

“Fueled by Ambition”: A Case Study of Transformational vs. Transactional Leadership in Action

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Abstract. The purpose of this case is to facilitate the learning, reflection, and discussion of the characteristics of Transformational and Transactional Leadership in the context of two significant and real leadership scenarios. More specifically, this case describes the leadership styles and decisions made by two CEOs in the automotive industry, Mary Barra of General Motors, and Martin Winterkorn of Volkswagen. Both leaders with ambition and a vision for the future of their companies, the case provides details not only on the different strategic directions provided by Mary Barra and Martin Winterkorn, but also describes how their leadership styles and decisions guided their organizations to very different outcomes. Both seeking to position their automotive company as a global leader, Mary Barra pursued a strategy focused on electric vehicles, while Martin Winterkorn’s strategy was based in diesel technology. However, the key analytical difference in the case lies not in technology, but in the leadership approach. Using these examples, the reader can learn, analyse and discuss the characteristics of Transformational and Transactional Leadership in the context of specific and real leadership scenarios and better understand how they can work with a variety of leaders with varying leadership styles.

Keywords: leadership, transformational leadership, transactional leadership.

1. Introduction

Most working professionals, regardless of industry or geography, will work for different managers with differing leadership styles over the course of a career. Leaders can be successful using nearly any leadership style, and understanding how one’s leadership style affects others and the organization is crucial. In his classic works on leadership, Bass (1990) conceptualized two forms of leadership: *transactional* which can be described as a quid pro quo approach. and *transformational* with can be described as developmental and self-directed. Prior to this and in a related vein, Situational Leadership Theory (Hershey, P. & Blanchard K. 1972 & 1982; Blanchard, K., Zigarmi, P., & Zigarmi, D. 1985) identified four distinct styles of supervision based on the maturity (commitment and competence) of subordinates:

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1. “*telling*”, most appropriate for subordinates of very low maturity.
2. “*selling*”, most appropriate for subordinates of moderately low maturity.
3. “*participating*”, most appropriate for subordinates of moderately high maturity.
4. “*delegating*”, most appropriate for subordinates of very high maturity.

An optimal approach to leadership is one in which the supervisor creates an environment that fosters and promotes higher levels of maturity and self-direction for subordinates.

The following vignettes provide examples of two high-profile leaders in the same industry who exemplify different leadership styles. These leaders shared the same goal: to become the global leader in the automotive industry. But while Mary Barra, chief executive officers of General Motors (GM), and Martin Winterkorn, former chairman of the board of management of Volkswagen AG, shared the same vision, their strategies and leadership styles were quite different. Barra’s vision for the future of General Motors was based on growth in the electric vehicle market, while Winterkorn’s vision was based on growth in diesel automobile sales. Barra and Winterkorn also had different leadership styles, which contributed to very different outcomes for their organizations and legacies as CEOs. Both Barra and Winterkorn served as their respective corporation’s CEOs during high-profile crisis situations, Barra was at the helm of GM when it was discovered that faulty equipment led to car malfunctions and caused the death of at least 100 people. Winterkorn was the CEO of VM during the company’s emission scandals.

Do Mary Barra and Martin Winterkorn express the characteristics of Transformational or Transactional Leadership? What impact does each person’s leadership style have on their organization for better or for worse?

2. Mary Barra, Chairman and CEO, General Motors

General Motors (GM) is one of the longest standing and most iconic brands in the automotive industry. For more than 100 years, GM has designed, manufactured and sold cars, trucks and automobile parts, with a current portfolio of major American brands including Buick, Cadillac, Chevrolet and GMC, as well a less well-known international brands such as Holden, Baojun, and Wuling. In addition to these brands sold by General Motors North America (GMNA) and General Motors International (GMI), GM provides financing services through General Motors Financial Company, Inc. (GM Financial). GM’s most recent endeavor,

Cruise, is responsible for the research development and eventual commercialization of autonomous vehicle technology. With 2019 revenue of \$137,237 (reported in millions), and vehicle sales totaling more than 7.7 million worldwide, including 3.3 million in North America, 3.6 million in Asia/Pacific, Middle East and Africa, and 669 thousand in South America, GM has established itself and continues to be worldwide leader in the automotive industry (General Motors Company, 2019).

Barra was promoted to CEO of GM in 2014, making her the first female CEO of a so-called “Big Three” automaker. The daughter of a 39-year GM die maker, Barra began her more than 40-year career at GM as an 18-year-old intern, eventually serving as Executive Vice President of Global product development, as well as the Purchasing and Supply Chain. Her leadership is not limited to GM, as she was elected to the board of Disney garnering the dedicated support from Disney’s Chairman former CEO, Robert Iger.

Barra’s tenure at GM is marked, in part, by her stated commitment to equity and inclusive practices. In June 2020, GM pledged to become the most inclusive company in the world. Under Barra’s leadership GM established policies and developed programs to achieve greater gender equality and diverse representation. Barra moved swiftly to communicate GM’s intolerance of racism and injustice following the homicide of George Floyd in Minneapolis, Minnesota, USA. She was quoted as saying, “Let’s stop asking ‘why’ and start asking ‘what.’ What are we going to do?” (General Motors Company 2021).

Barra was ambitious. For example, she orchestrated the launch of the Chevrolet Bolt EV, which boasted a battery that outlasted Tesla’s fuel cell technology. “We are all-in to establish leadership in electric vehicles. ... E.V.s are core to growing our business and creating shareholder value.” (Boudette 2021). In support of this initiative, Barra gave a presentation to CES (formerly known as the Consumer Electronics Show) in 2020 in which she revealed plans for Bright Drop, a commercial truck business that will sell plug-in freight trucks and fleet management software systems. GM’s four major brands – Buick, Cadillac, Chevrolet and GMC – would offer more EV options (Welch 2021).

Barra led GM through the so-called ‘switchgate crisis’ in which faulty ignitions on GM cars resulted in more than 100 deaths. In response, Barra recalled vehicles, testified before Congress, and fired employees who were implicated in “switchgate”. Barra instituted the “speak for safety program”, which encouraged GM employees to report issues without fear of punishment (Ann 2019).

Some who have worked with Barra describe her as a democratic leader who gives subordinates and peers freedom to speak their minds, thereby facilitating communication among all organizational levels (Ann 2019). In explaining why she believed she has been a successful leader at a Wharton People Analytics Conference Barra said: “really focusing on engaging with people, and making sure you do win their hearts and minds...and how you empower them, I think has been key.”

When describing the responsibilities of a modern-day leader, Barra said:

“As leaders, we have an obligation to act responsibly and courageously for people and the planet, because our actions have long-term effects on the generations that come after us. It means creating workplaces where every employee is empowered to contribute to his or her full potential. It means working to improve the communities where we live and work by” (Ann 2019).

Barra ranks as one of the longest-serving and most successful CEOs of GM. Alfred Sloan, who served for 33 years as GM’s CEO and assembled a portfolio of brands that provided “a car for every purse and purpose.” After Sloan, GM has been led by 13 GM CEOs who have served an average of five years each. The most significant CEO tenure following Alfred Sloan prior to Barra was arguably Rick Wagoner who guided GM through the bankruptcy during the United States’ Great Recession of 2008-2009 (Buss 2021).

Barra’s legacy as CEO includes:

- Setting a goal of phasing out all gasoline and diesel-powered light vehicle production by 2035.
- Forming a GM board of directors with majority female membership.
- Driving GM’s No Gender Pay Gap initiative.
- Developing GM’s own Ultium battery.
- Revamping and repositioning Cadillac’s position in the luxury automotive marketplace.

3. Martin Winterkorn, Chairman and CEO, Volkswagen

While not quite as longstanding as GM, Volkswagen AG (VW) is also a global icon in the automotive industry that designs, builds, and sells a wide range of automobiles falling under a dozen brands including Volkswagen, Audi, Seat, Skoda, Bentley, Bugatti, Lamborghini, Porsche, Ducati, Volkswagen Commercial Vehicles, and Man. Like GM, there is also Volkswagen Financial Services, as well as Volkswagen Group Components. In addition, Volkswagen’s most recent initiatives include the urban mobility company MOIA and the commercial vehicle company Traton Group (Volkswagen Auto Group 2021). In 2019, Volkswagen AG delivered 10,974,636 vehicles worldwide and generated €252.6 billion (\$283.4 billion). In comparison to GM, VW has a larger scope of brands and achieves a larger scale of production and sales revenue. The kind of