



A STUDY AND REVIEW ON LEADERSHIP STYLES - TRANSACTIONAL AND EXPLORING TRANSFORMATIONAL

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ABSTRACT:

Transformational leadership is distinguished from transactional leadership in that it aims at innovation, while the latter is focused on planning and execution. This leadership tends to improve the team's morale and motivates the team members. In summation, a transformational leader is able to motivate his followers, to strive for excellence without the use of power or authority, by inspiring them through his passion and deep thinking. In contrast with a transformational leader, a transactional leader accomplishes goals by rewarding employees who meet expectations. These rewards come in the form of recognition, pay increases, and advancement. In this paper attempted to demonstrate that transformation style of leadership is far more effective than transactional leadership

Tags: Leadership Development, Linking HR Strategy to Business Strategy

1.0 INTRODUCTION

Transactional leadership is a style of leadership that focuses on the transactions between leaders and their followers (Bass, 1990). Transformational leadership, on the other hand, is a leadership approach that causes change in individuals (Bass, 1990). This paper examines both transformational and transactional leadership styles individually then examines how both of these styles exploit reward power and – by making reference to, and providing evidence from, existing literature - will argue that transformational leadership is more effective.

1.1 Transformational Leadership

Transformational leadership is distinguished from transactional leadership in that it aims at innovation, while the latter is focused on planning and execution. Furthermore, transactional leadership focuses on rewards and punishments in order to achieve goals. These characteristics suggest that transformational leadership strives to create new opportunities for employees in an organization, whereas transactional style works off of an existing structure (Tucker, Georgia, Russell, College, and Emory, 2004). Another distinguishing feature between the two styles is that transformational leadership aims at motivating people while transactional leadership focuses on the use of manipulation of power and authority (Tucker, et al, 2004). The intrinsic characteristics of transformational leaders, as described by Dixon (1998), are the main drivers behind effective behaviours. Dixon's study revealed that a leader's behaviour is influenced by four factors: self confidence, integrity, honesty, and personal values. The primary driving force behind effective performance is the leader's ability to connect his or her life experiences with transformational behaviours. Once such connection is established, it leads to external transformation, resulting in organizational transformation. For example, when a leader starts to believe that his work can make a difference; his intentions transcend beyond personal motives and are geared towards the greater good. Schuster (1994) states that transformational leadership appeals to higher motivation, while improving the quality of life for the members of an organization. Transactional leadership, conversely, is considered "at best a networking of power" (p 103). Transformational leaders

are able to exercise influence in two primary areas, which appeal to the mind and the heart: 1) deep thinking and 2) empathy (Schuster). Using these influences, a transformational leader is able to motivate followers to act on their own behalf and for the needs of others. In transformational leadership, the leader empathizes with the developmental needs of his/her followers. According to Jung, Yammarino and Lee (2009), transformational leaders are good mentors and provide coaching to their followers. Transformational leadership focuses on people (Burke, Stagl, Klein, Goodwin, Salas and Halpin, 2006). Bass (1990) explains that such leadership motivates in followers; it moves people beyond self-interests and allows them to focus on the good of the group or society (Stewart, 2006). Transformational leaders are able to articulate an appealing vision of the future by communicating ideologies and leading through example. This leadership tends to improve the team's morale and motivates the team members (Stewart). In summation, a transformational leader is able to motivate his followers, to strive for excellence without the use of power or authority, by inspiring them through his passion and deep thinking.

1.2 Transactional Leadership

In contrast with a transformational leader, a transactional leader accomplishes goals by rewarding employees who meet expectations (Bass, 1990). These rewards come in the form of recognition, pay increases, and advancement. Employees who fail to perform per expectations, however, are penalized. Such transactions or exchanges – the promise of reward for good performance, and discipline for poor performance – characterize effective transactional leadership (Bass, Avolio, Jung and Berson, 2003). Hence, transactional leadership becomes less appealing and appears mediocre when the leader relies heavily on passive management by exception. Management by exception is, "when leaders transact with followers by focusing on mistakes, delaying decisions, or avoiding intervening until something has gone wrong, or rewards focused on recognizing the work accomplished" (Howell & Avolio, p. 892). This implies that the leader only interacts with his followers when expectations are not met and standards and procedures not followed (Bass, 1990). Since transactional leadership is based on a system of rewards and penalties, it does not offer much in terms of inspiration, to motivate people to go beyond the basics. Given this fact, the followers of transactional leaders might get complacent and develop a tendency to achieve minimal expectations only that would help them avoid penalties (Bass, 1990). Thus, the leader and the follower are in an agreement on what the follower would receive upon achieving the negotiated level of performance (Bass, 1990). The success of such leadership depends on the level of satisfaction the leader and followers have in following this system of performance based appraisals (Bass, 1990). A study conducted by Howell and Avolio (1993) confirms that contingent reward leadership has a negative impact on the followers' performance. Contingent reward is viewed as "an active and positive exchange between leaders and followers whereby followers are awarded for accomplishing agreed upon objective" (p. 892). If managers do not effectively follow-up on the contingent reward promises, thereby displaying behavioural inconsistency, they are viewed as ineffective leaders. Furthermore, research (Howell and Avolio, 1993). suggests that the level of contingent reward leadership is dependent on organizational context and settings. For example, an organization undergoing change might suffer from a transactional leadership style (Howell and Avolio, 1993). The penalties, awarded in such a system of managing by

exception, have a negative impact on performance and satisfaction (Bass, no date). This stems from the fact the leader passively awaits problems before taking any action. By following this strategy, the leader ensures that corrective action is taken when required and in doing so he reinforces the roles and expectations for the followers. Hence, this behaviour represents an important aspect of transactional leadership (Bass, 1990). As can be seen, a transactional leader relies heavily on power and authority to lead his members. Power play and the use of a "reward and penalty" system thus play an integral role in such a leadership style. As discussed through various researches, transactional leadership measures are not so effective and in most cases can de-motivate employees.

2.0 EXERTION OF POWER – DIFFERENCES BY LEADERSHIP STYLE

Transactional leaders make use of reward and coercive power, whereas transformational leaders use referent power as well as reward power. Reward power is described as, "target's perception of the agent's ability to control valued organizational rewards and resources" (Jayasingam, Ansari, & Jantan, 2009, p. 137). As Locke (1986) contends, if a manager rewards employees by making effective use of power by rewarding employees who are taking on more responsibility in an empowered fashion, this should be viewed positively because people are rewarded for taking action and being empowered to make decisions (p. 98). Therefore, when employees take initiative in the organization, they are rewarded. In contrast, under a transactional leadership style, being awarded for performing as per expectations leaves no motivation to go beyond the call of duty.

Coercive power is based on "the target's perception that the agent has the ability to inflict various organizational punishments" (Jayasingam, et al, 2009, p. 137). From my experience, transactional leaders are more likely to adopt coercive power. Jayasingam et al. (2009), mention that coercive power has been linked with ineffective leadership. Working in fear of losing one's job, or fear of demotion, only makes an employee ineffective and unproductive because the employee spends most of his/her time worrying about the consequences if the expectations of the leaders are not met.

3.0 THE EFFECTIVENESS OF TRANSFORMATIONAL LEADERSHIP

The studies shows of Research (Judge & Piccolo, 2004; Stewart, 2006) of the transformational style of leadership has a positive correlation with team performance. Performance of underperforming units can, therefore, be improved by providing the right form of leadership training to the supervisors of these units. The extent of transformational leadership qualities displayed by a leader has direct impact on organizational functioning (Barling, Weber & Kelloway, 1996). One of the aspects in which a transformational leader impacts an organization's philosophies, includes satisfaction of subordinates with their supervisors. The study conducted by Barling et al. (1996) extended previous results and strengthened the hypothesis that transformational leadership can not only result in changing the perception of managers, in the eyes of their subordinates, but it can also help improve the subordinates' own commitment to the organization while improving performance.

A study conducted by Lowe, Kroeck, and Sivasubramaniam (1996) acknowledges the positive impact that transformational leadership can have on work unit effectiveness. These authors noted that transformational leadership has an equal impact on employees at all levels within the organization. Accordingly, it is imperative that frontline leaders, such as shift supervisors, understand the impact that they can have on their unit's effectiveness. These

leaders need to provide their subordinates with individual consideration, as well as intellectual stimulus that would enhance the collective morale (Lowe, et. al). Hence, by relying on their intimate knowledge of the process, and by engaging individuals of their units, these frontline leaders can improve work effectiveness and productivity of their respective units (Lowe et. al, 1996).

In stark contrast, Bass, et al. (2003) mention that transactional leaders are counterproductive in an evolving work environment. Likewise, Howell and Avolio's (1993) study suggests that transactional leadership style is negatively related to unit performance. Since transactional leaders spend most of their time on meeting goals and achieving the desired results, followers may feel that their freedom is being limited and their motivation may decline.

Expanding on earlier research conducted by Howell and Avolio (1993), Barling et al. (1996) were able to relate transformational leadership to an organization's financial performance (Judge & Piccolo, 2004). The study conducted by Howell and Avolio (1993) concluded that the degree of transformational leadership (charisma, intellectual stimulation, and individual consideration) in a branch manager had a direct impact on the business unit's performance (Judge & Piccolo, 2004, Howell and Avolio (1993)). Lowe, et.al (1996) suggests that transformational leadership training should likely utilize situational and interactive exercises when developing frontline leaders (such as unit supervisors). The reason for this was that at the lower level, a good transformational leader needs to be able to interact individually and intellectually stimulate his/her subordinates. This is different than training provided to upper level transformational leaders, where training is focused on the leader's ability to stimulate subordinates through written and oral communication as opposed to individual consideration (Lowe et. al, 1996). As mentioned by Griffith (2004), leadership and turnover are directly related such that employee satisfaction stems from the work environment, including satisfaction with the leader (Wells & Peachey, 2010). If an employee has a close working relationship and is satisfied with his or her leader, leaving the company would be less likely as there would be a psychological loss involved (Mossholder et al., 2005). As discussed earlier, transformational leaders are able to engage their followers into a more meaningful and satisfying relationship, hence lowering the follower's intent to leave (Wells & Peachey, 2010).

4.0 CONCLUSION

In this review of the literature study, I have attempted to demonstrate that transformational style of leadership is far more effective than transactional leadership. By using a transformational leadership style, a leader can effectively motivate his/her followers, improve their productivity, and bring about positive change. Furthermore, the employees feel empowered and a sense of accomplishment while working for a transformational leader.

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