

# **Transformational Vis -a-Vis Transactional Leadership: A Conceptual Analysis**

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## **Abstract**

Leadership is a vital concept since the ancient period. Effective leadership has no alternative to make a business organization successful. It assists an organization to fulfill its mission. An organization without leadership does not proceed towards the expected goal. Leadership is a process by dint of which a person influences the thoughts, behavior, and attitudes of others. The concept of Leadership has been categorized by the relevant experts according to its nature and the role of leaders in different fields. Therefore this study attempts to divide leadership into two types: transactional and transformational, and thus analyze both types highlighting their significance in the contemporary world.

## **Introduction**

Leadership is more important than any other factors to human activity. Effective leadership is much more important to make a business organization successful. It assists an organization to fulfill its mission and thus to reach the destination. For example, the effective leadership of parents helps children to grow strongly and healthy and become productive adults. At the same time, organizations devoid of leadership lose their way and move too slowly. Decision making is the vital aspect of organizations. In decision making process, effective leadership plays very significant role by making decision timely, correctly, and completely then things go well. Many a times an organization faces the problem of implementation immediately after a decision is taken on such factors as how to get things done in a timely and effective way.

In another sense it is an art or ability of influencing the behavior, thought, movement and attitude of other people. For example, Mills (2005:12) provides, "Leadership is the ability to get other people to do something significant that they might not otherwise do. It's energizing people toward a goal".

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Good Leaders set a proper guideline and direction for the rest of the people; they help other people see what lies ahead; they help people visualize what people might achieve; they encourage people and inspire people. In absence of leadership a group of people quickly degenerates into argument and conflict, because we see things in different ways and lean toward different solutions. Leadership assists to point us in the same direction and harness our efforts jointly (Mills, 2005). Bass (1990) mentioned three basic ways to explain leadership; for example: (1) Trait theory: some personality traits may lead people naturally into leadership roles, (2) Great event theory: a crisis or important event may cause a person to rise to the occasion, which brings out extraordinary leadership qualities in an ordinary person, (3) Process or transformation leadership: people can choose to become leader. It is most widely accepted theory today.

## **Discussion**

The concept of leadership developed since the origination of organizational thought. In course of time, many leadership styles developed in this world, among them transactional and transformational types of leadership are much more important in the contemporary world. Therefore, we analyze both styles in our study.

### ***The Idea of Transformational Leadership***

Transformational leadership is a process that transforms and changes individuals (Northhouse, 2001). The definition of transformational leadership was introduced by Bass (1988), who is regarded as the pioneer of this model. At present the role of the transformational leader is particularly relevant because of the constant changes taking place both in society and organizations, so that this type of leadership is able to lead to changes in any of the activities of the organization, and at the same time change the subordinates (Danguole, 2013). In this connection Bass (1988) states that leadership development is a continuous process of transformation that involves a progressive reorganization, ending with the highest level of development. One of the major goals of transformational leadership is to develop followers of self-confidence and a desire of self-development. Transformational leadership transfers the focus from external to internal controls. Transformational leader realizes and understands the need for organizational change, in order to create a certain ideal, get people to reach this ideal, create an organizational culture so that it supports the changes and

watches for signals, altering the need for new changes. "The means of transformational are rhetorical (communication) skills that create the image of a strong and self-confident person, awakening in people the confidence and becoming the epitome of leadership" (Danguole, 2013).

According to Hall, et al., (2015) there are four factors of transformational leadership. These four factors can also be termed as "four Is": idealized influence, inspirational motivation, intellectual stimulation, and individual consideration. All these factors assist managers to use transformational approach in the workplace. The following factors for transformational leadership have been briefly explained here, such as:

- a. Idealized influence describes managers who are extremely role models for associates. Managers with idealized influence can be trusted and respected by associates to make good decisions for the organization.
- b. Inspirational motivation describes managers who motivate associates to commit to the vision of the organization. Managers with inspirational motivation encourage team spirit to reach goal of increased revenue and market growth for the organization.
- c. Intellectual stimulation describes managers who encourage innovation and creativity through challenging the normal beliefs or views of a group. Managers with intellectual stimulation promote critical thinking and problem solving in an effort to make the organization better.
- d. Individual consideration describes managers who act as coaches and advisors to associates to reach goals that help both the associates and the organization (Hall, et.al, 2015:2).

### ***Characteristics of Transformational and Transactional Leaders***

Bass (1988) mentioned the following features as the characteristics of both transformational and transactional leadership.

#### **A. Transformational Leader**

- i. Charisma: Provides vision and sense of mission, instills pride, gains respect and trust.
- ii. Inspiration: Communicates high expectation, uses symbols to focus efforts, and expresses important purposes in simple ways.
- iii. Intellectual stimulation: Promotes intelligence, rationality and careful problem solving.
- iii. Individualized Consideration: Gives personal attention, treats each employee individually, coaches, and advises.

## **B. Transactional Leader**

- i. Contingent Reward: Contacts exchange of rewards for effort, promises rewards for good performance, recognizes accomplishments.
- ii. Management by Exception (active): Watches and searches for deviations from rules and standards, takes corrective action.
- iii. Management by Exception (passive): Intervenes only if standards are not met.
- iv. Laissez-Faire: Abdicates responsibilities, avoids making decisions (Bass, 1988:22).

The above mentioned characters provide that the transformational leaders possess charisma and thereby inspire followers. They promote intelligence, rationality and careful problem solving among the followers or subjects. On the other hand, transactional leaders intervene only if standard are not met. The following table-1, clearly identify the differences of these two leadership styles.

### ***Transactional VS. Transformational Leadership***

In the following table-1, we emphasize the distinction between Transactional and Transformational Leadership that indicates how both styles of leadership function at different levels. The transactional leadership is responsive while transformational leadership is proactive. In transactional style of leadership, employees achieve objectives through rewards and punishment set by leaders while in transformational leadership employees achieve objectives through higher ideas and moral values. In transactional leadership, leaders motivate followers by appealing to their own self-interest, on the other hand leaders in transformational leadership motivates followers by encouraging them to put group interests first. In transactional type of leadership, leaders maintain the status quo; stress correct actions to improve performance while in transformational model each leader's behavior is directed to each individual to express consideration and support. In this type, leaders promote creative and innovative ideas to solve problems. Therefore, both types of leadership have immense significance. The following table-1 highlights the distinction more clearly.

**Table-1: Transactional VS Transformational Leadership**

Transformational	Transactional
Leadership is proactive	Leadership is responsive
Works to change the organizational culture by implementing new ideas	Works within the organizational culture
Employees achieve objectives through higher ideas And moral values	Employees achieve objectives through rewards and punishments set by leader
Motivates followers by encouraging them to put group interests first	Motivates followers by appealing to their own self interest
Individualized consideration: Each behavior is directed to each individual to express consideration and support.  Intellectual stimulation: Promote creative and innovative ideas to solve problems.	Management-by-exception: maintain the status quo; stress correct actions to improve performance.

**Source:** Savareikine Danguole, 2013

***Analysis of Transactional and Transformational Leadership***

Transactional leadership focuses on the exchanges that take place between leaders and followers (Bass 1985 and Burns, 1978). These exchanges allow leaders to accomplish their performance objectives, maintain the current organizational situation, complete required tasks, motivate followers through contractual agreement, direct behavior of followers toward achievement of established goals, emphasize extrinsic rewards, and focus on improve organizational efficiency avoid unnecessary risks. In turn, transactional leadership encourages followers to fulfill their own self-interest, minimize workplace anxiety, and concentrate on clear organizational objectives such as increased quality, customer service, reduced costs, and increased production (McCleskey, 2014).

Burns (1978) describes that Transactional leadership theory posits the relationship between followers and leaders as a series of exchanges of gratification designed to maximize organizational and individual gains. Transactional leadership evolved for the marketplace of fast, simple transactions among various leaders and followers, each moving from

transaction to transaction in search of gratification. The marketplace requires reciprocity, adaptability, flexibility, and real-time cost-benefit analysis (Burns, 1978).

James Macgregor Burns introduced the idea of transformational leadership in 1978 in his descriptive research on political leaders, but its practice has spread into organizational psychology and management with further modifications by B.M Bass and J.B Avalio (Jung & Sosik, 2002). It is a kind of leadership quality possessed by a leader who stimulates and inspires (transform) followers to attain expected outcomes. In this type of leadership, a leader pays attention to the concern and developmental requirements of individual followers. Leaders effectively change the awareness of followers on issues by inspiring them to look at old problems in a new way; and they are able to arouse, excite, and inspire followers to put out extra effort to achieve group goals. Transformational leadership theory is best able to produce positive change in the followers whereby they take care of each other's interests and act in the interests of the group as a whole. Transformational leadership enhances the motivation, morale, and performance of followers through a various mechanisms. "These contain connecting the follower's sense of identity and self to the project and the collective identity of the organization; being a role model for followers that increases their inspiration and makes them interested; challenging followers to take greater ownership for their work, and understanding the weaknesses and strengths of followers, so the leader can align followers with tasks that enhance their performance" (Odumeru & Iffeanyi, 2013). In analyzing the idea of transformational leadership, Roger J. Givens (2008) provides, "Transformational leaders inspire followers to accomplish more by concentrating on the follower's values and helping the follower' align these values with the values of the organization".

### ***The vital qualities of a Transformational leader***

According to Northhouse (2001) a transformational leader has the following qualities such as:

- (a) he empowers followers to do what is best for the organization,
- (b) he is a strong role model with high values,
- (c) he listens to all viewpoints to develop a spirit of cooperation,
- (d) he creates a vision, using people in the organization,
- (e) he acts as a change agent within the organization by setting an example of how to initiate and implement change.

### ***Drawbacks of Transformational Leadership***

Transformational Leadership is not out of drawbacks. Like all other theories, many scholars severely criticized it. In his analysis Burns (1978) argues that transactional leadership practices divert followers to short-term relationships of exchange with the leader. These relationships tend toward temporary exchanges of gratification, shallow and often create resentments between the participants. In this connection Yukl (1999) provides following criticisms in different angles, such as: the first is its influences and processes. For example, the theory fails to explain the interacting variables between positive work outcomes and transformational leadership. The theory would be stronger if the essential influence processes were identified more clearly and used to describe how each type of behavior affects each type of mediating variable and outcome.

Secondly, the theoretical rationale for differentiating among the behaviors is not clearly illuminated. The partially overlapping content and the high inter-correlation found among the transformational behaviors increase doubts about their construct validity. For instance, intellectual stimulation is operationally defined as causing a subordinate to question traditional beliefs, to look at problems in a diverse way, and to find innovative ways to solve problems. The content is ambiguous and diverse. There is not a clear description of what the leader actually does or says to influence the cognitive processes or behavior of subordinates (Yukl, 1999).

Thirdly, found omission of several transformational behavior from the original transformational leadership theory which empirical evidence has shown to be pertinent. Some of them contain inspiring (infusing the work with meaning), and empowering (providing significant voice and discretion to followers) and developing (enhancing follower skills and self-confidence). Fourth, is the insufficient specification of situational variables in Transformational leadership. Fifth, the theory does not clearly identify any situation where transformational leadership is detrimental. Several studies have identified that transformational leadership can have detrimental effects on both followers and the organization. Lastly, like most leadership theories, transformational leadership theory undertakes the heroic leadership stereotype. Effective performance by an individual, organization, or group, is assumed to depend on leadership by an individual with the skills to find the right path and motivate others to take it. Researchers always study how leaders motivate followers or overcome their resistance, not how leaders encourage followers to challenge the leader's vision or develop a better one (Yukl, 1999).

## Conclusion

Both transactional and transformational styles of leadership have unprecedented success to lead the organizations to their expected goals. In spite of the innumerable criticisms of transformational leadership, its popularity has remarkably grown in recent time. "Effective transformational leadership results in performances that exceed organizational expectations" (Hall, et.al., 2015). Studies have provided plethora of information that managers in different settings, including the military and business found that transformational leaders were assessed as more effective, higher performers, more interpersonally sensitive and more promotable than their transactional counterparts. Empirical evidence also suggests that transformational leadership is strongly correlated with employee work outcomes such as: lower turnover rates, higher level of productivity, employee satisfaction, creativity, employee satisfaction, and goal attainment and follower well-being. More clearly, the transactional leadership is responsive while transformational leadership is proactive. In transactional leadership model, employees achieve objectives through rewards and punishment set by leaders, while in transformational leadership employees achieve objectives through higher ideas and moral values. Therefore, both types of transformational and transactional leadership have unavoidable significance.

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