

A THEORETICAL MODEL AND FRAMEWORK OF TRANSFORMATIONAL AND TRANSACTIONAL LEADERSHIP STYLE

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ABSTRACT

This research article reviewed the theoretical evolution and research on transformational leadership. This research has measured the specific leadership style that characterizes by the theory as transformational leaders. This research study also investigated on Bass' (1985) transformational model in a variety of setting and demonstrated substantial support of this distinctive leadership notion. Transformational leadership has positively related to subordinates' job satisfaction, effectiveness, and extra effort on the job and performance beyond expectation. This reviewed article summarized the theoretical and empirical research in the United States and in foreign countries. The research findings showed criterion of subordinates' extra effort, job satisfaction and perception of leader and work group effectiveness operation.

INTRODUCTION

Leadership has been one of the frequent subjects of empirical research, with much of it concentrated on the antecedents of leaders' behavior and the factors that contribute to effectiveness. Leadership, as a differentiated role, requires the integration of various other roles of the group; it also requires the leader to maintain unity of action in the group's effort to achieve its goals. The literature of leadership has expanded from the notion the people are "born to greatness" through the "accidental" premise, to a fascination with personal characteristics. One useful approach to studying leadership emerged from behavioral scientists at the Ohio State University over 40 years ago. Rather than describing what leaders are like, these studies focus on what leaders do. Recently the attention has shifted toward situational demand and followers' characteristics and influences in determining leadership effectiveness (Hersey, Blanchard, & Johnson, 1996).

LITERATURE REVIEW

Burns (1978) provided the first comprehensive theory to explain the differences between transactional and transformational leaders. He noted that the transformational leaders also recognize the follower's needs in terms of Maslow's (1954) need hierarchy. He believed that transformational and transactional leadership are at opposite ends of the continuum. However, Bass (1985) proposed that transformational leadership supplemented the effects of transactional leadership on the subordinates' effort, satisfaction and performance. Bass popularized the notion of transformational leadership, whereby a leader exercises a strong personal influence over the follower, transforming the followers believes about the organization, raising him or her to a higher level of motivation, and inducing subordination of individual self-interest to super ordinate goals.

According to Bass (1985), the MLQ describes leadership in terms of several dimensions: laissez-faire (extremely inactive), transactional and transformational leadership (extremely active).

Table 1 Summary of the key leadership dimensions.

Transformational Leadership	Transactional Leadership
<ul style="list-style-type: none"> - Idealized Influence (Charisma) - Inspirational Motivation - Intellectual Stimulating - Individualized Consideration 	<ul style="list-style-type: none"> - Contingent Reward - Management by Exception - Laissez-Faire (Nonleadership)

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Defining in terms of the passivity of leaders. Bradford and Lippitt (1945) describe laissez-faire leaders as those who avoid attempting to influence their subordinates and who evade their supervisory duties. Such leaders have no confidence in their ability to supervise. They stay away from subordinates, leave too much responsibility with subordinates, set no clear goals and do not help their group to make decisions. Under laissez-faire conditions, the leaders are unwilling to accept responsibility, give directions, provide support, and so on. Group members are less organized, less efficient and less satisfied to members than under democratic conditions. Some investigators define laissez-faire leadership in terms of passivity. The laissez-faire leader is inactive rather than reactive or proactive. He/she does not provide clear boundary conditions, may work along side subordinates or withdraw into paperwork, and avoids rather than shares decision-making (Bass, 1990; Bass & Avolio, 1989).

Transactional Leadership: Leadership is understood as a transactional exchange of materials, social, and psychological benefits. The exchange is fair if “the leader gives things of value of followers such as a sense of direction, value, and recognition, and receives other things in return such as esteem and responsiveness. Fundamentally, there is a psychological contract between the leader and followers, which depends upon a variety of expectation and actions on both side” (Hollander, 1987, p.16).

Therefore, transactional leaders identify and communicate the work that must be done by subordinates, and how to successfully complete the stated objectives that lead to the desired job rewards (Avolio, Einstein, & Waldman, 1988; Avolio, Waldman & Yammarino, 1991; Bass, 1990; Bass & Avolio, 1990, 1993). Transactional leaders use rewards and punishments. They always respond intelligently on the basis of accurate diagnosis of the situational factors and the expectations. Transactional leadership is classified into two dimensions: (1) contingent reinforcement, (2) management by exception. The contingent-reward leaders contribute to subordinates’ effort and performance by clarifying the subordinates’ expectations. They contribute directly to subordinates’ satisfaction when leaders give them rewards that were contingent on their performance (Podsakoff & Schriesheim, 1985). When a leader takes corrective actions and intervenes only when failures and deviations occur, he / she practices management by exception either actively or passively (Harter & Bass, 1988; Yammarino & Bass, 1989). The active practice of management by exception deals with monitoring and searching for subordinates’ deviations from standards and making suitable corrections. On the contrary, the passive practice by manager involved only reaction when deviations are brought to his or her attention (Avolio, Einstein & Waldman, 1988; Bass, 1990).

Transactional leadership has been the most frequently used leadership style in industry. Investigators report that transactional leadership is positively related to the employees' attitudinal and behavioral responses. As an approach leadership, transactional leaders have considerable limitation although it may work well in many situations. Contingent reinforcement may fail because there is no clear differentiation for functionally adequate and inadequate performance. The impact on the subordinate's behavior will depend on the subordinate's perception of the supervisor's intentions. Whether the supervisor likes or dislikes the subordinate also make a difference (Bass & Avolio 1990, 1993; Podsakoff & Todor, 1985; Yammarino & Bass, 1989; Yammarino & Dubinsky, 1990; Yukl, 1989).

Transformational Leadership: Transformational Leadership is a process in which leaders and followers actually raise one another to higher levels of morality and motivation. Burns (1979) presented the new paradigm of the transformational leader.

The transformational leader attempts to engage the whole person of the follower by looking for individual motivations, appealing to the individual's values and trying to satisfying higher needs. The transformational leader appeals to moral values and requires the involvement of leaders at all level of the organization. The transformational leader ask followers to transcend their own self interests for the good of the group, organization, or society; to consider their longer-term needs to develop themselves, rather than their needs of the moment; and to become more aware of what is really important.

Transformational leaders recognize the influences of the leader manager on employees, the work environment and all of the elements of the leadership management situation. Bass (1985), Harter and Bass (1988) and Seltzer, Numerof and Bass (1987) have suggested that transformational leadership can be

conceptually divided into four distinct factors: (1) idealized influence (charisma), (2) individualized consideration, (3) intellectual stimulation and (4) inspirational motivation.

Idealized Influence (Charisma):

Charismatic leadership is a central component of the transformational process. Charismatic leaders have extraordinary influence on followers. They create feelings in subordinates that exceed ordinary esteem affection, respect and trust. They vary greatly in their pragmatism, flexibility and opportunism to achieve their objectives. Charismatic leaders also appear at various levels in business organizations; industrial managers, education and administrators and military officers. Therefore, subordinates thought as charisma in lower and middle level of organization shred their opinion to supervisors. The effectiveness of followers should build their organization more productive (Bass, 1990; Harter & Bass, 1988; Bass & Yammarino, 1988).

Inspirational Motivation:

Inspirational leaders help followers feel more powerful by setting desirable goals and providing the means to achieve them (McClelland, 1985). According to Yukl and Van Fleet (1982), an inspirational leader, "stimulates enthusiasm among subordinates for the work of the group and says thing to build their confidence in their ability to successfully perform assignments and attain group objectives" (p.90).

However, Bass (1985) was unable to obtain a consistent inspirational factor that was separate from a factor of charismatic leadership. Inspirational leadership is communicating a vision with fluency and confidence, increasing optimism and enthusiasm among subordinates to build their confidence in their ability to successfully perform assignment and goals. They have the ability to influence subordinates to achieve their expectations

and self-interests. They pronounce high expectations to subordinates, communicate important purposes in common ways and use symbols, images and vision to focus their extra efforts. If the subordinates are drawn to the leaders' objectives and goals, but not to the leader, the leader will be inspirational but not charismatic (Downtown, 1973).

Intellectual stimulating:

A transformational leader provides intellectual stimulation to help people use new ways of looking at old problems and use reasons and evidence to support his/her opinions. Orientations are shifted, awareness is increased concerning the tensions between visions and realities, and experiments are encouraged (Fritz, 1986). Though intellectual stimulation is often associated with charisma and inspiration, it involves some differences. Intellectually stimulating leaders foster in their subordinates creativity, rethinking and re-examination of assumptions underlying problems. Intellectual stimulation contributes to the independence and autonomy of subordinates and prevents "habituated followership," characterized by the unquestioning trust and obedience (Graham, 1973). Followers become more effective problem solvers, and utilize innovative analysis and conflict resolution strategies for the problems. Intellectual stimulation can move subordinates out of conceptual ruts by reformulating the problems that need to be solved. However, there is a difference between possessing task competence, knowledge, skill, ability, aptitude, and intelligence and being able to translate these qualities into action.

Individualized Consideration:

Interpersonal competence is fundamental to successful and effective leadership. Leaders of a group depend on their ability to diagnose situations and to understand the group's attitudes, motives, and current level of effectiveness.

TRANSFORMATIONAL LEADERSHIP PARADIGM

This section describes research on transformational leadership and concludes with an update on the MLQ and its properties. Researchers view transformational leadership as a form of leadership that addresses the key problems and challenges that contemporary leaders face, and as a characteristic of the most effective leaders in organizations and society. In the mid 1980's, researchers expanded on Burns' (1978) work by focusing more on leadership organizations. Tichy and Devanna (1986) studied twelve CEOs in a variety of organizations that focused on the transformational process in the context of change. They concluded that high-level executives concentrate on major corporate turnarounds and transformations. Bennis and Nanus (1985) studied ninety successful business and public sector leaders and concluded that the successful leaders utilize four distinct strategies in managing their subordinates: (1) developing and communicating a vision, (2) communicating this vision to others in a meaningful way, (3) establishing trust and integrity through consistency, and (4) overcoming his or her own weakness and or attracting people who compensate for those limitations.

Bass and Avolio (1989) studied 1,500 general managers, technical leaders, government and educational administrators, upper middle managers and senior US Army officers and reported that managers who performed as transformational leader were highly effective. Transformational leaders had better relations with higher-ups and made greater contributions to the organization than transactional leaders. Transformational leaders also exerted a lot of extra effort on behalf of subordinates.

Other studies showed similar findings when using subordinates' judgement of both leaders and desired organizational outcomes. Waldman, Bass, and Einstein (1987) noted that the performance appraisals

of subordinates on transformational leadership showed an incremental effect over and above transactional leadership for two samples of US Army officers and one sample of industrial managers. Seltzer and Bass (1990) obtained similar results with higher performance for transformational leaders than transactional leaders from a sample of part-time MBA students describing their full-time superiors. In addition, Harter and Bass (1988) and Yammarino and Bass (1989) demonstrated that leaders who were described as transformational rather than transactional by their subordinates were judged to have much higher leadership ability.

Over the last decade, empirical research shows that transformational leadership is consistently related to subordinates' performance and satisfaction. Empirical research has also confirmed and expanded Bass' (1985) initial descriptions. Avolio and Howell (1993) contend that the transformational leadership style inspires others to transcend their own interests for a collective mission, concentrating on long-term goals by placing an emphasis on developing a vision and inspiring others to follow it.

Transformational leadership research has attempted to clarify the concept of leader-follower interactions and test of boundary conditions. Multiple levels of analysis (individual, dyad and group) were used to test the potential bounds on transformational influence with the followers. But the relationship between ratings of life events and experience was not related to the rating of transformational leadership.

Spangler and Braiotta (1990) examined the transformational leadership theory with chairmen of audit committees of boards of directors. Results suggested against the success and effectiveness of transformational leaders as previous studies that transactional leadership appear just as effective as transformational leadership. Similarly, Deluga and Sourza (1991) studied the leader-follower influence in

an industrial environment with 53 subordinate police officers as sample. The findings showed that transformational leadership was more closely related to subordinates influencing that was transactional leadership. These findings suggest that the impact of leader behavior on subordinates may depend on specific leader and subordinate characteristic upon the organization environment.

IMPLICATION FOR SALES MANAGEMENT

In sales management, sales managers can have a dramatic influence on their sales subordinates on various job such as job satisfaction, motivation, and performance. Many of those who manage salespeople suggest that sales personnel are different and distinct from their counterparts in other departments to benefit from a unique form of leadership. They usually work alone and want independence and personal freedom. Selling involves the interaction of various people who may mix with each other in unpredictable ways. Salespeople must cope with competition inside and outside the firm and fulfill family obligations (Jolson, Dubinsky, Yammarino & Comer, 1993). Dubinsky et al. (1995) examined the influence of transformational leadership in a selling environment. They found that a transactional approach engendered higher results on the salespeople's affective and behavioral responses similar to previous research findings (Avolio, Waldman & Yammarino, 1991).

In another interesting perspective, the sales managers who experienced downsizing in their respective organizations showed that the transformational roles became more important during downsizing. They believed that these roles do enhance productivity and organizational effectiveness. In addition, the study found that managers who show the signs of hyper-affectivity were unlikely to sustain that level of high performance over the long term (Belasen, Benke, Dipadova & Fortunato, 1996).

Avolio and Bass (1994) reported that female managers were rated higher than males on all the dimensions of transformational leadership (i.e. idealized influence, inspiration motivation, intellectual stimulation, and individual consideration). In a study of nurses (97% women), transformational leadership and its outcomes demonstrated more significant patterns and magnitudes of relationships than transactional leadership and outcomes (Allen, Bycio, & Hackett, 1995). This means that female leaders manage their subordinates on a dyadic basis differentiating among their various dyadic relationships.

NEW LEADERSHIP APPROACH

Bryman, Gillingwater and McGuinness (1996) described transformational leadership as a “New Leadership Approach”. They studied a community transportation agency in United Kingdom and found that transformational leadership and organization transformation are the key components for organizational effectiveness in terms of growth and expansion. According to Carlson and Perrewe (1995), transformational leaders appeal to the moral values of individuals through the components of a psychological contract, organizational commitment and ethical culture to encourage ethical behaviors in the organization.

Kirkpatrick and Locke (1996) found that transformational leaders who are charismatic, intellectually stimulating, inspirational and who provide individualized consideration positively affect the congruence between the student leaders beliefs and their trust of the leader. Interestingly, they also found that charismatic communication style had few direct or indirect effects on performance and attitude. In conclusion, vision and task cues showed more importance than the organization process style. However, the authors recognized that this position may not hold true in political settings such as government.

Atwater and Wright (1996) studied transactional and transformational leadership and compared private and public organizations. The results suggested that public sector managers may be more inspirational than those in private industry. The public managers were more bound by rules and procedures than managers in the private sector in terms of control over promoting and rewarding a good employee or firing a poor employee.

According to Farquhar (1996), most research on transformational leadership describes the dynamics of transformational leadership in steady state or turn around situations with little attention to the post-transformational context facing an organization and the transformational leader’s successor. In her study, Farquhar examined the dynamics and impact of sudden or traumatic departures of transformational leaders. She concluded that when a transformational leader suddenly departs from an organization, followers experience more intense emotional reactions than do those who work with more transactional leaders. Moreover, the organization experiences greater conflict and confusion. Finally, Farquhar emphasized how the degree of forewarnings and planning were key factors in understanding the impact of a leader departure.

TRANSFORMATIONAL LEADERSHIP STYLE OUTSIDES THE UNITED STATES

Transformational leadership has also been investigated outside the United States; the effects examine the external validity of the basic theory. Singer (1985) showed that male undergraduates in New Zealand preferred working with leaders who were more transformational than transactional. In the Israel Defense Forces, Eden and Shami (1982) found that the leaders’ performances were improved on transformational leadership training. The similar results on the effectiveness of transformational leadership were also

found for New Zealand administrations and professional personnel (Bass, 1985), for managers from 14 Japanese firms (Yoskchi, 1989) and for US, Canadian, and German NATO field grade officers (Bryd, 1987).

Avolio and Howell (1993) examined whether transformational leadership behavior can predict consolidated unit performance by placing an emphasis on developing a vision and inspiring others toward long-term goals (over a one-year period). The researchers predicted transformational leadership factors would positively relate to goal achievement.

In the United Kingdom and Canada, transformational leadership theory was applied in empirical studies of the implementation of computer-aid-design and manufacturing (CAD-CAM) system for aerospace multinational companies. Betty and Lee (1992) investigated the impact of the leadership by middle manager on the organizational outcomes. In most technology companies, the strategies of change are

mediated by the middle managers responsible for implementing the new technologies according to top management's vision. The analysis indicated that a transformational leader in both people problem-solving and technical problem-solving is likely to be more effective in overcoming barriers of change than a transactional leader who concentrated only on technical problem-solving and neglected the people and organization issues.

Koh, Steers, and Terborg (1995) examined transformational leadership in 89 schools in Singapore. They examined the influence of transformational leader behavior on subordinate commitment to school, organizational citizenship behavior, satisfaction with leader and objective measures of student performance. They reported that transformational leadership had significant effects on organizational citizenship behavior, organization commitment, and teacher satisfaction.

SUMMARY

In summary, this research reviewed the theoretical evolution and research on transformational leadership which guides this study. This research has helped to identify and measure the specific leadership behaviors that characterizes transformational leaders. The on-going research on Bass' (1985) transformational model in a variety of setting has demonstrated substantial support of this distinctive leadership notion. Transformational leadership is consistently and positively related to subordinates' job satisfaction, effectiveness, and extra effort on the job and performance beyond expectation. This review has summarized the theoretical and empirical research in the US and international countries. The outcome criterion of subordinates' extra effort, job satisfaction and perception of leader and work group effectiveness operation by Bass (1985) are also described.

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