Harvard Business School professor, when answering the question why do business leaders serve in the nonprofit sector, especially as board members, he claims that businesspeople serve “because of their values and sense of community responsibility”⁴⁴. In short, an inspirational leadership behavior will escalate followers’ commitment in carrying out the nonprofit sector goals, thereby contributing to the public good and innovation.

41 Riggio et al. 2004,p. 51

42 Kevin. S. Groves, & Michael. A. LaRocca (2012). Does Transformational Leadership Facilitate Follower Beliefs in Corporate Social Responsibility? A field Study of Leader Personal Values and Follower Outcomes. *Journal of Leadership & Organizational Studies*,19, 215-229.

43 Mihaly Csikszentmihalyi. *Flow: The Psychology of Optimal Experience*. (New York: Harper Collins1990)

44 James E. Austin, ‘Business Leaders and Nonprofits’, *Nonprofit Management & Leadership*, Vol. 9, No. 1 (Fall) 1998,p. 39-51

Transformational leaders support flexibility by encouraging their followers to search new methods for thinking about a problem⁴⁵. This makes the intellectual stimulation component much more significant "...where volunteers and paid staff members are often attracted to the organization precisely because they can have a direct impact."⁴⁶ This stimulation, in which leaders encourage followers to be innovators and problem solvers, usually occurs when leaders empower and intellectually challenge followers to take initiative.

The last component, "individualized consideration," includes coaching or mentoring and paying attention to each person's needs. Management models may fail because they do not consider followers' and employees' expectations and emotional needs. This element of transformational leadership is important in nonprofit organizations, since a leader needs to be "particularly sensitive to the various motivations that cause volunteers to be affiliated with the organization."⁴⁷ There is a strong association between individualized consideration and Neck et al's self-leadership approach in nonprofit sector. They present a complementary leadership approach by focusing on self-leadership which refers to "the process of leading oneself" at all levels of organization⁴⁸. Even though top-down management approach seems to be successful to tackle with daily routines of nonprofits, it "yields short-run solutions to the problems since it cannot promote employee commitment."⁴⁹ Their approach implies that leadership requires everyone's contribution in charitable activities.

To sum up, the four transformational leadership components have applicable foundations and yield positive end results in voluntary sector. When considered the very nature of the nonprofit sector, transformational leadership has become much more crucial during the change process. In order to be successful, leaders inspire followers and generate commitment to shared objectivities by using transformational leadership tenets and behaviors.

45 John J. Sosik, Surinder S. Kahai, and Bruce J. Avolio. 1998. Transformational Leadership and Dimensions of Creativity: Motivating Idea Generation in Computer-Mediated Groups. *Creativity Research Journal* Vol 11(2), p. 111-121.

46 Riggio et al. 2004, p. 51

47 Riggio et al. 2004, p. 52

48 Christopher P. Neck, Ashcraft, Robert E., and Vansandt Craig V., Employee Self-Leadership: Enhancing the Effectiveness of Nonprofits. *International Journal of org. Theory & Behavior*, 1998, Vol. 1, No. (4), p. 523

49 Neck et. al 1998, p. 523

III. Methodology and Research Design

The study investigated the phenomenon of nonprofit organization and the transformational leadership theory within their real life context by focusing on the Human Resource Development Foundation (HRDF) located in Istanbul. The problem of the effects of transformational leadership on organizational change in nonprofit sector is conceptualized for the inquiry. In social sciences case study approach is used as a tool to explore basic principle or causation factors on a specific phenomena or event.⁵⁰ The research question of the study is that how effective is transformational leadership approach to manage change in nonprofit sector at its core. The research question can be theoretically hypothesized as the transformational leadership approach provides an effective instrument of change management in nonprofit sector. To select the case study most different system approach has been applied in order to test the similarity of indicators and causal mechanisms with the theoretical concepts of transformational leadership. A researcher can prefer case study technique when “how” or “why” questions were posed⁵¹. The research question starts with a “how” question that tries to explore a contemporary set of events on organizational change and transformational leadership. It can be stated that the theoretical hypothesis directs attention to transformational leadership approach in managing change in third sector. Nonprofit organization is the primary unit of analyses of this research. In order to link data to propositions, “precision of pattern-matching” technique is applied since the quantitative data have been obtained for the actual pattern without prediction of a second one. While selecting the case, purposive sampling is employed based on the researcher’s analytical purpose in his mind. Since the selected case serves a specific point within the overall scope of the study the researcher used single-case design. In this regard, the researcher assumed the Human Resource Development Foundation as representing the critical case in testing the Transformational Leadership Theory. Furthermore, the HRDF is selected because it had a prior history of innovation and transformation in organizational settings and vision to confirm as well as to extend the theory. Data has been obtained through an interview with the general director of the HRDF. The researcher used semi structured questions in order to explore personal perspectives and perceptions of the interviewee. The questions were prepared taking into account the prepositions of the Bass’s four components of transformational leadership to conceive the process of visionary and structural change of the HRDF.

50 See Yin 2003; George and Bennett 2005.

51 Yin 2003, p.23.

IV. Case Study: Human Resource Development Foundation in Turkey

The Human Resource Development Foundation (HRDF) was founded in 1988 by a group of academicians and entrepreneurs in Istanbul. The increasing effect of urbanization since the 1950s in Turkey, as well as its adverse effects, has strengthened the views that population and development are closely linked, and that it is necessary to support development programs with strong population policies. Based on the view that development and progress are all human-based, the HRDF has adopted the objective of strengthening the quality of human resources, and has aimed to support vulnerable groups in particular with educational and advocacy activities as well as other services. Although aware of the fact that reducing the population growth rate will not, of its own, remove the obstacles to development, the HRDF has advocated increasing the availability of family health services and ensuring that a larger population benefits from reproductive rights when formulating policies and priorities pertaining to population. It accordingly defends the individuals' rights in having as many children as they wish, and at any frequency and time that they want.

During its history spanning over 20 years, the activities of the HRDF have demonstrated the Foundation's intent in finding solutions to social problems in different areas. However, population and development concepts are initially envisioned as the focused areas of activity. In the years the foundation was established, the requirements that emerged regarding reproductive health as a consequence of the internal migration associated with urbanization and industrialization, and especially the external migration from Bulgaria, were effective in determining the objectives of the Foundation. The interests of the founding members and international financial support in the area of reproductive health could also be listed among the other factors that were involved in shaping these objectives. In its years of founding, the HRDF has initiated two important programs. The first of them was the migration support program, which began with the support activities organized for the migration of our "kin" from Bulgaria. The other program was in the area of reproductive health, and in parallel with the planned development activities in Turkey, the foundation has contributed to the activities in the area of family planning, which were initially led by only a limited number of NGOs.

Although studies regarding the management of migration have been an important component of the Foundation's activities in its founding years, it later became an area of secondary importance by the beginning of the 2000s, due to the increasing importance and predominance of re-

productive health programs at the time. However, circumstances changed again in the following period, and migration support programs oriented towards refugees have currently become the Foundation's programs with the largest budget and scope. Similarly, the HRDF has, in its later years, and in accordance with the needs of the country, focused on the violence against women, and also towards women who experience the greatest difficulty in accessing any kind of service. In this context, as women who are victims of human trafficking represent a faction that is subject to abuse with minimum access to any services, the Foundation has decided to organize activities to support them.

In order to address all these challenges the HRDF has an authentic and successful management structure and leadership model. The executive board of the Foundation is elected democratically between the founding members; however, the number of Foundation members is limited. The general managers are responsible for the implementation of programs on behalf of the Executive Board and the Head of the Foundation's Executive Board. All the services of the Foundation's programs are carried out through the activities of recruited professional individuals. These professionals carry out the Foundation's activities on a project basis. The number of volunteers is very limited. The Executive Board and General Manager both endeavor to ensure that employees within the Foundation assume as much responsibility as possible in accordance with their skills, and that they participate actively in decision processes of the HRDF management. The Administrative Board as well as the Head of the Foundation assumes a determining and monitoring role within Foundation's policies. These administrative units do not monitor every single operation of the Foundation on a day-to-day basis, with the personnel having been granted with a considerable level of initiative. This initiative has increased the employees' willingness to take responsibility, and has also improved their work-related motivation.

IV.1. Discussion and Recommendations for Nonprofit Organizations

The HRDF is a unique example on how a nonprofit organization has evolved since its inception through a comprehensive understanding and leadership. Defining its organizational mission as developing "population and development," the HRDF initially focused on reproductive health as a consequence of the internal migration associated with urbanization and industrialization in Turkey. Yet, the foundation expanded its areas with a transformative and participative management understanding due to

the social and political changes in Turkey. They later on organized migration support programs oriented towards refugees and victims of human trafficking. This part will present recommendations about nonprofit sector leadership. To do this, by adopting experiences of the HRDF, Kouzes and Posner's conceptualization of leadership elements will be discussed. After their research, Kouzes and Posner realize that "feeling powerful comes from a deep a sense of being in control of life."⁵² When people think they are able to organize resources to accomplish tasks, they persevere to achieve. The most important part of strengthening others is to establish an atmosphere where people have some sort of stimulation to participate and feel themselves valuable. There are four main leadership elements which strengthen others: (1) ensuring self-leadership, (2) providing choice, (3) developing competence and confidence, and (4) fostering accountability⁵³. By implementing these factors, nonprofit leaders can considerably increase followers' beliefs in their own capability to make a difference.

When nonprofit leaders use the first element, ensuring self-leadership, they recognize the necessity and significance of delegating their power to their followers. Sharing power with others means that leaders show their trust in and respect for followers' abilities. Kouzes and Posner point out that "...people who feel capable of influencing their leaders are more strongly attached to them and more committed to effectively carrying out their responsibilities."⁵⁴ Thus, nonprofits need a "self leadership" approach in order to "contribute to the promoted commitment and performance at all levels within nonprofit organizations by motivating employee, training them, promoting consideration, and improving the running of financial resources within the nonprofit organizations"⁵⁵.

The second factor, "providing choice," is a necessity for nonprofit organizations and their employees in order to offer outstanding services. If employees have freedom to act while meeting public along with the good and sufficient authority to provide services, additional employee efforts would most likely appear. Therefore, in order to ensure higher levels of performance, the leaders must be practical in designing tasks that provide followers choice and discretion ⁵⁶. Generating solutions to complex problems of nonprofits highly depends on collaborative structure and ability of cooperation between nonprofits and other organizations.

52 Kouzes and Posner 2002, p. 282

53 Kouzes and Posner 2002, p. 284

54 Kouzes and Posner 2002, p. 287

55 Neck et. al 1998, p. 533

56 See Kouzes and Posner, 2002, p 289; Özmutaf 2008

Developing competence and confidence, which is the third factor, requires investments in initiatives. These investments in training and development result in profits because organizations that fund more than the average amount on training have a higher return on investment than organizations those spend below average. In addition to training, sharing information and resources with followers support developing their abilities and competencies. When power and responsibility are extended to followers, a synergistic process is established and successful responses come from followers⁵⁷. Eisenberg (2004) presents that nonprofit groups have repeatedly failed to recruit young people who could be future leaders, refused to plan for the inevitable transitions in staff leadership, and maintained boards of directors that do not grasp the importance of leadership development⁵⁸. In this regard, nonprofits should have leadership development programs and leadership training programs. These training efforts provide not only higher levels of follower involvement and commitment but also better understanding of organization visions and values.

The fourth element, namely fostering accountability, strengthens followers by ensuring that their ability to identify their interdependency. When leaders believe that followers are competent and take responsibility for their own part of the job, they begin to be more trusting and confident. Nonprofit leaders will be more confident in case they recognize that if they do their part, followers will do theirs. Since the success and effectiveness of a team depend on every member of the group, individual accountability is one of the important elements of collaborative effort. Followers expect each other to do their part of the job and these expectations have a powerful role in inspiring them to succeed⁵⁹.

Two rationales can be counted as the need for transformational leadership approach of NGOs. First, due to the voluntary nature of nonprofit activities and practices, they are more open to internal pressure of change. While policies and practices of for profits and/or governmental agencies are influenced by the rules of economic cost and benefit balance, political alternations, social norms and culture, social benefits, psychological satisfaction of followers are the essential dynamics shaping the mission and goals of third sector. As seen in Figure 1 transformational approach to nonprofit leadership makes them more innovative, proactive, and adaptive systems setting new priorities and strategies based on needs and social

57 Kouzes and Posner, 2002, p. 292

58 Eisenberg 2004, p. 45-46

59 Kouzes and Posner 2002, p. 299

expectations. Furthermore, instead of one way communication, transformational leadership has double loop interaction between dynamics and results. Paradoxically, third sector organizations experience first order incremental change⁶⁰ resulting transformation instead of reorientation of new circumstances.

The second reason is about the necessity of holistic change approach in third sector due to vibrant and active interaction among their subunits and entities. Nonprofits have more dynamic structure than for profit organizations. Voluntary activities make NGOs interactive systems with less resistance to change to achieve their vision and goals. They are more adaptive systems to new challenges and sociopolitical pressures. One part or a component of this system cannot be changed because of this dynamic structure. Thus, a holistic approach is required in order to realize a complete organizational transformation for nonprofits.

Conclusion

Voluntary and nonprofit organizations constitute a vital role in shaping a healthy society together with public and private sector. They are the unique places where people can practice a responsible citizenship role in the community. Nonprofit groups should build future leadership within their own organizations instead of looking at other sectors for their top executive positions. The challenges of the third sector require greater demands from leaders of this sector. On the other hand, developing future leaders should be an integral part of the leadership development program of the voluntary sector organizations' agenda. Nonprofits are unique institutions serving people through providing needed and pleasing services and products. Because of this uniqueness in nature, leading nonprofit organizations practically differ from leading for-profits. Unlike for-profits, nonprofits deal with the issues of shaping social policies through life-changing ways and moral contract with society⁶¹. Therefore, nonprofit leaders should have a good public image.

For innovative societies, in order to accommodate to rapid changes, shared visions and objectives of nonprofit sector are needed to be inspired through transformational leadership behaviors . Research shows that

60 Karen L. Newman, *Organizational Transformation During Institutional Upheaval*. *Academy of Management* 2000. 2 (4): 38-45

61 , Joanne B. Ciulla, *The ethical challenges of nonprofit leaders*. In *'Improving Leadership in Nonprofit Organizations'* edited by R. E. Riggio, & S. S. (San Francisco, CA: Jossey-Bass 2004), p. 63-75

transformational leadership components yield positive results in terms of changing process through idealized influence, inspirational motivation, and individualized consideration. Motivating nonprofit followers and getting them through contribution in charitable activities urge the presence of effective leadership accomplishments. The HRDF, for instance, is a unique example on how a nonprofit organization has evolved since its inception through a comprehensive understanding and leadership. Two rationales can be extended for transformational leadership for NGOs: (1) due to the voluntary nature of nonprofit activities and practices, they are more open to internal pressure of change; (2) the necessity of holistic change approach in third sector due to vibrant and active interaction among their subunits and entities.

Peter Drucker argues that leadership is about partnerships, collaborations, and collective action, both inside and outside the organization in the new postmodern era⁶². Contemporary nonprofits, by no means, face moral issues associated with how to raise money as well as how to reach their goals and mission. Transformational leadership can be enhanced or better developed through training and development programs. Improving the leadership quality of nonprofit leaders with a special emphasis on transformational leadership directly strengthens the underlying intentions of this sector. Nonprofit leaders presenting high quality transformational leadership are those who take strategic changes tuned with organization's mission and objectives. For sure, nonprofit sector managed with a high quality transformational management will contribute to society to make it safer, improved and wealthier.

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62 Drucker, Peter 1996, p. 320

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