

The transformational leadership style business essay



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This assignment describes the development and transformation process of State Trading Organization Public limited (Here Onward STO). STO strived to provide to Maldivian market, products ranging from staples (like rice sugar and flour), medicine, quality merchandise, and improved construction material, oil and state-of-the-art consumer goods as well other general trading products. Due to newly established democracy and regulations, innovation imported by FDI and service level challenges STO to fundamentally rethink their business and reformulate their strategies. The nation was growing, and so were the nation's demands.

The organization is established in the year 1964. For four decades STO was known as the market leader. However, it lasted till the industry was opened for foreign and domestic competition in 2005 under economic and political reforms in 2001. Hence, STO foreseeing the competitive and political challenges, the organizing aimed a broader transformation towards becoming a market oriented company.

This paper will cover mainly two sections. Firstly, the paper has studied the company background as the introduction of this assignment. Secondly, it has attempted to understand why change is important for organizations to adopt in today's business environment. Therefore, through highlighting on the external factors such as political, Economical, Social and Technological factors (PEST factors) that are as drivers of change, has been given importance as the literature of the subject. Consequently, the main part of the paper: finding the facts, assessing the findings, discussing and analyzing the situation which will help in understanding the strengths and weakness of

the subject being studied in this assignment was thoroughly evaluated as the primary component of the paper.

In addition, it has given insights into the importance of leadership in bringing changes effectively and explains the opposition and challenges faced by STO. Thus, causing STO to reconsider and reformulate in various business strategies like Leadership, people engagement and change management methods to become customer friendly and improve its image. This assignment will highlight various future challenges awaiting STO and recommendation for actions.

INTRODUCTION

Company Background

The beginning of State Trading Organization Plc, (formerly known as (ATA) Athireege' maafannu Trading Agency) is a registered organization. The roots of State Trading Organization PLC, dates back to(website)

1964 when it was opened to finance the purchasing and importation of essential food items needed for the Maldivian community in bulk. Today STO has sustained this important responsibility to oversee the food security concerns of government and diversified into many other areas of importance such as energy needs of the country which has now become part and parcel of STO's mandate.

Within the framework that includes these two areas, STO has diversified and is also competitively engaged in trading in other areas including Consumer

Electronics, Home appliances, Medicals, Canned foods, Health foods and a range of other high quality products.

This has been achieved by direct procurement and distribution as well as forming joint ventures to effectively trade in areas where STO might have been at disadvantage had STO not been able to do so, while still maintaining a strong hold with the Government as the primary trading partner of choice.

State Trading Organization plc with its subsidiaries, a joint ventures and associates is a nationwide leader in the business sector. It has significant and focused interests in petroleum, construction materials, electronic items, cooking gas, cement, roofing sheets products, home appliances, super markets and insurance. The company is geographically diverse, with operations and developments in Maldives and Singapore.

Diversification is the one of the most important strategies in STO. Therefore STO is entering different business sector like, Tourism, aviation, oil business, construction, agricultural produce and real estate business.

METHOD OF INVESTIGATION

Most of the information about the various strategies utilized by STO to face competitive challenges was acquired through numerous interviews with managers and employees of STO. Other pieces of information were also gathered through the company's website and local media. The websites and publications of the governments numerous ministries and departments are considered the main sources of information on topics related to the government's policies, regulations and laws. Information regarding trade

regulations and policies are taken from the Ministry of Economic
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Developments annual reports, as well as from the statistical reports that they periodically publish online. In addition to these sources several pieces of information were also acquired through STO's annual report of 2011 and the Quarterly report of 2012

LITERATURE REVIEW

The liberalization of Maldives economy and trade regulation has led to market widening , attraction of new foreign investments in well known company's and competition that has led to reduced prices, latest and innovative services, quality products and better customer care. As is suggested by Bortolotti, Bernanrdo, Juliet D'Souza, Marcella Fantini, and DomenicoSiniscalco(2002 cited in SilvioContessi 2004 p. 3)1the infrastructure investment fosters market interaction and competition through three channels – direct market selection, restructuring and entry.

As is the theme of this paper, how leadership and people engagement transformed and restructured STO to a market oriented firm to confront the competition from FDI. However, the liberalization was not fully effective due to the certain exclusivities provided to STO such as Government major share. Recent changes in political platform and FDI regulation STO need to be able to adapt different leadership style like, autocratic, democratic leadership Style and other “ shifting circumstances” and cope with those changes (Moment, 2007)2. “ Every organization needs leaders who can change as fast as market conditions do”

(Newcomb, 2005, p. 34)³. Business needs can change rapidly and employees look to their leaders to guide them through change. Uncertainty in leaders can lead to a lack of faith by employees.

‘ Good leadership is critical to a successful school. Success comes from aiming high with the clear vision, ethos and communication that good leadership brings. We will act to support high quality school leadership and inspired ambitious school communities.’

(Ambitious, Excellent Schools – Our Agenda for Action, Scottish Executive, 2004, p5)⁴

Research into transformational leadership in organizations has found links to improved employee commitment (Barling, webber&Kelloway , 1996)⁵, heightened trust in leadership (Bass B. M., 1990), and stronger connection with the vision (Howell and Shamir, 2005)⁵ and thus alignment of effort with the (change) goal (Shamir, House, &Arthur, November 1993) cited in cited in Sherry Scully 2008)⁵. Based on the research results it could be concluded transformational leadership may be more appropriate for STO undergoing transformation where motivation of employees and commitment to change comes from their intrinsic motivation.

Future leaders and employee engagement will need to be conversant in doing business internationally and conceiving strategies on a global basis. Globalization will intensify the requirement that senior leaders deal effectively with a complex set of constituencies external to the organization. (e. g., responsibility for managing the company’s interface with trade, regulatory, political, and media groups on a wide range of issues).
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Leadership development is rapidly moving to include substantial components involving international markets, world economic trends, and focus on particular regions such as the Asia Pacific rim (Cacioppe, 1998)⁶.

Kotler and Heskett (1992 Cited in RezaGharoieAhangar 2009)⁷ identify successful leaders as those who repeatedly communicate their vision, allow people to challenge these messages and stimulate middle managers to take up the cause and provide leadership themselves, characteristics similar to transformational leadership. Likewise leaders foster an environment for building intellectual, managerial and leadership capabilities. The whole concept of transformational leadership linked with HPW is a process by which leaders and followers raise one another to a higher moral and motivational level Burns (1978 Cited in Reza 2009)⁷. Through this process senior managers share organization's vision to intellectually inspire, stimulate and empower the subordinates. (Bass and Avolio, 1994 cited in Reza 2009)⁷.

4. 0 FACTS, FINDINGS

Political Environment

In year 1964, Maldives was a very peaceful and stable country. After 2008, the market has become volatile characterized with higher degree of uncertainty and complexity due to our political environment and reform movement. On average new regulations and laws are passed and enacted every month.

Along with the democratization process came various legal changes to the economy including the introduction and changes to several laws and regulations, notably, the business profitability tax, Good and service tax,

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Tourism Tax, Tourism Land Rent, Bank Profit Tax, Duty Free Royalty, Foreign Investment Royalty, Fuel Re-Export Royalty and re-export tax directly influencing the STO business. The fact was highlighted in the STO Annual Report (2011 p. 3) as a risk.

The newly elected president in 2008 resigned half way through his term and claimed he resigned duress. Many believe it's a coup. Therefore, our political environment is at very high risk. This volatile and serious political environment is affecting each and every business of this country.

The political situation influenced the business strategies of STO. Hence, most of the decisions were politically driven instead of the business motive.

Economical:

Global recession hit badly along with the rising fuel prices. It had adversely affected the company in two ways. Firstly, recession has led to fall in income, so consumers are spending less on Home improvement items (like Electronics, kitchen appliance) resulting in decrease sales and increasing storage cost and thus in the drop in company profitability.

The unexpected plunge in exchange rate of Rufiyaa against US Dollar, coupled with the continuing problem of foreign exchange shortages caused major impact on the business performance. This was highlighted in the STO annual report (2011 p. 7 MD's Message). The depreciation of the Maldivian Currency (Rufiyaa) following the introduction of the exchange rate band in April 2011.

Shortage of foreign currency reserve (US Dollar) is affecting STO's business. Because STO is importing most of the items from Singapore, Japan, Dubai and chain.

Due to the change in government in 2008, changes to the trade policy and the implementation of new tax laws and regulation brought many challenges to STO in terms of foreign currency transactions.

Social:

Image of the company:

Over the past few decades STO has been one of most leading and reputed company in Maldives (price and Quality). Due to recent changes in political and economic environment, STO is facing many challenges to maintain its reputation.

STO is participated and contributed to a number of social activities that are designed to positively contribute to our socio-economic development and towards protecting our natural environment. These activities are in line with the company policy of being an exemplary leader in corporate social responsibility.(annual report 2011p. 07)

Due to the extensive government intervention on STO's business decisions, STO's reputation and image are affected

According to daily newspaper (Haveeru daily) STO is engaging in corruption and fraudulent trading in Singapore. This created bad publicity and tainted the image of the company.

Technology:

STO understands the importance of developing its technology infrastructure and considers continuous changes in business environment and advancement in technology. In line with this, STO management team decided and implemented the Enterprise Resource Planning (ERP) to improve productivity, reducing operational cost and improving internal control and monitoring. This system provides day-to-day information to make decisions which will facilitate to transform the future of STO and employee engagement. STO has implemented the human resources module of the ERP system, which will facilitate more efficient management of payroll and other staff related matters(Annual Report 2011 p. 07).

EFFECTIVELY

An organization cannot run without proper vision and guidance of a leader. In today's changing world the role of leadership is even more essential, to show direction towards change, convince employees and finally to set a strong foundation to successfully carrying out change. Faced with Political, Economical and Foreign competition, STO underwent recent changes where by its major strategies were rethought strengthening the whole strategic process through integration, bundling, Diversifying and focusing new industries like, Tourism and Real estate (Annual Report 2011, p. 25) . STO's major shareholder – the government as well as shareholders have to evolve and transform with the changes to the business environment to achieve a successful future for STO. Hence, the following part gives insight into the topic precisely.

Transformational leadership style

Developing vision

After these major changes in business environment, STO is moving forward to achieve its vision. STO had a vision to become the most successful and the most efficient parent company (of a diversified group of subsidiaries) in the Maldives by the year 2014. Investing on tourism, real estate and aviation (Annual Report 2011, p. 25) would allow STO to achieve its corporate goals. Therefore, it has to be noted that STO's vision is in accordance with one of the cores of transformational leadership.

Finding the way deal with this dramatic changes

STO's Board and Management team has charismatic personality which drives people to believe in leadership and that can influence people about change like how it is embedded into STO's slogan " evolving with". Thus, a charismatic leader like the newly appointed Chairman and directors (appointed 2012) has used their personality leadership style to enhance the business by setting clear values and supportive culture for the employees as well as for the company. Due to major changes in political environment and the economy in Maldives, leaders must confront and take bold steps rather than being in the background even after changes in order to set an example for others and to ensure long term success of change plan as the external environment is very uncertain.

HUMAN RESOURCE AS STRATEGIC ASSET

STO promotes itself as employees are the most important asset in the organization with HR best practices. To promote HR strategy, implement the human resources module of the ERP system, which will facilitate more efficient management of payroll and other staff related matters. Among these STO has stated its HR strategy as follows:

Selective hiring , retention and extensive development of employees

STO promotes itself as an employee's brand and this perception by the public has given STO distinctive benefits in terms of better attraction of necessary and new skills, employee retention and engagement making it easy for STO selective hiring and retention. STO strives to attract and retain a productive and an enthusiastic workforce. The Company ensures its remuneration packages are competitive. In order to motivate staff to attain higher levels of productivity, employees are given an incentive bonus of 3% of the net profit for the year if the company exceeds its annual profit targets(Annual Report 2011, p. 27)

Recognizing Employees commitment

STO is able to create commitment among their employees. STO realizes that commitment is ultimately personal. To recognize employees hard work, shields of appreciation are given to those who serve more than 15 years and best employees (Annual Report 2011, p. 27).

Training and development of Employees

Oakland, CA – January 16, 2012 – Bersin& Associates, the premier research and consulting firm empowering Human Resource (HR) organizations to drive bottom-line impact, today announced new research that shows spending on employee development rose 9.5 percent to an average of \$800 per learner in 2011, as organizations moved to combat the current skills gap in the labor market. During the year, STO conducted many short-term training programs, and provided career deployment opportunities to its employees' in many different professional areas (Annual Report 2011, p. 27).

Employees engagement

Most of the organizations are facing new challenges due to development of social media such as twitter and face book. Organizations need to have employee's engagement strategy to overcome the challenges. Employee engagement plays a vital role in motivating the performance levels of the workforce. A motivated employee will seek out ways to accomplish a task.

Employee engagement illustrates the commitment and energy that employees bring to work and is a key indicator of their involvement and dedication to the organization. Employees who are engaged are more productive, content and more likely to be loyal to an organization. When organizations put sound HR practices in place, they are more likely to discover that employees feel satisfied, safe and will work to their full potential. Therefore STO recognizing, values, support, feeling in different situation like, providing financial support through staff loan, discounts and awarding long service staff every year.

Striving to attract and retain a productive and an enthusiastic workforce, STO recreation club (STORC) conducts many sport events to help foster camaraderie and team spirit among staffs.(Annual Report 2011, p. 28).

Performance management

According to the University of California, Berkeley is committed to a performance management system that fosters and rewards excellent performance. Effective performance management aligns the efforts of supervisors and employees with departmental and campus goals, promotes consistency in performance assessment, motivates all employees to perform at their best, and is conducted with fairness and transparency. (Cited in <http://hrweb.berkeley.edu/performance-management>). STO has also been taking measures to evaluate and manage the performance of both individual employees and departments through performance auditing on HR and also through a performance evaluation at the end of every financial year.

HPW and Employee Engagement

STO is adopting high performance working practices through SAP ERP system. The system helps to align a complex set of organizational elements including Strategy, vision, Mission, and goal, management practice, organizational structure, work practices and process human resource and other systems such as technology. Continuous high performance work systems have been cited by STO and the company is now transitioning to a high performance working system. This will require the development of a strong communication system and organizational restructuring.

CONCLUSION

Transforming whole business environment in Maldives (PEST) factors are affecting STO business. Domestic and international competition STO has managed to retain its market position.

As new challenges emerge the change process will be an ongoing process to maintain market position. As now STO has completely lost its remaining exclusivities it will face new challenges from Multinational chain like (ACE hardware) over retaining customers. Excellent HR practices and efforts retain existing employees as well as new.

To tackle the future challenges STO is developing its human resource, redesigning organizational structure, using latest technology and innovative software to efficiency and effectiveness of its operation. To achieve organization mission and vision, STO is adopting high performance working practices, increasing employee engagement, review STO pay package and career development opportunities.

Furthermore investing eco-friendly products and engaging CSR to transform the future challenges. Therefore STO come to a decision to diversify its business into different area like, aviation, real estate business and tourism industry to improve its financial performance. This will attract more investors and shareholders as well as all stakeholders. So this strategy will bring more opportunities to the business as well as public in future.

RECOMMENDATION

Dynamic and complex business and Political environment STO is facing many challenges as well as opportunities in future. Therefore STO needs to be more proactive to these changes, which can be perceived by the knowledgeable among the corporate:

Even though STO is government owned company (Major Shareholders), too much of government influence and political motive decision may not be business and profit oriented. It should be balanced in terms of politics and profit or business.

As STO faces new challenges due to implementing EPR system, lack of trained employees. Therefore STO need to Investing in training programs helps employees develop personally and professionally to adopt this incremental changes in its processes and operation especially the way HR works, good and services are delivered to the end customer for this transformational change alone will not do.

STO need to implement more monitoring and control mechanism to employee recruitment, Conflict resolution at workplace.

STO need to developed HR Policies and procedures and communicate the values of its organization and provide everyone fair and transparent promotion and rewarding system.

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NortheasternUniversity College of Business Administration

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Effectiveness and Employee Satisfaction

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Employee-engagement—maximizing-organizational-performance

PERSONAL EXPERIENCE

Throughout the work for this Assignment, I have learned how organizations operate and the challenges they face. I understood from this work that, regardless of how smooth and successful an organization is, changing and adopting leadership style are always needed. It may be in the target market, management, human resource or technology used by the organisation.

For these reasons, if handled carefully with the right tools, change can be smooth and successful.

I ' m confident, that I will be able to apply the techniques that I have learned from this work in all stages of my career.