

Exploring the Relationship between Transformational and Transactional Leadership- A Literature Review

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Abstract:

This study delves into the relationship between transformational and transactional leadership, two distinct yet interconnected approaches to leadership. While transformational leadership focuses on inspiring and empowering followers, transactional leadership emphasizes the exchange of rewards and punishments. Using a mixed-methods approach, this research investigates the extent to which these leadership styles complement or contradict each other. The findings provide insight into the complex interplay between transformational and transactional leadership, shedding light on the implications for leadership development and organizational effectiveness.

Keywords: Transformational Leadership, Transactional Leadership, Leadership Styles, Interconnected Leadership, Mixed-Methods Approach.

Introduction

Leadership is a complex and multifaceted phenomenon that has been studied extensively in various fields. Effective leadership is critical to the success of organizations, as it enables them to adapt to changing environments, innovate, and achieve their goals. Over the years, numerous leadership theories and models have emerged, each attempting to explain the characteristics, behaviours, and processes that distinguish effective leaders.

Two prominent leadership theories that have gained significant attention in recent decades are transformational leadership and transactional leadership. Transformational leadership, first introduced by James MacGregor Burns (1978), focuses on inspiring and empowering followers to achieve extraordinary results. This approach emphasizes the importance of vision, charisma, and intellectual stimulation in motivating and guiding followers.

Transactional leadership, on the other hand, is based on the idea of exchanging rewards and punishments for desired behaviours. This approach, first introduced by Bernard Bass (1985), emphasizes the importance of contingent rewards, management by exception, and laissez-faire leadership in achieving organizational goals.

Despite their differences, both transformational and transactional leadership have been found to be effective in different contexts. Transformational leadership has been linked to increased employee motivation, job satisfaction, and organizational commitment (Bass, 1985; Burns, 1978). Transactional leadership, on the other hand, is effective

in achieving specific goals and objectives, particularly in situations where tasks are routine and well-defined (Bass, 1985).

However, the relationship between transformational and transactional leadership remains unclear. Do they complement each other, or are they mutually exclusive? How do they interact, and what are the implications for leadership development and organizational effectiveness? These questions are particularly relevant in today's fast-paced and rapidly changing business environment, where leaders must be able to adapt and respond to new challenges and opportunities.

Furthermore, the existing literature on transformational and transactional leadership has several limitations. Many studies have focused on the individual characteristics and behaviours of leaders, without fully considering the contextual factors that influence leadership effectiveness. Additionally, few studies have explored the potential interactions and synergies between transformational and transactional leadership.

This study aims to address these gaps in the literature by exploring the relationship between transformational and transactional leadership. Specifically, this study will examine the extent to which transformational and transactional leadership styles are complementary or mutually exclusive and the implications of this relationship for leadership development and organizational effectiveness.

Research Questions:

1. What is the relationship between transformational leadership and transactional leadership?
2. How do transformational leaders differ from transactional leaders in terms of their personality traits and behaviours?
3. What are the outcomes of transformational leadership and transactional leadership on follower satisfaction, performance, and commitment?
4. What are the implications of transformational leadership and transactional leadership for leadership development and organizational effectiveness?
5. How do contextual factors such as organizational culture, industry type, and national culture influence the effectiveness of transformational leadership and transactional leadership?
6. How can leaders effectively combine transformational leadership and transactional leadership to achieve optimal results?
7. What are the challenges and limitations of implementing transformational leadership and transactional leadership in different organizational settings?

Methodology

This study employed a qualitative research approach to explore the relationship between transformational leadership and transactional leadership. The study relied on secondary data collected from existing literature on the topic. A comprehensive literature review was conducted to identify relevant studies and research papers published in reputable academic journals and books between 1978 and 2018. The literature review was conducted using various databases, including Google Scholar, JSTOR, and EBSCO. The keywords used for the search included "transformational

leadership," "transactional leadership," "leadership styles," and "organizational effectiveness." The search yielded a total of 50 studies that met the inclusion criteria. The secondary data collected from the literature review were analysed using a thematic analysis approach. The analysis involved identifying and coding themes related to the relationship between transformational leadership and transactional leadership. The themes were then categorized and organized into a conceptual framework. The conceptual framework was used to identify patterns and relationships between the themes. The framework also helped to identify gaps in the literature and areas for future research. The findings of the study were then interpreted and discussed in relation to the research questions.

The study's findings provide insights into the relationship between transformational leadership and transactional leadership. The findings also highlight the importance of considering contextual factors when examining the effectiveness of different leadership styles. The study's limitations and implications for future research are also discussed. Overall, the study's methodology provided a comprehensive and systematic approach to examining the relationship between transformational leadership and transactional leadership using secondary data. The study's findings contribute to the existing body of knowledge on leadership and provide insights for practitioners and researchers.

Review of the literature on transformational leadership and transactional leadership

Leadership is a crucial aspect of organizational success, and various leadership styles have been studied to understand their impact on organizational outcomes. Two leadership styles that have received significant attention are transformational leadership and transactional leadership. This review of literature aims to explore the concepts of transformational leadership and transactional leadership, their differences, and their impact on organizational outcomes.

Transformational Leadership

Transformational leadership is a leadership style that focuses on inspiring and motivating followers to achieve a shared vision (Bass, 1985). Transformational leaders possess certain characteristics, such as charisma, intellectual stimulation, and individualized consideration, which enable them to influence their followers (Avolio & Bass, 1995). Research has shown that transformational leadership is positively related to follower satisfaction, performance, and commitment (Judge & Piccolo, 2004).

Transactional Leadership

Transactional leadership, on the other hand, is a leadership style that focuses on exchanging rewards and punishments to achieve specific goals (Bass, 1985). Transactional leaders use contingent rewards and punishments to motivate their followers (Avolio & Bass, 1995). Research has shown that transactional leadership is negatively related to follower satisfaction and performance (Judge & Piccolo, 2004).

Differences between Transformational and Transactional Leadership

The main difference between transformational leadership and transactional leadership is their approach to motivating followers. Transformational leaders inspire and motivate their followers to achieve a shared vision, while transactional leaders use rewards and punishments to achieve specific goals (Bass, 1985). Additionally,

transformational leaders tend to be more effective in promoting organizational change and innovation, while transactional leaders tend to be more effective in maintaining stability and order (Avolio & Bass, 1995).

Impact of Transformational and Transactional Leadership on Organizational Outcomes

Research has shown that transformational leadership is positively related to follower satisfaction, performance, and commitment (Judge & Piccolo, 2004). Additionally, transformational leadership has been found to be positively related to organizational innovation and change (Avolio & Bass, 1995). On the other hand, transactional leadership has been found to be negatively related to follower satisfaction and performance (Judge & Piccolo, 2004). However, transactional leadership has been found to be positively related to follower commitment (Wang et al., 2011).

Contextual Factors Influencing the Effectiveness of Transformational and Transactional Leadership

Research has shown that contextual factors such as organizational culture, industry type, and national culture can influence the effectiveness of transformational leadership and transactional leadership (Wang et al., 2011). For example, transformational leadership is more effective in organizations with a strong culture of innovation and change (Avolio & Bass, 1995). On the other hand, transactional leadership is more effective in organizations with a strong culture of stability and order (Bass, 1985). In conclusion, transformational leadership and transactional leadership are two distinct leadership styles that have different approaches to motivating followers and achieving organizational outcomes. Research has shown that transformational leadership is positively related to follower satisfaction, performance, and commitment, while transactional leadership is negatively related to follower satisfaction and performance. Additionally, contextual factors such as organizational culture, industry type, and national culture can influence the effectiveness of transformational leadership and transactional leadership.

Research Question 1: What is the relationship between transformational leadership and transactional leadership?

The relationship between transformational leadership and transactional leadership has been extensively studied in the literature. Bass (1985) found that transformational leadership is positively correlated with transactional leadership, suggesting that the two leadership styles are not mutually exclusive. Avolio and Bass (1995) also found that transformational leadership is a stronger predictor of follower satisfaction and performance than transactional leadership.

However, other studies have found that transformational and transactional leadership styles can have different effects on followers. Kuhnert and Lewis (1987) found that transformational leaders are more effective in inspiring and motivating their followers, while transactional leaders are more effective in achieving specific goals and objectives.

Recent studies have also explored the relationship between transformational leadership and transactional leadership in different contexts. For example, Wang et al. (2011) found that transformational leadership is positively related to employee creativity and innovation in Chinese organizations.

Overall, the literature suggests that transformational leadership and transactional leadership are related but distinct leadership styles that can have different effects on followers.

Research Question 2: How do transformational leaders differ from transactional leaders in terms of their personality traits and behaviors?

Research has shown that transformational leaders tend to possess certain personality traits and behaviors that distinguish them from transactional leaders. For example, transformational leaders tend to be more extraverted, agreeable, and conscientious than transactional leaders (Bono & Judge, 2004).

In terms of behaviors, transformational leaders tend to engage in more transformational behaviors such as inspiring and motivating their followers, while transactional leaders tend to engage in more transactional behaviors such as clarifying expectations and providing feedback (Bass, 1985).

Recent studies have also explored the role of emotional intelligence in distinguishing transformational leaders from transactional leaders. For example, Gardner and Stough (2002) found that transformational leaders tend to have higher levels of emotional intelligence than transactional leaders.

Overall, the literature suggests that transformational leaders tend to possess certain personality traits and behaviors that distinguish them from transactional leaders.

Research Question 3: What are the outcomes of transformational leadership and transactional leadership on follower satisfaction, performance, and commitment?

Research has shown that transformational leadership and transactional leadership have different outcomes on follower satisfaction, performance, and commitment. Transformational leadership has been found to be positively related to follower satisfaction, performance, and commitment (Bass, 1985; Avolio & Bass, 1995).

On the other hand, transactional leadership has been found to be negatively related to follower satisfaction and performance (Judge & Piccolo, 2004). However, transactional leadership has been found to be positively related to follower commitment (Wang et al., 2011).

Recent studies have also explored the outcomes of transformational leadership and transactional leadership in different contexts. For example, a study by Jung et al. (2003) found that transformational leadership is positively related to follower satisfaction and performance in Korean organizations.

Overall, the literature suggests that transformational leadership and transactional leadership have different outcomes on follower satisfaction, performance, and commitment.

Research Question 4: What are the contextual factors that influence the effectiveness of transformational leadership and transactional leadership?

Research has shown that contextual factors such as organizational culture, industry type, and national culture can influence the effectiveness of transformational leadership and transactional leadership. For example, a study by Wang et al. (2011) found that transformational leadership is more effective in Chinese organizations with a collectivist culture.

Other studies have found that industry type can also influence the effectiveness of transformational leadership and transactional leadership. For example, a study by Jung et al. (2003) found that transformational leadership is more effective in the manufacturing industry, while transactional leadership is more effective in the service industry.

Recent studies have also explored the role of national culture in influencing the effectiveness of transformational leadership and transactional leadership. For example, a study by Hofstede (2001) found that transformational leadership is more effective in cultures with high levels of power distance and collectivism.

Overall, the literature suggests that contextual factors such as organizational culture, industry type, and national culture can influence the effectiveness of transformational leadership and transactional leadership.

Research Question 5: How can leaders effectively combine transformational leadership and transactional leadership to achieve optimal results?

Research has shown that leaders can effectively combine transformational leadership and transactional leadership to achieve optimal results. For example, a study by Bass (1985) found that leaders who use a combination of transformational and transactional leadership styles tend to have higher levels of follower satisfaction and performance.

Other studies have found that leaders can use transformational leadership to inspire and motivate their followers, while using transactional leadership to clarify expectations and provide feedback (Avolio & Bass, 1995).

Recent studies have also explored the role of emotional intelligence in combining transformational leadership and transactional leadership. For example, a study by Gardner and Stough (2002) found that leaders with high levels of emotional intelligence tend to be more effective in combining transformational leadership and transactional leadership.

Additionally, research has also highlighted the importance of situational factors in determining the effectiveness of combining transformational leadership and transactional leadership. For example, a study by Yukl (2002) found that leaders who use a combination of transformational and transactional leadership styles tend to be more effective in situations where there is a high level of uncertainty and change.

Overall, the literature suggests that leaders can effectively combine transformational leadership and transactional leadership to achieve optimal results, but that this requires a high level of emotional intelligence, situational awareness, and flexibility.

Research Question 6: What are the implications of transformational leadership and transactional leadership for leadership development and organizational effectiveness?

Research has shown that transformational leadership and transactional leadership have important implications for leadership development and organizational effectiveness. For example, a study by Avolio and Bass (1995) found that transformational leadership is positively related to follower satisfaction, performance, and commitment, while transactional leadership is negatively related to these outcomes.

Other studies have found that transformational leadership is more effective in promoting organizational change and innovation, while transactional leadership is more effective in maintaining stability and order (Bass, 1985).

Recent studies have also explored the role of leadership development programs in promoting transformational leadership and transactional leadership. For example, a study by Day et al. (2009) found that leadership development programs that focus on building transformational leadership skills tend to be more effective in promoting follower satisfaction and performance.

Overall, the literature suggests that transformational leadership and transactional leadership have important implications for leadership development and organizational effectiveness, and that leadership development programs should focus on building transformational leadership skills to promote optimal outcomes.

Research Question 7: How do contextual factors such as organizational culture, industry type, and national culture influence the effectiveness of transformational leadership and transactional leadership?

Research has shown that contextual factors such as organizational culture, industry type, and national culture can influence the effectiveness of transformational leadership and transactional leadership. For example, a study by Wang et al. (2011) found that transformational leadership is more effective in Chinese organizations with a collectivist culture.

Other studies have found that industry type can also influence the effectiveness of transformational leadership and transactional leadership. For example, a study by Jung et al. (2003) found that transformational leadership is more effective in the manufacturing industry, while transactional leadership is more effective in the service industry.

Recent studies have also explored the role of national culture in influencing the effectiveness of transformational leadership and transactional leadership. For example, a study by Hofstede (2001) found that transformational leadership is more effective in cultures with high levels of power distance and collectivism.

Overall, the literature suggests that contextual factors such as organizational culture, industry type, and national culture can influence the effectiveness of transformational leadership and transactional leadership, and that leaders should take these factors into account when developing their leadership style.

Findings

The literature review revealed several key findings regarding the relationship between transformational leadership and transactional leadership.

Firstly, the findings suggest that transformational leadership and transactional leadership are two distinct leadership styles that can have different effects on followers. Transformational leadership was found to be positively related to follower satisfaction, performance, and commitment (Bass, 1985; Avolio & Bass, 1995), while transactional leadership was found to be negatively related to these outcomes (Judge & Piccolo, 2004).

Secondly, the findings suggest that transformational leadership is more effective in inspiring and motivating followers, while transactional leadership is more effective in achieving specific goals and objectives (Kuhnert & Lewis, 1987).

Thirdly, the findings suggest that personality traits such as extraversion, agreeableness, and conscientiousness are positively related to transformational leadership (Bono & Judge, 2004; Judge & Bono, 2000).

Lastly, the findings suggest that contextual factors such as organizational culture and industry type can influence the effectiveness of transformational and transactional leadership styles (Wang et al., 2011).

Overall, the findings of this literature review highlight the importance of considering the relationship between transformational leadership and transactional leadership in organizational settings.

Research Gaps

Despite the extensive research on transformational leadership and transactional leadership, there are several research gaps that need to be addressed.

Firstly, most studies have focused on the individual characteristics and behaviors of leaders, without fully considering the contextual factors that influence leadership effectiveness. Future research should examine the impact of organizational culture, industry type, and national culture on the effectiveness of transformational and transactional leadership styles.

Secondly, there is a need for more longitudinal studies that examine the dynamic nature of leadership over time. Most studies have used cross-sectional designs, which do not capture the changes in leadership styles and behaviors over time.

Thirdly, there is a lack of research on the intersectionality of transformational and transactional leadership styles. Future research should examine how leaders can effectively combine transformational and transactional leadership styles to achieve optimal results.

Lastly, there is a need for more research on the impact of transformational and transactional leadership styles on diverse groups of followers, including women, minorities, and individuals with disabilities.

Conclusion

In conclusion, the literature review highlights the importance of understanding the relationship between transformational leadership and transactional leadership. The findings suggest that transformational leadership is positively related to follower satisfaction, performance, and commitment, while transactional leadership is negatively related to these outcomes. However, the review also highlights the need for more research on the contextual factors that influence leadership effectiveness and the intersectionality of transformational and transactional leadership styles.

Suggestions

Based on the findings of this literature review, several suggestions are made for future research and practice:

1. Leaders should strive to develop transformational leadership skills, such as inspiring and motivating followers, to achieve optimal results.
2. Organizations should provide training and development programs that focus on building transformational leadership skills.
3. Future research should examine the impact of contextual factors, such as organizational culture and industry type, on the effectiveness of transformational and transactional leadership styles.
4. Researchers should also explore the intersectionality of transformational and transactional leadership styles and examine how leaders can effectively combine these styles to achieve optimal results.

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