Table of Contents

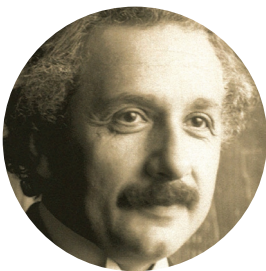# Background to transformational leadership

HERMAN RUTGERS

1.1   Introduction

The covid pandemic and resulting forced closures of fitness facilities during 2020 and 2021, had a significant impact on the sector, and the aftermath is still felt in 2022 and into 2023. If the pandemic was not bad enough, in February 2022, the world was confronted with a devastating war in Ukraine, and subsequently an energy crisis, high inflation and a looming recession.

Fitness operators had to deal with many challenges such as soaring energy and staffing costs, difficulty in finding qualified staff, post-pandemic changed consumer attitudes, increased demands in digitalisation, investments for a greener planet, pricing/margin pressures, etc. Some people called it a 'perfect storm'…. and as a result of all these forces, business leaders had to deal with many challenges and all at the same time.

If ever there was a time when 'business as usual' will not work, it is now. A new and different approach on many fronts is needed, with strong inspirational leadership. And that is where the concept of transformational leadership comes in.

We need this style of leadership in order to survive the current crises and to continue to grow and prosper in our sector in order to achieve the industry goal of 100 million members by 2030, which was made by EuropeActive at the end of the last decade.

'Insanity is doing the same thing over and over again, but expecting different results'   **Albert Einstein**

1.2   What is it?

The concept of transformational leadership has changed since its creation by James V. Downton in 1973, especially after books on the subject were published by James McGregor Burns (1978) and the researcher Bernard M. Bass (1985).

It centres around the idea that a leader and their team can come up with a long-term vision for the organisation, pinpoints the challenges of achieving it, set aside tools and funding to deal with these challenges, and inspires the people around them to make it happen in a way that benefits themselves too.

Transformational leadership is an approach in which a leader inspires and motivates team members to create positive changes within their organisation. This leadership style can increase group morale, lead to rapid innovation, improve conflict resolution, decrease turnover and foster a sense of ownership amongst a team. All of these traits make transformational leadership a good fit for many types of business, including health and fitness.

> 'If you want something new, you have to stop doing something old'
> **Peter F. Drucker**

Transformational leadership is distinctly different from transactional leadership. The transformational leader is reform-minded but not a revolutionary, whereas the transactional leader interrogates and seeks to disrupt that which is taken for granted. Transformational leadership focuses on improving organisational qualities, dimensions, and effectiveness. It can inspire positive changes in those who follow. Transformational leaders are generally energetic, enthusiastic, and passionate. Not only are these leaders concerned and involved in the process, but they are also focused on helping every member of the group succeed as well.

1.3   A closer look at transformational leadership

Bass (1985) also suggested that there are four different components of transformational leadership, also referred to as the 4 I's:

1. **Intellectual stimulation**
    Transformational leaders not only challenge the status quo; they also encourage creativity among followers. The leader encourages followers to explore new ways of doing things and new opportunities to learn.

2. **Individualised consideration**
    Transformational leadership also involves offering support and encouragement to individual followers. In order to foster supportive relationships, transformational leaders keep lines of communication open so that followers feel free to share ideas and so that leaders can offer direct recognition of the unique contributions of each follower.

3. **Inspirational motivation**
    Transformational leaders have a clear vision that they are able to articulate to followers. These leaders are also able to help followers experience the same passion and motivation to fulfil these goals.

4. **Idealised influence**
    The transformational leader serves as a role model for followers. Because followers trust and respect their leader, they emulate this individual and internalise his or her ideals.

So what are some typical signs of a transformational leader? Groups led by this type of leader tend to be both successful and loyal. They give a lot to the team and care deeply about the group's ability to accomplish its goals. Turnover tends to be quite low as transformational leaders are able to inspire a great deal of commitment in their followers.

In their classic text, *Transformational Leadership*, authors Bass and Riggio (1985) explained:
'Transformational leaders ... are those who stimulate and inspire followers to both achieve extraordinary outcomes and, in the process, develop their own leadership capacity. Transformational leaders help followers grow and develop into leaders by responding to individual followers' needs by empowering them and by aligning the objectives and goals of the individual followers, the leader, the group, and the larger organisation.'

'Research evidence clearly shows that groups led by transformational leaders have higher levels of performance and satisfaction than groups led by other types of leaders,' explained psychologist and leadership expert Ronald E. Riggio in his book (1985). The reason, he suggests, is that transformational leaders believe that their followers can do their best, leading members of the group to feel inspired and empowered.

What can you do to become a more transformational leader? Leadership experts suggest that having a strong, positive vision of the future plays a critical role. Not only is it important to believe in this vision yourself; you've also got to inspire others to buy into your vision as well.

The broadening definition of fitness and wellbeing

OLGA OSTROMECKA-KRAWCZYK
ERIC FALARDEAU
SANDRA WELCHERING

2.1 Introduction

The fitness industry is on the move. After decades of viewing fitness through the lens of relatively discrete activities such as aerobics and CrossFit, people increasingly understand the holistic impact and importance of nutrition, sleep, recovery, and mindfulness in the pursuit of their goals. Those goals may be specific—such as running a marathon—or more holistic, such as living a happier life.

This has spurred a lot of innovation and made it more complex for consumers to choose what best meets their needs. The sector is dynamic, and opportunities exist, but it's important for leaders to understand the dimensions of wellness that are driving demand and to find their point of competitive differentiation.

2.2 A broader perspective on fitness

Physical activity has always been at the core of fitness, and it still is. But consumers' end goals require solutions that go beyond physical fitness, including from living longer, healthier lives to simply looking and feeling better. Fitness is a priority across markets we have surveyed in recent research. In Europe, fitness is a priority for 32% of people in Germany and the United Kingdom and is growing in importance for another 16% (McKinsey, 2022, Future of Wellness Survey).

Six dimensions of wellness

McKinsey research shows that consumers understand wellness across six dimensions, each comprising multiple products and services:

1. Health: over-the-counter medicine, vitamins, and personal hygiene
2. Fitness: fitness clubs, studios, at-home fitness equipment, and fitness wearables.
3. Nutrition: diet programmes, subscription food services, nutrition apps, and juice cleanses.
4. Appearance: skin care, dermatological cosmetics, hair care, and salon services.
5. Mindfulness: counselling or therapy, meditation studios, and mindfulness apps.
6. Sleep: sleep supplements, app-enabled sleep trackers, and other sleep-enhancing products.

The lines between these six dimensions are not always clear to consumers. They increasingly regard physical and mental well-being as indivisible, and consciously prioritize behaviour that promotes holistic self-care. As a result, products and services are often complementary and span multiple wellness dimensions where, for example, a mobile app may have modules for fitness, mindfulness, and nutrition, as retailers are increasingly expanding into digital fitness.

Another trend that can be observed among a rapidly growing number of consumers is the adoption of hybrid fitness routines—that is, consumers vary the location and nature of their activities. McKinsey found that people in the US following hybrid fitness routines tend to be 3.5 times more likely to report improvement in their wellness and 2.3 times more likely to prioritize wellness (McKinsey, 2022, Future of Wellness Survey).

The bottom line? Innovation is paying off at the sector level and helping drive growth. The main competitor for the sector continues to be the couch, but innovation is helping people adhere to routines better than they were able to before. This is well deserved and great news.

2.3 How people spend on wellness

The pace of innovation in the wellness sector is accelerating, especially as technology continues to advance. While European consumers still allocate most of their wellness spending (69%) to more traditional products such as sportswear and fitness equipment, 26% of spending goes toward services, and 5% is devoted to apps (ibid). Consumers plan to increase spending on services and apps during the next year, especially as app-based innovation continues and can increasingly meet consumers' wellness needs.

Consumers across Europe and the United States still devote their highest average annual wellness spending to fitness, with significantly less going to other wellness dimensions such as mindfulness, sleep, and health. Fitness operators that expand their offerings to provide more products and services in these areas could tap additional revenue pools while leveraging the broadening definition of fitness and well-being.

US consumers generally spend more on wellness than Europeans, especially in nutrition, sleep, and mindfulness.

Average purchase amount for products and services per category over the past year,[1]
% of total wellness spend[2]
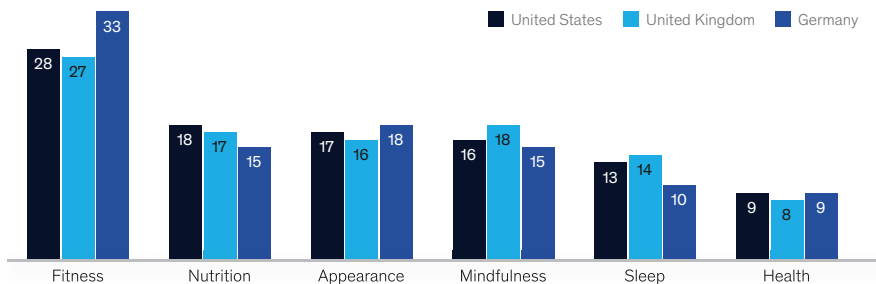
[1]Average across all products in each category.
[2]Question: "Approximately how much money have you spent on each of the following in the past 12 months?"
Source: McKinsey Future of Wellness Survey, April 2022

Figure 2.1: Average purchase amount for product and services per category over the past year. (Source: Mercer report, 2022).

The wellness market is increasingly competitive, but opportunities remain

As consumers have expanded their view of fitness to incorporate dimensions of wellness, the number of products and services devoted to the space has led to an increasingly crowded market. By some estimates, investment in digital-health start-ups reached a record high of about $29 billion in 2021, compared with about $15 billion the previous year (Evans et al., 2022). In the space of digital and connected fitness—a hotbed of innovation for both home-based and wearable devices—a total of around $3.4 billion was raised in 2021, up from $1.98 billion in 2020 and $1.09 billion in 2019 (SportsTechX, 2020 and 2022).

Even amid this rapid growth and the sheer number of wellness products and services now available, consumers remain excited about the space and eager to experiment. Some 54% of global consumers love to follow and try out new wellness trends, whether those are products, ingredients (such as so-called superfoods), or new technology to improve their health (NielsenIQ, 2021). The complexity of the fitness industry itself also presents an opportunity. Companies have an imperative to make life simple for consumers by clearly understanding their primary role and competitive differentiation and clearly communicating that value proposition to consumers.

Companies still have room to innovate more, because many consumers say the market is not yet meeting their wellness needs. Across geographies, 32% of consumers on average say they want additional fitness products and services that would better fulfil their needs, and for mindfulness and sleep, an average of 38% of consumers do not feel their needs are fulfilled (McKinsey, 2022, Future of Wellness Survey).

3.5 From firefighters to value creators – case study

'Why do you think a change in structure is necessary?' the leadership team of a large corporate company was asked during their weekly meeting. 'Well', one of the directors answered, 'our current structure is too complicated. Teams get their work from several stakeholders, who always believe their request is urgent. These requests are often not aligned with us, the leadership team. As a result, the backlog of teams is overflowing with urgent and ad hoc work. They get stuck and come to me or my peers to help them fight the fire.'

'Next to this', one of his colleagues mentions, 'I think it's also not clear why we work on certain, more regular topics. Are they really of value and to whom?' One of the other team members nods and adds, 'I think that we still work in silos and are not aware of what we all have in common. Maybe we are reinventing the wheel over and over again, without even knowing it.' After a profound discussion the team realised that they as leaders, had to change the way they work, and lead the department as well. Simply changing the structure would probably not help them to step out of their firefighter role.

From purpose to value
The team decided to start with transforming themselves first, which might sound contradictory, as they aimed for a people-centric approach. Circling back towards the challenges organisations experience during their journey towards business agility, resistance to change and leadership are the #2 themes to work on. This team concluded that they knew how to manage situations, but not how to lead change. They were not even sure if they were a true leadership team, but maybe more like a group of managers with different agendas in mind. They wanted to better understand their WHY and kicked their journey off with a purpose finding session.

4-step approach

A purpose does not magically appear in one day. It takes time and effort from everyone in the organisation, department, or team. This team decided to make use of Twinxter's 4-step approach (Hofmeester, 2021). A creative approach in which employees, leaders and stakeholders are involved as well. The steps to take are the same whether you are a large or small organisation, a department or team.
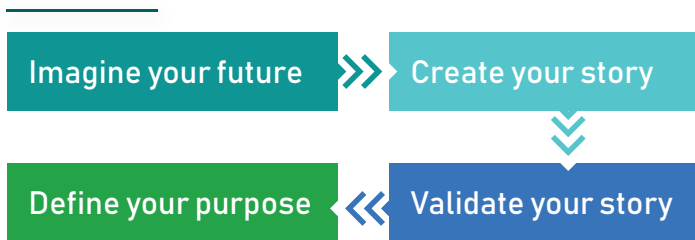
Imagine your future	⟫	Create your story
Define your purpose	⟪	Validate your story

Figure 3.4: Twinxter 4-step approach (Source: Purpose Driven People, Hofmeester, 2021).

1. Imagine your future

Yuval Harari wrote in his book Sapiens that imagination is humans' strongest trait (Harari, 2015). It brought us where we are today and will bring us to the future.

The team kicked off imagining their future organisation within 3 years from today. Without actively doing something yet, they were asked to step into that future and imagine what their organisation would look like. They were asked questions related to the cultural, technical, and physical environment, as described by Morgan (2019).

With this picture in their mind, each team member drew the aspired future individually. Then they discussed the individual views one by one and created one, shared future vision based on all the individual pictures. This way of visualizing and communicating helped them to understand each other's perspectives, to create a common understanding of what they value and what value they, together as a team and as a company, wanted to deliver to others.

2. Create your story

Afterwards, the team was so excited that they immediately wanted to share their future vision with the rest of the organisation. But we all know what happens if you tell a story to 10 different people… So, they started to write their shared story. For this they used the Pixar story telling technique of Daniel Pink's *This is how to pitch your idea like a Pixar Producer*. Because, after all, who can be more amazing at story telling than Disney? By doing so, they noticed that they still had some gaps to fill, but first things first. This was the start of their future journey, and they were curious what the employees would think of it.

3. Validate your story

Time to invite people, share their story, and collect feedback. With small teasers and recordings, the team inspired employees to join the validation session and to help craft their future together. This validation existed of demos in several different formats. In small groups the leaders explained their thoughts and participants gave their feedback or added what they missed and would like to see added. They build on the initial thoughts of their leaders. Even better, employees volunteered to help improve the story and become ambassadors of this future movement.

4. Define your purpose

The leadership team also wanted to fill in the gaps as defining their purpose related not only to the future, but to the past as well. They have dived into the roots of the organisation and identified their so-called crucibles, impactful moments. They used crowdsourcing and design-thinking techniques to identify and validate their aspired values, and principles. Meanwhile, they also analyzed their organisation's current situation, and which challenges they had to overcome. In feedback loops they collected input from everybody in the organisation, which led towards multiple, common strategic themes and an overview of what to work on first. After these steps, it was time to move to the next level and to finalise their purpose.

There is still a lot of confusion about what a purpose entails and at the same time there is a lot of greenwashing, which basically means that the company's purpose is just there for show. A purpose is not just a slogan

on the wall, and it also has nothing to do with a number, like increasing profit or opening the next shop. It's a belief that reflects all of the above in a short inspiring and ambitious sentence and has everything to do with your identity and the promise you make to employees, customers, stakeholders, society, and the planet.

When you are finished with creating your purpose, you can try to check it against these principles:

• Is there a promise and to whom?
• Is it ambitious enough?
• Does it contain a dream that you will probably never reach?
• Is it inspiring? To whom?
• How will the world be different when you live your future?
• What added value do you bring to customers, employees, society?

Some well-constructed purpose examples:

• *Walt Disney*:
  'We create happiness by providing the finest in entertainment for people of all ages everywhere.'
• *Patagonia*:
  'We're in business to save our home planet.'
• *BasicFit*:
  'We believe that everyone deserves to be fit and feel great. We are on a mission to make fitness accessible to everyone and get people to love their fitness habits.'
• *Roche*:
  'Doing now what patients need next.'

Benefits of working with this 4-step approach

As you will have noticed, the organisation started to leverage the collective intelligence of their organisation. This helped the leadership team in multiple ways, such as:

• Gain a better understanding of the ideas and perspectives of employees.
• Create a commonly understood company story.
• Raise awareness for the need of change and how to realise this change.
• Increased engagement among employees and customers.
• Commitment and alignment in the leadership team.
• First steps towards value driven strategy, based on a connected purpose, mission, vision and strategy.

3.6 Empower your organisation to execute

'We are trying to become more agile and empower people in our organisation, but somehow, they don't grasp it. What should we do?' A question often asked by leaders in organisations.

There is a thin line between power and empowerment. Empowerment has to do with delegating, participating, autonomy, responsibility, and having a choice. Whereas power is mostly relating to a person, organisation or country that has control over others. Here also lies the complexity in the matter. Organisations that want to shift towards a more agile way of working traditionally have a hierarchical structure with processes and leadership system based on command and controlling mechanisms. Agile organisations on the other hand, aim for aligned autonomy and a leadership system based on trust.