“Rebel Leadership”: Revisiting Transactional Leadership

Central to transformational leadership discourse is the relegation of transactional leadership to a secondary, decidedly inferior status. In James McGregor Burns’ original construct, transactional leadership was equated with political horse-trading: swapping jobs for votes or subsidies for campaign contributions. All leaders, Burns admitted, did some of this. Still, as the examples indicate, an aura of shadiness if not outright mendacity hung over the transactional exchange. Transformational leadership provided moral elevation; transactional leadership operated at a considerably lower level.

With no apparent hesitation, that debasement of transactional leadership was endorsed by management scholars. The exchange process, in which rewards would be meted out in return for agreed-upon performance, could bring about “changes of degree,” but not the type of fundamental realignment that was apparently called for.  

1 Transactional leadership, Bernard Bass insisted, could be “a prescription for mediocrity,” especially “if the leader relies heavily on passive management-by-exception, intervening with his or her group only when procedures and standards for accomplishing tasks are not being met.” To complete this equation of transactional leadership with bad management, Bass insisted that “such a manager espouses the popular adage, ‘If it ain’t broke, don’t fix it.’ He or she stands in the back of the caboose of a moving freight train and says, ‘Now I know where we are going.’”

2 Transformational leaders were aware of “what is right, good, important, and beautiful” and are able to “elevate” (there’s that word again!) “followers to go beyond their self-interests for the good of their group, organization, or

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society.” Conversely, transaction leaders manage “outcomes and aims for behavioral compliance independent of the ideals a follower may happen to have.”

Does the success of a corporate enterprise truly depend on the elevation of employees to some higher order? Does effort on behalf of organizational success rely on the replacement of self-interests on the part of followers? Do “authentic transformational leaders” in fact ever set aside their own self-interests on behalf of some greater good? And are contingency rewards based on the expectation of contracted performance necessarily the enemy of high performance? To the original transformational leadership advocates – and “advocates” they were – the answers to these questions were self-evident: yes, yes, yes, and yes.

That’s not to say, however, that these were settled matters in the broader discourse.

A number of leadership scholars had, in the 1970s, focused on the exchange – unfortunately labeled the “vertical dyad linkage” – between leaders and followers. Reciprocity, in the view of the discourse that shed its original label and adopted Leader-Member Exchange (LMX), could lead to interdependencies between leader and follower. That resulting interdependency could range from a reciprocal partnership to a pure overseer role in which only contractual behavior was exchanged and influence was entirely downward.

The notion of social exchange in which a mutual recognition of benefits and obligations formed a social bond among parties had long been an element of sociological discourse. In his

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classic ethnographic study of the social dynamics of a street gang, William Foote Whyte noted that “mutual obligation” is “fundamental to group cohesion.” Doc, the thoughtful and articulate gang leader, placed exchange at the center of his influence. “I had to show the boys that it would be in their own interests to come with me,” Doc told Whyte, “that each one of them would benefit.”

The goal of this paper is two-fold. First, I intend to revisit the often neglected contribution of James Downtown. Although often credited as the original coiner of the term “transformational leader,” Downton’s 1973, Rebel Leadership: Commitment and Charisma in the Revolutionary Process was far more important for its analysis of the potential for transactions to lead to informed, consensual mutual action.

Secondly, I wish to build a line of argument presented by Dennis Tourish that questions the widely asserted assertion of the superiority of transformational to transactional leadership. This is part of my larger, ongoing project to assess discourse on the topic of leadership, primarily in business organizations, as it unfolded in the 20th century. Under the title Leadership Discourse and Meaning, I am analyzing not the practice of leadership but rather the manner in which the topic is defined, discussed, analyzed and considered.

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6 William Foote Whyte, Street Corner Society: The Social Structure of an Italian Slum (Chicago: University of Chicago Press, 1943), 256.

7 Ibid., 260,

THE NATURE OF (THIS) HISTORICAL INQUIRY

“What does it mean to think historically,” asked Hayden White in Metahistory, “and what are the unique characteristics of a specifically historical method of inquiry?”

And why should historians, at the outset of their work, even bother to write about the nature of history rather than simply getting on with it? The reasons are numerous, and to my way of thinking, persuasive. Stating what the writer’s theory of knowledge is helps inform the reader. How are statements and conclusions contained in the writing to be understood? What stance did the writer take toward sources in constructing the interpretation?

Historical writing always involves two separate but interrelated streams of discourse: between the author and the reader, of course, but also between the historian operating in his or her present tense and the primary object of study situated somewhere in the past tense. The nature of the second discourse – between present and past – should be made clear to enable a transparent dialogue between the author and the reader.

My own view is that history – and I am referring here to the output on an historian’s work – is a narrative that is set in the past and offers the opportunity for critical perspective on the present. In constructing a narrative, historians do not duplicate the past (an impossibility), but represent it. Frank Ankersmit distinguishes between representation and description. A descriptive statement references a thing that exists outside of the consciousness of the historian. For an historian, there are things that can and should be documented, allowing others to view the thing and ask some version of: “Did the historian get the description right?”

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10 This is a paraphrase of Alun Munslow, “Why Should Historians Write about the Nature of History (Rather Than Just Do It)?” *Rethinking History* 11 (December 2007), 613.

interpretation can and will occur in description, of course, but there is always reference to a tangible object.

“The Renaissance is the birth of modernity” is a statement of representation, in Ankersmit’s view. *Renaissance, modernity*, and the metaphor *birth* are all abstractions. In other words, the reference here is between these constructs and . . . not a thing but another abstraction. We expect the historian to tell us how and why he/she arrived as this particular representation, of course. But we doubt as readers that this is the only way to represent the past. As historians, we know that other representations are possible and may be equally plausible.

Now, to leave Ankersmit and turn to this work, I can be descriptive and note that, in 1978, political scientist James Macgregor Burns published a book on leadership in which he posited a distinction between “transactional” and “transformational” leaders. I can also describe the subsequent management authors who cited Burns’ book and his formulation while denigrating transactional leadership. On the other hand, conclusions such as “transformational leadership represented a significant turning point in management dialogue on leadership,” or “the theory of transformational leadership overwhelmed transactional leadership due, in part, to the historical context” are both representations. They are representations that will be offered in this paper. And my goal, at least one of them, is to convince you not that they are true but rather that they are plausible, coherent, and worth considering. That is an argument I will make through narrative.

Contesting the Concept of Narrative

“I will look humbly at the past,” wrote Richard Evans is his rebuttal to deconstructionist historians such as Hayden White and Alun Munslow, “and say despite them all: it really
happened, and we really can, if we are very scrupulous and careful and self-critical, find out how it happened and reach some tenable though always less than final conclusions about what it all meant.”¹² Evans is offering a “defense of history”; not, despite his claim, all history but rather what has variously been called traditional, academic, positivist, or constructionist views of history inquiry. The notion is straightforward: a true narrative exists in the past. The task of the historian is to uncover that narrative. These historians believe they are following what J.H. Hexter refers to as the "reality rule,” the commitment to uncover “the reality of what happened in the past.”¹³ The historical narrative can, and certainly should, strive for true – that is, reproductive – meaning, rendering the past in such a way that is as clear and understandable to readers today as it was to those who lived it.¹⁴

Not so fast, not so sure. Michel Foucault mounted a frontal assault on the traditional or positive approach being defended by Evans, advocating a cleansing of history of its “transcendental narcissism.”¹⁵ The narcissism to which Foucault refers occurs in the claim by the positivist historian – not such a humble claim after all – that with the benefit of both temporal distance and strict adherence to academic rigor, he or she can divine meaning in an obscure, confused, and infinitely complex past and present the past “as it actually happened.”¹⁶

along with a host of others – prominently Hayden White, Frank Ankersmit, Louis Mink, Keith Jenkins, and Alun Munslow – insist that no single, coherent, uncontestable narrative existed in the past. Therefore, none can be constructed in the present. Denying the positivists’ assertion that the story is there, waiting to be discovered, Alun Munslow insists that the goal of the historian is to offer “a plausible and therefore quite acceptable” narrative without claiming it to be the true narrative.17

Deconstructionists dismiss the notion that the historian exists independently of the history he or she is writing. “I hold the view,” wrote Keith Jenkins, “that whilst the ‘world’ is ‘out there’ meanings are not; that whilst the world is ‘out there’ truths are not.”18 Deconstructionists reject one of the most fundamental premises of the “science” of history: that objectivity is desirable or even possible. The positivist approach maintains that by removing the historian and the values brought to the inquiry, the result will be superior history. Just the opposite is true, writes Ankersmit. The application of one’s values to the historical inquiry “will often be a useful or even indispensable guide on our difficult way to historical truth.”19

Claims of scientifically certifiable truths may be comforting to readers; they are not, however, possible. “It is probably best,” Munslow concludes, “to view historical narratives as propositions about how we might represent a past reality, suggestions of possible correspondence rather than the correspondence.” In the realm of science, a proposition represents but the preliminary step on the path to constructing empirical indicators that can then be used to develop

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18 Keith Jenkins, “‘Nobody Does it Better’: Radical History and Hayden White,” Rethinking History 12 (March 2008), 60
19 Ankersmit, Historical Representation, 77.
testable hypotheses. In the realm of history, one can work only to offer alternative propositions. That is why history writing, in the words of Pieter Geyl, constitutes “a discussion without end.”

THE TRANSFORMATIONAL VICTORY

Whyte’s Street Corner Society targeted small group dynamics. It was another sociologist, James Downton, who expanded the scope of consideration to analyze leadership in large group dynamics. In his 1973, Rebel Leadership, Downton focused on mass movements. As the title indicates, his attention was not on business organizations. Rather, Downton sought to analyze the leader-follower dynamic in various “rebellious” situations, ranging from the Russian Revolution to the Black Muslim movement in the United States. Downtown saw his work in juxtaposition with a popular book by Eric Hoffer, The True Believer.

As so many others of his generation, Hoffer was moved to consider the twin totalitarian mass movements of Nazism and Communism. All fanatical mass movements, he suggested, regardless of their particular ideological positions, were the same on one key regard. They were fueled by a fanatical and misguided urge on the part of followers to achieve some degree of self-esteem.

Downton was not convinced of the universality of Hoffer’s conclusion. Rather than looking at Hitler and Stalin, two obvious targets for condemnation, Downton wondered whether people in rebellious political movements might be acting as rational human decision makers

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20 Geyl is cited in Ankersmit, Historical Representation, 50.
22 James V. Downton, Jr., personal correspondence with author, 1 August 2014.
whether than irrational fanatics. To help arrive at an answer, Downton looked at the exchange that lay at the heart of all leader-follower engagements and suggested that transactional leadership contained the capacity to mobilize and energize followers to a rational commitment to a leader and to the purpose of that leader’s calling. Downton’s book preceded by five years the first appearance of the transformational paradigm in Burns’ *Leadership*. He is not in any sense, therefore, rebutting the transactional/transformational dichotomy contained in that work. There is no denying, however, that he positions the transactional leader-follower exchange as, potentially at least, in a far more positive light.

That exchange-benefit relationship lies at the core of transactional leadership. Burns recognized *Street Corner Society’s* Doc as a prototypical transactional leader in *Leadership*. The exchange that constituted Doc’s gang leadership, like that found in large political movements, was much more robust that a simple money for performance transaction. The currency is more than money; it is a sense of belonging, self-efficacy, and a commitment to the larger group. Self-interest merges with group interest.24

Transformational leadership appeared in leadership discourse in the late 1970s and 1980s. It proposed two basic tenets. First, leadership could be subdivided into transformational and transactional leadership. And second, transformational leadership was superior to transactional leadership. It was more moral, more uplifting to both leaders and followers, and it was the only style suited to the turbulent, challenging environment in which business executives lived. In fact, it would amount to a virtual dereliction of fiduciary duty for the corporation not to develop and hire transformational leaders.

Noel Tichy and David Ulrich defined transformational leadership in terms of what the leader did. A leader was transformational to the extent that he or she possessed the capacity to “help the organization develop a vision of what it can be, to mobilize the organization to accept and work toward achieving the new vision, and to institutionalize the changes that must last over time.”

It was political scientist James Macgregor Burns who first introduced the transaction/transformational dichotomy into the dialogue with his 1978 Pulitzer Prize-winning, *Leadership*.

Burns postulated two dichotomous types of leadership: transactional and transforming. Transactional leadership involved an exchange between leader and follower: jobs for votes and subsidies for campaign contributions were examples offered from the political realm. Transforming leadership was both more complex and more potent than transactional – or what Burns sometimes referred to as “traditional” – leadership, given its aim of “mutual stimulation and elevation that converts followers into leaders and may convert leaders into moral agents.”

To Burns, the moral aspect of transforming leadership was paramount. It allowed a separation between leadership and power, which he sometimes referred to as “naked power.” Transforming leaders used power, to be sure. However, they did so in a manner that raised “the level of human conduct and ethical aspiration of both leader and led, and thus has a transforming effect on both.”

Shortly after the appearance of that book, a small cadre of scholars – notably Tichy and Ulrich joined by Bernard Bass and Warren Bennis – offered a few articles and books on the

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27 Ibid., 20.
By the end of the decade, that trickle had turned into what Burns himself marveled was “an international tidal wave of researchers and scholars” focused on transformational leadership. In a 1999 survey of research, James Hunt noted that the study of transformational and charismatic leadership revitalized the field of leadership studies.

Over time, transformational leadership grew to become the most popular approach to and source of leadership research. Articles examining transformational leadership outnumbered all leadership articles using other theories – trait theory, path-goal theory, and leader-member exchange theory among them – combined. In addition, transformational leadership came to dominate the pedagogy offered in leading U.S. and U.K. MBA programs, helping to set the agenda for educating future corporate executives.

Contextualizing the Transformational Victory

In order to understand the remarkable ascendency of transformational leadership, we must appreciate the socio-historical context in which that ascendency occurred. The concept of transformational leadership both grew out of and reflected upon 1970s America; a decade

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referred to by one historian as the age of “the great compression” and another as a period of “disorienting, frustrating, and frightening” challenge for Americans. The mood of the nation, noted critic Frank Rich, was “defeated, whiny, and riddled with self-doubt.” As the Bicentennial celebration of the penning of the Declaration of Independence approached, pundits wondered “whether the country even deserved to throw itself a birthday party.”  

The decade of the 1970s, noted historians Beth Bailey and David Farber, “was the only decade other than the 1930s wherein Americans ended up poorer than they began.” The “age of compression” opened with the 1973 embargo by the Organization of Petroleum Exporting Counties (OPEC). That unprecedented action initiated a rest-of-the-decade decline in American economic fortunes. The resignation the following year of President Richard Nixon in the wake of the Watergate scandal left in place an unelected President, Gerald Ford, who had never stood for election as vice-president. Rather, he was appointed in 1973 when the elected vice-president, Spiro Agnew, was forced to resign due to his own scandal. Ford lacked the political platform to respond effectively to this challenge to western capitalism.

Both the 1974 resignation of President Nixon and the fall of Saigon the following year were harbingers of what Bailey and Farber labeled the “cultural crisis” of the period. Two assassination attempts on President Ford, although comically inept, left a sour aftertaste. A 1979 accident at the Three Mile Island nuclear power plant seemed to undercut the desirability of turning to nuclear energy as a way of loosenig the country’s dependence on OPEC oil.

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34 Beth Bailey and David Farber, *America in the 70s* (Lawrence: University of Kansas Press, 2004), xi.
36 Bailey and Farber, *America in the 70s*. 
Above all else, it was the sagging national economy that defined the era. America’s “Rust Belt” – the upper Midwestern states that hosted much of the country’s industrial operations – staggered under the economic weight. “One by one,” wrote historian Paul Boyer, “plagued by foreign competition, aging equipment, rising labor costs, and shifting consumer tastes, the factories that made America the world’s industrial leader from the 1880s through World War II closed their gates.” America’s global economic might was under severe challenge. “If Japan Can, Why Can’t We?” asked a 1980 NBC-TV special. The answer was not so clear.

Bruce Schulman located the roots of a national malaise specifically in “the unchecked, out-of-control rage of inflation.” Runaway inflation— in 1979 and 1980 the U.S. experienced two consecutive years of double-digit inflation for the first time since World War I – led President Jimmy Carter to institute voluntary wage and price freezes with little positive effect. A public opinion poll taken in February 1979 found only 26 percent of respondents claimed to be “highly satisfied” with “life in the nation today”; five months later, that figure plummeted to twelve percent.

A lack of leadership lay behind this malaise. That, at least, was an argument being made with some frequency and prominence. The Culture of Narcissism, a surprise 1979 best-seller by cultural historian Christopher Lasch, reflected the view that America’s leaders had lost their capacity to confront the difficulties faced by society. An Independence Day editorial in the

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37 Paul E. Boyer, Promises to Keep: The United States since World War II (Boston: Houghton Mifflin, 1999), 379.
New York Post repeated the theme: “The United States is now a victim of a loss of nerve and will, wracked by indecision and groping for a glimpse of inspirational and innovative leadership.”

In July 1979, President Carter delivered a nationally televised speech to address what he called the “crisis of the American spirit.” That “malaise speech” directly confronted the national longing for leadership:

The symptoms of this crisis of the American spirit are all around us. For the first time in the history of our country, a majority of our people believe that the next five years will be worse than the past five years. Two-thirds of our people do not even vote. The productivity of American workers is actually dropping, and the willingness of Americans to save for the future has fallen below that of all other people in the Western world.

“I will do my best,” the President vowed, “but I will not do it alone . . . it is time for us to join hands . . . [and] commit ourselves together to a rebirth of the American spirit.”

In a comment little noted at the time, Carter suggested that the American people expected far more than competent management from public officials. They valued leadership. This notion that “leadership” provided the needed antidote to malaise fit perfectly with a moment of reckoning that was simultaneously occurring among management scholars.

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41 New York Post, July 2, 1979, 25.

42 The text to the speech is reprinted in Kevin Mattson, What the Heck Are You Up To, Mr. President? Jimmy Carter, America’s “Malaise,” and the Speech that Should Have Changed the Country (New York: Bloomsbury, 2009),207-217.

43 Although Carter never used the term malaise, the dictionary meaning of the word – a general sense of depression or unease – is well suited for both the text and tone of the address. The speech can be viewed at youtube.com/watch?v=1IIRVy7oZ58.
Bringing the Argument into a Business Context

A year after Carter’s malaise speech, two Harvard Business School professors wrote “Managing Our Way to Economic Decline.” That title left little room for ambiguity. The authors, Robert Hayes and William Abernathy, chastised management and managers for undermining America’s economic strength. “During the past several years,” the authors wrote, “American business has experienced a marked deterioration of competitive vigor and a growing unease about its overall economic well-being.”

Hayes and Abernathy placed blame for America’s declining economic performance squarely on the shoulders of managers. “What, exactly, have American managers been doing wrong,” the authors asked, before providing a catalogue:

. . . guided by what they took to be the newest and best principles of management, American managers have increasingly directed their attention elsewhere. These new principles, despite their sophistication and widespread usefulness, encourage a preference for [1] analytic detachment rather than the insight that comes from ‘hands on’ experience and [2] short-term cost reduction rather than long-term development of technological competitiveness. It is this new managerial gospel, we feel, that has played a major role in undermining the vigor of American industry.45

“In our judgment,” Hayes and Abernathy concluded, “the assumptions underlying these questions are prime evidence of a broad managerial failure – a failure of both vision and

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45 Ibid., 68.
leadership – that over time has eroded both the inclination and the capacity of U.S. companies to innovate.”

For Hayes and Abernathy, managers had failed as leaders. The notion that managers had a responsibility to lead that extended beyond more technical aspects of the job had often been expressed by managerial theorists, including Fayol, Barnard, Parker Follett, Carlson, and Mintzberg. These authors recognized the need for cooperation and the role of top managers in ensuring a common purpose and direction for organizational members. But what if leadership was not a component of management, but rather a discrete function performed by different people, even different types of people? That was a line of thinking that was emerging from two Harvard Business School professors. In a 1977 Harvard Business Review article, Professor Abraham Zaleznik asked the stark question: “Managers and Leaders: Are They Different?” His answer, heavily influenced by his training in Freudian psychology, was an unequivocal “yes.”

Managers and leaders, Zaleznik insisted, “are very different kinds of people. They differ in motivation, personal history, and in how they think and act.” Zaleznik admitted that his distinction was new. “The term manager and leader were used synonymously,” he noted. “Both terms implied the responsibility of getting things done. The relationship was vertical” – i.e., hierarchical – “and superior and subordinate understood they were in an unequal power

46 Ibid., 69.
Managers represented the organizational force that sought to create and reinforce order. Leaders, conversely, worked to generate “relative disorder.” The exemplar of the manager was Alfred P. Sloan, the executive who forged the modern General Motors, indeed the modern multibusiness corporation, out of the chaos of Will Durant’s initial creation.

“Managers tend to view work as an enabling process,” noted Zaleznik, “involving some combination of people and ideas interacting to establish strategies and make decisions.” Conversely, leaders – and here, Zaleznik pointed to Edwin Land, co-founder of Polaroid, and John F. Kennedy as examples – were “active instead of reactive, shaping ideas rather than responding to them.” These are the folks who “develop fresh approaches to long-standing problems and open issues for new options.”

Even though leaders provide energy to organizations and were active and not reactive, Zaleznik also made readers aware of the potential dangers inherent in those who became leaders. “Leaders work from high risk positions,” he suggested. “Indeed often are temperamentally disposed to seek out risk and danger, especially when opportunity and reward appear high.” Leaders possessed hot personalities infusing their actions and reactions with strong emotions, including love and hate, in contrast to Weber’s view of bureaucratic administrators as functioning *sine ire et studio*. Leaders are people who “may work in organizations, but they

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50 Zaleznik, “Managers and Leaders,” 68.


53 Ibid., 71-2.
never belong to them. Their sense of who they are does not depend on memberships, work/roles, or other social indicators of identity.”

John Kotter’s version of the management/leadership dichotomy first appeared in The Leadership Factor in 1988. Kotter rejected the hard demarcation of Zaleznik’s work by suggesting that management and leadership “are certainly not incompatible (indeed, more and more these days, both are needed in managerial jobs).” Kotter’s divergence from Zaleznik’s view was implicit. Indeed, Kotter showed very little trace of having been influenced by Zaleznik’s work. The reference to “these days” was based on Kotter’s assumption that the 1980s represented an especially turbulent and challenging time, compared with the “relatively calm 1950s, 1960s, and early 1970s.”

By the time of Kotter’s next book, the distinction between management and leadership was taken as a given. Kotter’s research methodology, as he explained, asked executives to provide examples of people who were effective at management, at leadership, or at both. From that methodology, he concluded that while managers established plans, leaders produced “visions” and while managers direct activities, leaders create understanding and acceptance of desired future states. Fundamentally, managers administered the status quo while leadership mobilized people toward “adoptive change.”

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54 Ibid., 74.
Kotter insisted that “the two processes can work together very successfully.”

Nonetheless, organizations have proven to be much more effective at developing manager than at producing leaders. And therein lay the problem of poor economic performance in the previous decades, that strong management combined with weak leadership had produced a business “that is rigid, not innovative, and thus incapable of dealing with changes in its market, competitive, or technological environment.” Zaleznik was far more explicit in his condemnation of managers. What he called “the managerial mystique” – the triumph of the search for order and equal treatment for all in the organization – was “only tenuously tied to reality.” American industry had “lost its way, adrift in a sea of managerial mediocrity desperately needing leadership to face worldwide economic competition.”

It was into this historical context – the President declaring a crisis of confidence that “strikes at the very heart and soul and spirit of our national will,” the economy still reeling from double-digit inflation and declining industrial performance, and academics placing blame for the decline on too much management and too little leadership – that transformational leadership made its appearance. And then a figure appeared from the world of business, a “folk hero,” who seemed to exemplify all that was powerful and positive about transformational leadership and all that was mediocre about transactional leadership.

Lee Iacocca and Second-Order Change

“The first order of change – changes by degree – by the current emphasis on leadership as an exchange process, a transactional relationship in which followers’ needs can be met if their

58 Ibid., ix.
59 Ibid., 141.
60 Zaleznik, The Managerial Mystique, 2, 11.
performance measures up to their contracts with the leader.” This was Bernard Bass in 1985 making the argument that only transformational leadership could bring about “second-order changes.”

But just what constituted second-order change and how was it distinct from first-order change? Jay Conger used the expression “radical reinvention.” Terms like “mutual stimulation,” “elevation to a higher level” were tossed about. Burns had Mahatma Gandhi and Martin Luther King to offer up exemplars of his type. Who did management writers have? The answer: Lee Iacocca.

The explicit connection between “superior leadership performance” and Lee Iacocca was a tenant in the initial transformational leadership writing. The 1984 Tichy and Ulrich article referred to Iacocca as “one of the most dramatic examples of transformational management and organizational revitalization in the early 1980s.” (Note the use of the term transformational management; that would soon be replaced by transformational leadership.) Iacocca had “provided the leadership to transform the company from the brink of bankruptcy to profitability.” Their claim for transformation rested on some fairly sweeping and, for the most part, completely unsubstantiated claims.

Yes, the financials for Chrysler looked far healthier in 1984 than they had five years earlier. But the authors went further. “As a result of Iacocca’s leadership,” they insisted, “by 1984 Chrysler had earned record profits, had obtained high levels of employee morale, and had helped employees generate a sense of meaning in their work.” Iacocca had altered the culture of the corporation to a “lean and hungry team looking for victory.”

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62 Jay A. Conger, “Charismatic and Transformational Leadership in Organizations: An Insider’s Perspective on these Developing Streams of Research,” *Leadership Quarterly* 10 (Summer 1999), 145.
Certainly, the turnaround argument for Chrysler appeared valid at the time of the article. Placing that result on the shoulders of the CEO was, at the very least, a shortcut for explaining the multiple forces at play both inside Chrysler and in the larger external environment. Furthermore, claims that Iacocca had transformed the culture, lifted employee morale, and generated a “sense of meaning” for those employees were offered without evidence of substantiation. The authors, in fact, made no attempt to suggest that these conclusions were based on data collected either by them or others. That lack of substantiation did not prevent them from insisting that Iacocca’s leadership style presented a prescription for American industry: “Lee Iacocca’s high visibility and notoriety may be the important missing element in management today; there seems to be a paucity of transformational leader role models at all levels of the organization.”64 The drab leaders of other industrial giants – sluggish, colorless, and non-charismatic – became foils for the exciting and apparently effective style of Iacocca.

I have written elsewhere about the “abuse” of Iacocca as a symbol of transformational leadership, arguing that he failed at the most basic level: Chrysler was not transformed and soon faced renewed bankruptcy crisis as it fell further and further behind its domestic and international competitors.65 An assessment of his personal leadership style is even more damaging to the notion of transformational leadership as occupying a moral high ground. Tourish’s assessment of the “dark side” of transformational leadership noted a tendency on the part of the original theorists to extol the virtues, indeed the moral superiority, of so-called heroic

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64 Ibid., 60.

individuals who could, in a more critical light, be seen as macho bullies, intent on cajoling others to fall into line. Iacocca provides a case-in-point for that assertion.

In 1964, *Time Magazine* devoted a cover story to Iacocca, who was then considered something of a *wunderkind* at Ford. In it, Iacocca admitted to secretly tape-recording dealership sales people and threatening them with losing their jobs if their performance was deemed unsatisfactory. Demanding superior performance, although hardly unique to transformational leadership, is well within the realm of executive responsibility. Secret tape-recording suggests at the very least questionable ethics. It is his rationale for that action that is particularly informative to this assessment: “It worked,” he insisted, “because all of a sudden a guy [an auto salesman] is face to face with the reality of his mortgage payments.” There is nothing especially transformational or paradigm-bending in either the behavior or the rationale that Iacocca offered.

There is much in Iacocca’s 1984 autobiography to rebuke the conclusion that Iacocca’s style was transformational. Of particular interest is his description of negotiations with the United Auto Workers to convince them to accept wage cuts: “I had to lay it on the line. I talked tough to them. ‘Hey, boys,’ I said, ‘I’ve got a shotgun at your head. I’ve got thousands of jobs available at seventeen bucks an hour. I’ve got none at twenty. So you’d better come to your senses.’” At a second meeting, he described himself saying, “You’ve got until morning to make

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66 Tourish, *The “Dark Side” of Transformational Leadership.*

67 Iacocca and his staff were credited with “launching most of the major themes that dominate the U.S. auto industry today: the return to car racing, the intensified appeal to the youth market, and the trend to the low-priced sports car [the Mustang].” *Time,* April 17, 1964.

68 Ibid. It is useful to remember that because dealerships in the United States are independent businesses not owned by the auto companies, the sales people who Iacocca was secretly taping were not employed by Chrysler. Thus, he had no legal standing to fire them, although he undoubtedly possessed the power and influence to see to it that they were fired.
a decision. If you don’t help me out, I’m going to blow your brains out. I’ll declare bankruptcy in the morning and you’ll all be out of work.” The “shotgun to your head” and “blow your brains out” metaphors describe an approach that is wholly and dramatically at odds with the transformational model. Hero? Perhaps. Macho bully? Definitely.

The use of Iacocca as a personification and embodiment of the transformational leadership construct was, at best, a highly romanticized take on an individual, even a colorful, highly popular individual. At worse, we might suggest that the use of Iacocca was misleading and disingenuous. Based on evidence provided by Iacocca himself (he never claimed to be a transformational leader; that claim was made about him by others) and easily available at the time, Iacocca’s behavior was far from transformational. Despite all the claims being made at the time, he was a transactional leader.

LET’S HEAR IT FOR TRANSACTIONAL LEADERSHIP

Leadership is, by its nature, transactional. Remember “Doc,” Street Corner Society’s gang leader? “I had to show the boys that it would be in their own interests to come with me, that each one of them would benefit.” His task as leader was to demonstrate a mutuality of interests, while the task of the “boys” was to accept or reject the proposition. Take away the bluster and macho bullying, Iacocca faced the same challenge in at Chrysler.


70 None of the original advocates of Iacocca has offered a critical reassessment either of Iacocca’s record or their own advocacy.

71 Knippenberg and Sitkin are only the most recent to offer a critical assessment of the notion of transformational leadership as a valid construct. See Daan V. Knippenberg and Sim B. Sitkin, “A Critical Assessment of Charismatic – Transformational Leadership Research: Back to the Drawing Board?” Academy of Management Annals 7 (2013): 1-60.
Transactions, with the inherent reciprocity of benefits and obligations, recognized the independence of all parties to the transaction. That was true, at least, for what James Downton called “positive transactions” in which individuals consciously weighed alternative modes of behavior and made an informed, consensual choice. In Downton’s view, the transactional paradigm recognized that followers had their own legitimate interests, both economic and psychological, that might not be entirely congruent with those of the leader. But once a positive leader-follower bond was forged, groups were situated to make the kinds of adaptations and changes required of a dynamic external environment.

And what of charisma, that force which was claimed by transformational leadership as its exclusive domain? Not so, suggested Downton. Charisma was at base an exchange, he insisted, with a psychological basis. In recognizing the “manifestly transcendent” authority of a leader, the follower offers both deference and affection. Although the attribution of transcendence may be irrational, the terms of the exchange are understandable. The follower moves closer to an ideal and becomes socialized into a larger group. Even the notion of radical change can be seen as an element of transactional leadership as the follower willingly adopts the leader’s new model of behavior.

There is no contesting the argument that James MacGregor Burns wrote a magisterial and seminal book on leadership. I am not trying to suggest an equivalency with Downton’s Rebel Leadership. I am urging that his conceptualization of transactional leadership and insistence in the potential for enhancement of mutual interest

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72 Downton, Rebel Leadership, 77.