



North-West University Business School
MBAD 821
LEADERSHIP

Contact 2
Study unit 2

***The Transactional and
Transformational leader***

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Module information

Module code	MBAD 821
Module credits	16
Module name	Leadership
NQF	9
Qualification	MBA
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Module outcomes

- **After completion of the Leadership module, the student will:**
 - Provide and integrate **specialist knowledge**
 - to **enable engagement with**, critique current leadership research or practices, and
 - practically **apply a comprehensive and systematic knowledge base**
 - of key terms, principles and theories on leadership;
 - Use a wide **range of specialised skills**
 - in identifying, conceptualising, designing
 - the **use of methods, techniques and technologies of enquiry**,
 - to address, **complex and challenging real world issues**
 - appropriate to leadership and write up a **research report** ;
 - Design and implement a **strategy for processing and managing information**,
 - in order to conduct a comprehensive **review of leading and current research**,
 - use the **resources of academic and professional or occupational discourses**
 - to **communicate and defend substantial ideas** that are the products of research or development, and
 - use a **range of advanced and specialised skills** and **discourses appropriate** to the field of leadership,
 - to **communicate effectively** in a **multi-cultural environment** and with people at different levels of knowledge or expertise; and
 - Have the capacity to **operate independently and**
 - **take full responsibility** for his or her own work,
 - **account for leading** in applying **introspection and reflexivity** and
 - **initiate processes** and implement **systems**,
 - ensuring **responsible leadership**
 - through **effective, efficient and ethical governance practices**.

Topics

- Transactional leadership
- Transformational leadership
- Transactional and Transformational leadership and organisational and employee outcomes
- Transformational leadership and employee well-being
- Transformational leadership and trust
- Transformational leadership and self-efficacy
- Self-efficacy and well-being
- Bias of Transformational leadership research

Study outcomes

- **After studying this study unit, you should be able to:**

1. Describe the phenomena of Transactional leadership
2. Discuss the dimensions of Transactional leadership according to the MLQ.
3. Describe the phenomena of Transformational leadership
4. What is the association between Transformational leadership and employee well-being?
5. Explain the concept of trust as well as the approaches to studying trust
6. What is the association between Transformational leadership and trust?
7. Describe what is meant by the bias nature of Transformational leadership research.
8. Describe the phenomena of Charismatic leadership
9. Discuss the dimensions of Charismatic leadership
10. Distinguish between Transformational and Charismatic leadership
11. Explain the associations between Transactional, leadership and organisational and employee outcomes
12. Explain the associations between Transformational leadership and organisational and employee outcomes
13. Explain the associations between Charismatic leadership and organisational and employee outcomes
14. Use the constructs discussed in the study material and propose a model to be tested in a research project. Provide three study objective and discuss the research methodology to be followed.
15. Explain the link between transformational leadership and self-efficacy
16. How can we promote self-efficacy in the workplace?
17. Explain the link between self-efficacy and well-being at work.

Study material

- Conger, J.A., & Kanungo, R.N. (1994). Charismatic Leadership in Organizations: Perceived Behavioral Attributes and Their Measurement. *Journal of Organizational Behavior*, 15(5), 439-452.
- Jackson, L.T.B. (2017). The mediating effect of personal resources in the relationship between transformational leadership and employee attitudes, *11th International Business Conference Proceedings*, 569-590.
- Liu, J., Siu, O, & Shi, K. (2010). Transformational Leadership and Employee Well-Being: The Mediating Role of Trust in the Leader and Self-Efficacy. *Applied Psychology: An International Review*, 59(3), 454-479. doi: 10.1111/j.1464-0597.2009.00407.x
- Smith, B.N., Montagno, R.V., & Kuzmenko, T.N. (2004). Transformational and Servant Leadership: Content and Contextual Comparisons. *Journal of leadership and Organizational Studies*, 10(4), 80-91.

Smith, B.N., Montagno, R.V., & Kuzmenko, T.N. (2004). Transformational and Servant Leadership: Content and Contextual Comparisons. *Journal of leadership and Organizational Studies*, 10(4), 80-91.

Transformational and Servant Leadership: Content and Contextual Comparisons.

Transformational and Servant Leadership: Introduction

- The topic of leadership has become popular among scholars
 - during the last 20 years
- Considerable research on this topic has appeared in the literature (Avolio & Yammarino, 2002; Dansereau & Yammarino, 1998).
- There is still no comprehensive understanding of what leadership is,
- There is also no agreement among different theorists on what good or effective leadership should be.
- The most popular leadership theories currently being discussed by researchers include
 - charismatic, transactional, transformational and servant leadership.

Transactional leadership

- Transactional leadership is
 - a process of social exchange
 - between followers and leaders that
 - involves a number of reward-based transactions.
- The transactional leader
 - clarifies performance expectations, goals, and a path
 - that will link achievement of the goals to rewards.
- The leader also
 - monitors followers' performance and
 - takes corrective actions when necessary (Bums, 1978; Graen & Cashman, 1975; Graen & Scandura, 1987; Hollander, 1993; Yukl, 1994; Bass, 1996).

Transformational leadership

- Transformational leadership occurs when a leader
 - inspires followers to share a vision,
 - empowering them to achieve the vision, and
 - provides the resource necessary for developing their personal potential.
- Transformational leaders
 - serve as role models,
 - support optimism and
 - mobilize commitment, as well as
 - focus on the followers' needs for growth (Bass, 1996; Bass & Avolio, 1988, 1994a, 1994b).

Transformational leadership

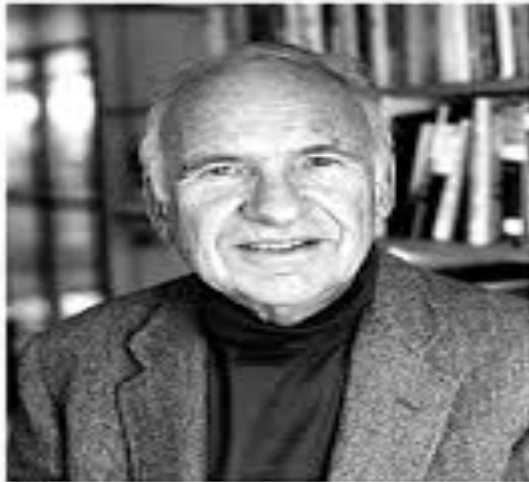
- Transformational leadership has been conceptualized as containing four behavioral components:
 - idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration (Bass, 1985, 1996; Bass & Avolio, 1994a, 1994b).
- Bass claims that some leaders may be charismatic but
 - not transformational in terms of their effect on followers.
 - intellectual stimulation and individualized consideration are not wholly charismatic in nature.
- Intellectual stimulation refers to a leader's behavior that encourages followers' creativity and stimulates innovative thinking.
 - Transformational leaders are tolerant to followers' mistakes.
 - They involve followers in problem solving and are
 - open to new ideas.
- Individualized consideration refers to the role a transformational leader plays in
 - developing followers' potential and paying attention to their individual needs for achievement and growth.
 - strives to create new learning opportunities for followers and tends to act as a coach or mentor.
- Transformational leaders
 - create and utilize two-way personalized communications with followers.

Conger, J.A., & Kanungo, R.N. (1994). Charismatic Leadership in Organizations: Perceived Behavioral Attributes and Their Measurement. *Journal of Organizational Behavior*, 15(5), 439-452.

Charismatic Leadership in Organizations: Perceived Behavioral Attributes and Their Measurement

Transformational leadership (TL)

- In 1978, in his seminal work Leadership, political scientist **James McGregor Burns** coined the term '**transformational leader**'
 - to illustrate the **two fundamentally different patterns** of **interaction** that might occur between leaders and their followers.
 - TL **engaged 'with others** in **such a way that leaders and followers raise one another to higher levels of motivation and morality ...**



In real life, the most practical advice for leaders is not to treat pawns like pawns, nor princes like princes, but all persons like persons.

James MacGregor Burns

Transformational leadership

- Their **purposes** which might have **started out as separate** but related ...
 - become fused ...
 - as mutual support for common purpose ...
 - **transforming leadership**
 - ultimately becomes moral in that it raises the level of human conduct and
 - ethical aspiration of both leader and led,
 - and thus has a transforming effect on both'
- This, he **contrasted with transactional leadership** –
 - a more mundane form that 'occurs when one person takes the initiative in making contact with others for the purpose of an exchange of valued things ...
- Their **purposes are related**,
 - at least to the extent that the purposes stand within the bargaining process and
 - can be advanced by maintaining that process.
 - But **beyond this the relationship** does not go ...
- A leadership act took place, but it was not one that binds leader and follower together in a **mutual and continuing pursuit** of a **higher purpose'**
 - In other words, both leader and led experienced their interaction as simply a transaction in the most instrumental sense of the word.

Transformational leadership and employee attitudes

- TL is best suited to support and foster a work environment that enhances employee attitudes and belief such as
 - commitment (Tanner, 2007; Tremblay, 2010; Wang, 2008),
 - trust (Tanner, 2007) and
 - job satisfaction (Rowold & Heinitz, Tanner, 2007; Wolfram & Mohr, 2009),
 - effectiveness and extra effort (Rowold & Heinitz, 2007),
 - subjective task performance and
 - organisational citizenship behaviour (Wang, Law, Hackett, Wang & Chen, 2005) and
 - engagement (Tims, Bakker, & Xanthopoulou, 2011)
- as this leadership approach aims to change, transform and assist employees (Northouse, 2013).

Transformational and Transactional Leadership: A
Meta-Analytic Test of Their Relative Validity
Timothy A. Judge and Ronald F. Piccolo

Transformational and Transactional Leadership

The difference between transformational and transactional leadership

- Transformational leaders offer a purpose that transcends short-term goals and focuses on higher order intrinsic needs.
 - Transactional leaders, in contrast, focus on the proper exchange of resources.
- If transformational leadership results in followers identifying with the needs of the leader,
 - the transactional leader gives followers something they want in exchange for something the leader wants (Kuhnert & Lewis, 1987).
- Transactional leadership is more commonplace than is transformational leadership, yet less dramatic in its consequences.

Transformational and Transactional Leadership

- Bass (1985) based his theory of transformational leadership on Burns's (1978) **conceptualization**, with several **modifications or elaborations**.
- (1) Bass **did not agree** with Burns that transformational and transactional leadership **represent opposite ends of a single continuum**.
 - Bass argued that
 - transformational and transactional leadership are **separate concepts**, and further argued that
 - the **best leaders are both** transformational and transactional.
- (2) Bass **elaborated considerably** on the behaviors that manifest transformational and **transactional** leadership.
 - Although the **theory has undergone several revisions**, in the most recent version there are
 - **four dimensions** of **transformational leadership**,
 - **three dimensions** of **transactional leadership**, and
 - a **non-leadership** dimension.

Transformational and Transactional Leadership

- The **four dimensions of transformational** leadership are
 - Charisma or idealized influence,
 - inspirational motivation,
 - intellectual stimulation, and
 - individualized consideration.
- The **three dimensions of transactional** leadership are
 - Contingent reward,
 - management by exception—active, and
 - management by exception—passive.
 - laissez-faire leadership (actually nonleadership)

Transactional Leadership

- Avolio (1999) commented
 - “**transactions** are at the **base of transformations**” (p. 37).
- In **Bass’s (1985) conceptualization**,
 - transactional leadership results in **followers meeting expectations**,
 - upon which **their end of the bargain is fulfilled** and
 - they are **rewarded accordingly**.
- To **motivate followers** to **move beyond expectations**,
 - according to Bass (1998), **transformational leadership is required**.
- This suggests that without the **foundation of transactional leadership**,
 - **transformational effects** may **not be possible**.

Liu, J., Siu, O, & Shi, K. (2010). Transformational Leadership and Employee Well-Being: The Mediating Role of Trust in the Leader and Self-Efficacy. *Applied Psychology: An International Review*, 59(3), 454-479

Transformational Leadership, Employee Well-Being, Trust in the Leader and Self-Efficacy.

Transformational leadership and employee well-being

- Employee well-being is **important for both employees and employers**, not only
 - because of the **happy/productive employee thesis** (Wright & Staw, 1999), but
 - also because **stress in the workplace** has **negative consequences** for employees, such as
 - **frustration,**
 - **depression,**
 - **anxiety,** and
 - many **physical problems**, including
 - cardiovascular disease / high blood pressure (Siu, Lu, & Spector, 2007).
- Some **employers** have **taken increasing interest** in **enhancing and maintaining** employee **well-being**,
- Some **employees** are even **willing to take pay cuts** in order to be **healthier and happier** (Warr, 1999).

Transformational leadership and employee well-being

- Research has proved that **employee well-being is affected**
 - not only by the **physical work environment**,
 - but also by the **psychosocial work environment** (Gilbreath & Benson, 2004).
- **Management style** is one of the **four main psychosocial** work environment issues
 - that are of **current concern** for **employee well-being** and
 - occupational **health** in the 21st-century workplace.
- The **focus** has been on **supervisors** because
 - they can be a **major influence on employees' work lives**, **positively or negatively**, since
 - supervisors have a **large impact** on
 - **work demands**,
 - **control**, and
 - **social support** (Gilbreath & Benson, 2004; Harris & Kacmar, 2006)

Transformational leadership and employee well-being

- In line with the **development of positive psychology**
 - there has been **more emphasis on healthy work**
 - which implies **promotion** of both **psychological and physical well-being**
- Specifically, a **body of knowledge** about **positive leadership is advocated**
- It is argued that **positive leadership**, which comprises
 - **positive attitudes** of **passion, skills, and confidence** to **inspire followers**,
 - has the **potential to elevate followers** in the long term in areas such as **trust, commitment, and well-being**.
- The **closest leadership style** to **positive leadership** is **transformational leadership** (TL), since
- Bass (1985) **defined** TL in terms of the **leader's motivational and elevating effect on followers**.

Transformational leadership and employee well-being

- Confirming this **positive leadership thesis**, researchers have **established associations** between **TL and employee well-being**
 - Arnold, Turner, Barling, Kelloway, & McKee, 2007;
 - Densten, 2005;
 - Seltzer, Numerof, & Bass, 1989;
 - Sivanathan et al., 2004).
- **Individual consideration** from a TL is reflected
 - in the **leader's behaviors**
 - showing **concern for followers' needs and feelings**.
- **This kind of TL behavior could be associated with favorable affective responses**,
 - such as **job satisfaction** (Butler, Cantrell, & Flick, 1999).

Transformational leadership and employee well-being

- **Inspirational motivation** could
 - increase followers' task clarity and
 - eliminate uncertainty and ambiguity by providing a
 - frame of reference for describing expected performance,
 - which in turn are related to lower levels of perceived work stress and less stress symptoms (Turner et al., 2002).
- Empirically studies have demonstrated associations between TL and employee well-being (Arnold et al., 2007; Densten, 2005; Seltzer et al., 1989; Sivanathan et al., 2004).
 - Podsakoff et al. demonstrated that TL behaviors influenced employees' job satisfaction, and
 - this has been confirmed by Fuller, Patterson, Hester, and Stringer's (1996) meta-analysis.
 - Seltzer et al. (1989) found that symptoms of stress and burnout could be attributed to the lack of TL.
- In other words, TL can reduce subordinates' stress symptoms and job burnout.
 - Recently, using a sample of 480 senior managers from an Australian law-enforcement organisation, Densten (2005) drew similar conclusions.

Employee well-being

- Well-being is a broad concept, and
 - has been used in a variety of ways,
 - covering different dimensions and degrees of scope.
- As suggested by Warr (2006), experience of well-being may be viewed
 - simply in terms of feeling good or feeling bad.
- Positive and negative aspects of well-being are believed to be
 - two related but also independent constructs (Karademas, 2007).
- In line with the literature on well-being,
 - employee well-being is also an ambiguous concept.
- Traditionally, employee well-being has been studied
 - using the construct of job satisfaction, which is defined as
 - “a pleasurable or positive emotional state resulting from the appraisal of one’s job or job experiences”

Employee well-being

- Warr (1987) categorised those **concepts** such as
 - job satisfaction, job-related tension, job-related depression, job-related burnout, and morale as **employee well-being**.
- Danna and Griffin (1999) further proposed that **employee well-being comprises**
 - “the **combination** of such **mental/ psychological indicators** as affect, frustration, and anxiety and such **physical/ physiological indicators** as blood pressure, heart condition, and general physical health”
- Recently, **social well-being**, which refers to
 - the **quality of one’s relationship** with other people and communities,
 - is also proposed as one **aspect of well-being** (Keyes, 1998).
- **Psychological well-being** and physiological well-being are **individually focused**,
- **Social wellbeing** focuses on **interpersonal** and **social interactions** (Bradbury & Lichtenstein, 2000).
- Although more **differentiated accounts** are often **desirable**,
 - **affective well-being** is the **core aspect** of **employee well-being**,
 - since the **literature usually construes** well-being as a **primarily affective state** (Diener, Suh, Lucas, & Smith, 1999).

Trust

- Trust is **defined** as
 - “the **willingness of a party to be vulnerable** to the **actions of another party** based on the **expectation that the other will perform a particular action important to the trustor**, **irrespective of the ability to monitor or control that other party**” (Mayer et al., 1995, p. 712).
- Extending this to the **leader–follower relationship**, trust in the leader
 - can be viewed as the **willingness of followers**
 - to be **vulnerable to their leaders**.
- **Antecedents to trust** include **perceptions of the trustee’s**
 - **ability**,
 - **integrity**, and
 - **benevolence toward the trustor** in the workplace.
- **Two major perspectives** in the literature on the **nature of trust**:
 - one is the **character-based perspective**, and the other is
 - the **relationship-based perspective**

The nature of trust

- The **kind of perspective** which **focuses on the followers' perception** of their **leaders' characters** and
 - its **influence** on **followers' sense of vulnerabilities**
 - can be implied **as the character-based perspective**.
- From the **relationship-based perspective**, trust is treated as
 - a result of the **social exchange process**,
 - which goes **beyond standard economic exchange** and
 - develops the **perception of mutual obligations** (Brower, Schoorman, & Hwee Hoon, 2000).
- Extending this to the **leader–follower relationship**, trust in the leader can be viewed as
 - the **obligation of the followers to be vulnerable to their leaders**.
 - Leaders' **care and consideration** are the main **antecedents of this obligation** (Dirks & Ferrin, 2002).
- Although these **two kinds of perspective** have **different theoretical backgrounds**,
 - both have a **common conceptual core** that trust in the leader is a **kind of positive perception** or
 - **belief that followers** are “**willing/obligated to be vulnerable**” to their leaders

Trust and Transformational leadership (TL)

- Trust in the leader has been a significant outcome
 - built by effective leadership,
 - especially in the field of TL (Casimir, Waldman, Bartram, & Yang, 2006; Jung & Avolio, 2000; Pillai et al., 1999; Podsakoff et al., 1990).
- Yukl (1999) argued that one of the key reasons why TL works
 - is followers' trust and respect.
- The characteristics of TL are parallels to the antecedents of trust in the leader from both perspectives summarised, such as
 - integrity,
 - benevolence,
 - care, and
 - consideration.
- There are also a number of empirical studies suggesting a
 - positive relationship between
 - TL and trust in the leader.

Trust and Transformational leadership

- **Research** reported a **direct link between TL** and trust in the leader,
 - in which **trust in the leader was conceptualised** as
 - **faith in and loyalty** to the leader.
- Others posited that **TL may gain followers' trust**
 - by **acting as role models**
 - in the process of **developing a shared vision**, and also
 - by demonstrating **individualised consideration**
 - **for followers' needs** and the **capability to achieve the vision**.
- Some have found that **TL may build followers' trust**
 - by **establishing a social exchange relationship** between leaders and followers.
- **Summarising 13 empirical studies, meta-analysis showed** that
 - the **correlation between TL and trust is .72**.

Trust and Transformational leadership

- Both of the **two major perspectives** on the **nature of trust** suggest that
 - **trust in the leader** exerts **positive effects** on **employee well-being**.
- Using **the logic behind** the **character-based perspective**,
 - **followers** are more likely to **feel safe and comfortable**
 - **if they believe** that their leaders have **ability, integrity, and benevolence** (Mayer et al., 1995),
 - because **leaders are responsible for many activities** that have a **significant impact on followers' job satisfaction**,
 - such as **performance evaluations, pay, promotion, and training** (Rich, 1997).
- **In contrast**, when followers **believe** that their **leaders cannot be trusted**,
 - they are likely to **feel psychologically distressed**,
 - which in turn **influences employee well-being** (Dirks & Ferrin, 2002).
- **On the other hand**, from the **relationship-based perspective**,
 - followers are also more likely to **feel safe and comfortable**
 - **if they believe** their **leaders give them care and consideration**.

Self-efficacy and Transformational leadership

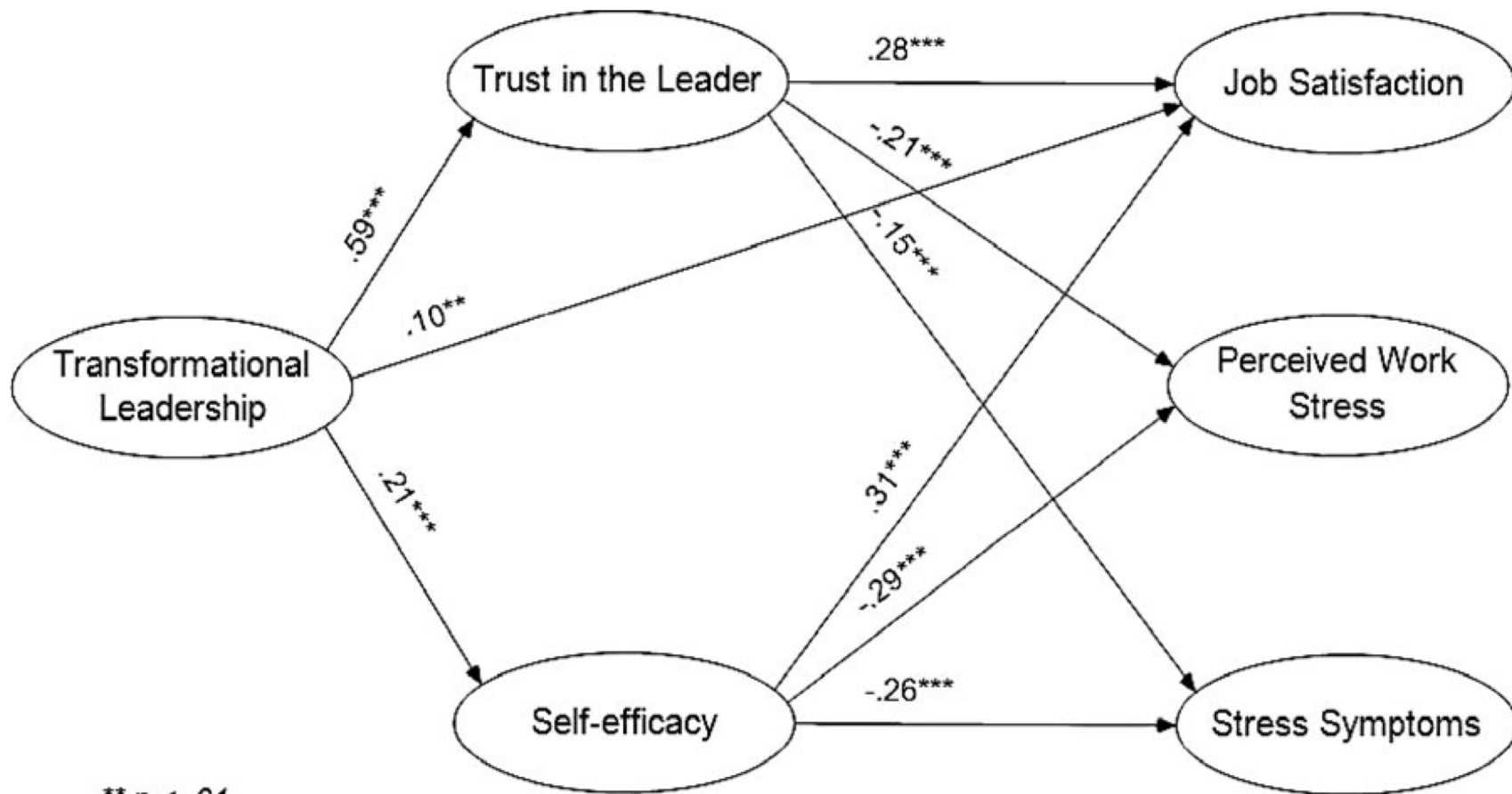
- Bandura's (1997) social cognitive theory, **define** self-efficacy as
 - “an individual's beliefs in one's capabilities to organise and execute the course of action required to produce given attainments” (p. 3).
- Four **main sources of influence** are used in the development of self-efficacy, including
 - Enactive mastery (successful accomplishments),
 - modelling (vicarious experiences provided by social models),
 - verbal/social persuasion, and
 - psychological arousal.
- These determinants are **parallels to many of the qualities of TL**, especially
 - role modeling,
 - verbal/social persuasion, and
 - psychological arousal, which are
- also **core characteristics of TL** (Yukl, 1999).

Self-efficacy and well-being

- Although self-efficacy **does not alter people's capabilities**,
 - it affects the sense of mastery and control over their environment and
 - influences the choices people make,
 - the effort they expend,
 - how long they persevere in the face of challenge, and
 - the degree of anxiety or confidence they bring to the task at hand (Bandura, 1997; Lazarus & Folkman, 1984).
- Judge, Locke, and Durham (1997) argued that
 - self-efficacy could **affect job satisfaction**
 - through its **association with practical success on the job**.
- Because individuals with **high self-efficacy**
 - deal more effectively with difficulties and
 - persist in the face of failure,
 - they are more likely to achieve expected outcomes and thus
 - derive satisfaction from their jobs.

Self-efficacy and Transformational leadership

- Podsakoff et al. (1990) suggested that a TL **influences followers'** self-efficacy by **role modelling appropriate behaviours**, because
 - **followers identify** with such a leader and
 - this identification **facilitates them** to **engage in observational learning**.
- Empirical findings confirm this theoretical speculation.
- Kirkpatrick and Locke (1996) found that
 - the **quality of the leader's vision and vision implementation**,
 - is instrumental in **increasing self-efficacy**,
 - which in turn affects **performance**.
- Pillai and Williams (2004) also found that
 - TL was **positively related** to self-efficacy



** $p < .01$
*** $p < .001$

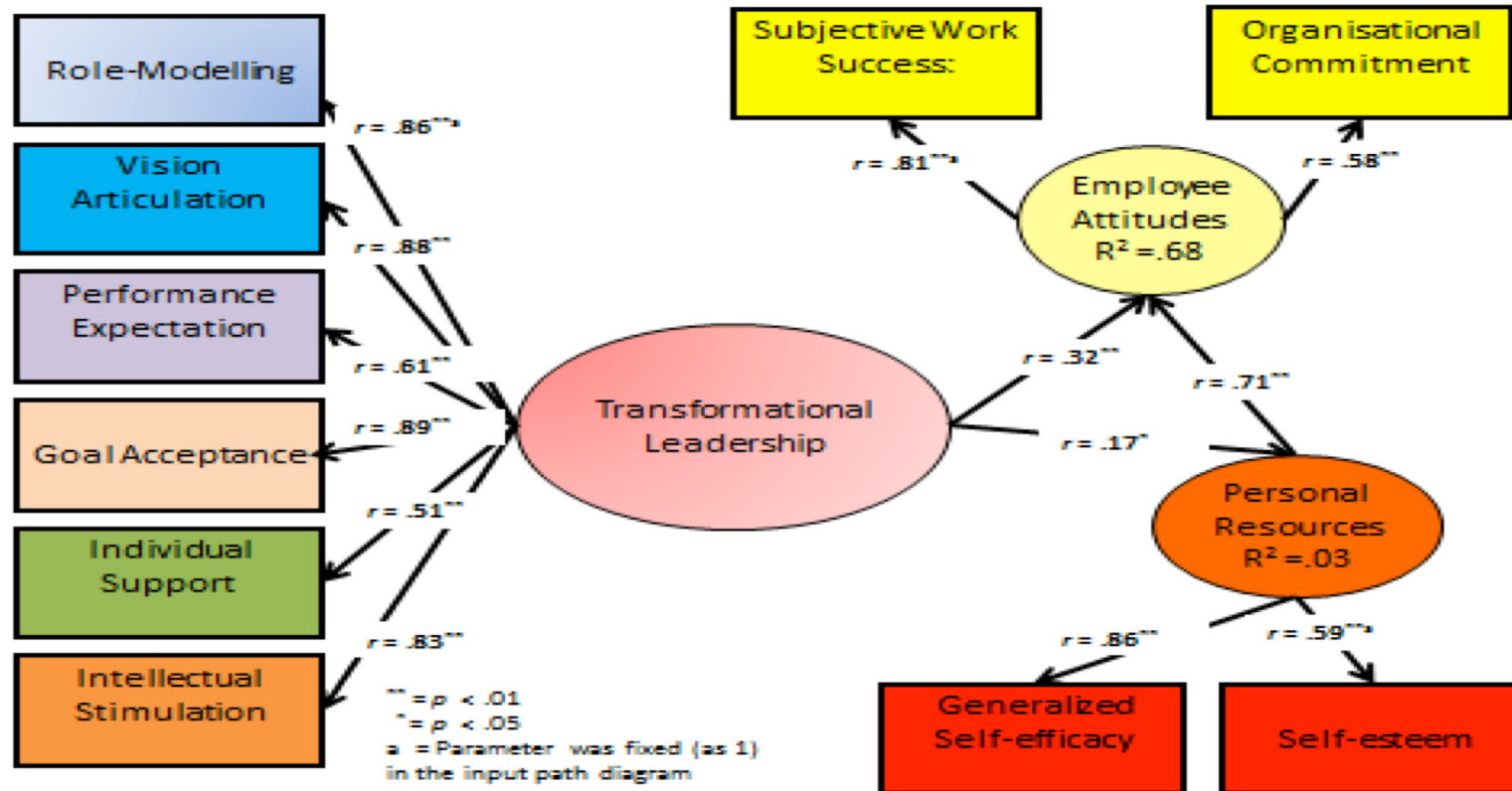
Jackson, L.T.B. (2017). The mediating effect of personal resources in the relationship between transformational leadership and employee attitudes, *11th International Business Conference Proceedings*, 569-590.

Personal resources, Transformational leadership and Employee attitudes

The Bias Nature of Transformational Leadership Research

- It has **been objected** that **TL research is biased** toward **favouring**
 - some **stakeholders** such as **top management, owners, and customers**
 - **at the expense of employees,**
 - since it **accentuates the role of leadership** in increasing task motivation and performance (Stevens, D'Intino, & Victor, 1995).
- We **need to develop theories** of
 - the **psychological processes**
 - that **translate leader behaviour into follower action** (Knippenberg et al, 2004),
 - **if we want to understand leadership.**
- Despite the **empirical confirmed linked** between **TL and employee attitudes,**
 - little is **known** about the **psychological mechanisms**
 - **through which these associations occur.**
 - Still this area of **research has received relatively less attention.**

The Bias Nature of Transformational Leadership Research



Thank you