

Review Article

One Size Doesn't Fit All: Contingency Perspective Approach to the Effectiveness of Transformational and Transactional Leadership

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Abstract - Most studies have claimed that transformational leadership is superior to transactional leadership. The current study challenges this dominating view of the superiority of transformational leadership to transactional leadership. This study proposes that time pressure, task type, group diversity, and organizational structure play a critical role in determining the effectiveness of transformational leadership and transactional leadership. The current study discusses that low time pressure, a highly diversified group, higher hierarchical level, and additive and disjunctive task have a positive association with the effectiveness of transformational leadership, while high time pressure, lower hierarchical level, bureaucratic structure, and conjunctive task have a positive association with the effectiveness of transactional leadership. Finally, this study discusses its limitations and future research issues.

Keywords - Contingency Perspective, Transactional Leadership, Transformational Leadership.

I. INTRODUCTION

For a long time, leadership scholars have sought a variety of leadership styles that might result in a good performance for the organization. During the last two decades, business organizations have experienced a drastic environmental change that is featured in uncertainty, complexity, and instability. To manage an organization under this environmental change, the importance of a leader is increased, and a new model of leadership is required. Recently, transformational and transactional leadership have emerged as new leadership styles that may suffice the needs of organizations. Transformational leadership features charisma, inspirational motivation, intellectual stimulation, and individual consideration, whereas transactional leadership characterizes contingent rewards and management by exception [5].

Due to the ideal characteristics of transformational leadership, many researchers have advocated for the superiority of transformational leadership to transactional

leadership. Studies have found that transformational leadership influences individual, group, and organizational level performances; turnover intention [14], collective efficacy [15], knowledge sharing [2], team performance [17], [35]. Atwater and Yammarino's [1]'s study, using a military sample, shows that transformational leadership has a strong positive relationship with leader effectiveness. Hater and Bass [18], using the sample from Fortune 500 companies, demonstrate that transformational leadership is positively related to leader effectiveness. With the sample of graduate students having full-time experience, Bass and Avolio [6] demonstrate the positive relationship between transformational leadership and leader effectiveness.

However, other empirical studies have demonstrated the impact of transactional leadership on leadership effectiveness. Singer [33] shows that transactional leadership has a strong positive relationship with leader effectiveness in the study of New Zealand executives. Kirby, King, and Paradise [27] also find that transactional leadership is positively related to leader effectiveness. Saeed and Mughal [32] found that culture mediates the relationship between transactional leadership and employee performance. Mia and Jiang [30] revealed that transactional leadership style is significantly related to employees' creativity. Hussain et al. [22] showed that transactional leadership and knowledge sharing have a positive relationship with creativity, and knowledge sharing is mediating the role between a transactional leader and organizational creativity. These mixed results may stem from the influence of contingent variables that exist inside or outside of an organization. Based on the contingency perspective of leadership, researchers claim that internal and external factors influence leader effectiveness and the fit between certain leadership styles, and these factors lead to superior performance. The study from the contingency approach seems to give a new insight into transformational and transactional leadership studies. What contingency factors influence the effectiveness of transformational leadership and transactional leadership?



How do the contingent factors act on the effectiveness of each leadership style?

The goal of the current study is two folds: first, it explores contingent factors that may have impacts on the effectiveness of leadership. If possible, contingent factors, time pressure, task type, group diversity, and bureaucratic structure are considered. Second, it discusses the different impacts of these contingent factors on the effectiveness of each leadership style. The structure of this paper is as follows: the following section reviews the literature on transformational leadership and transactional leadership, and the contingent variables suggested. Then, it develops hypotheses that describe the relationship between leadership styles and contingent variables. Next, it discusses the limitations and future research issues.

II. LITERATURE REVIEW

A. Transformational Leadership

Transformational leadership refers to charismatic, inspirational, intellectually stimulating, and individually considerate leadership styles. Transformational leader helps followers transcend their self-interests for the sake of the larger visions of the firm. A transformational leader inspires followers with their visions and creates excitement through their enthusiasm [6]. Transformational leadership consists of four dimensions. The first dimension is 'Charismatic or Idealized Influence'. By being a role model for followers, a transformational leader motivates followers. The leader is trusted and respected and is willing to take risks, and is consistent rather than arbitrary [6], [5]. The second dimension is 'Inspirational Motivation'. By providing meanings and challenges to followers' work, transformational leader motivates followers. The leader creates communicated expectations that followers want to meet and demonstrates a commitment to goals and shared vision [6], [5]. The third dimension is 'Intellectual Stimulation.' A transformational leader encourages followers' creative thoughts or works by questioning assumptions, reframing problems, and approaching old situations in new ways [6], [5]. The final dimension is 'Individual Consideration'. Transformational leaders are personally concerned with each follower's needs for achievement and growth [6], [5].

B. Transactional Leadership

A transactional leader sets goals, articulates explicit agreements regarding what the leader expects from followers and how they will be rewarded for their efforts and commitments, and provides constructive feedback to keep everybody on tasks [3], [5]. 'Contingent Reward' is the first dimension of transactional leadership. Using contingent reward, transactional leader assigns or gets agreement on what needs to be done and promise rewards or rewards others in exchange for satisfactorily doing the assignment [3], [5]. The second dimension of the transactional leadership style is 'Management by Exception (MBE)'. There are two types of MBE: MBE-active and MBE-passive. While MBE-active means that a transactional leader actively monitors deviance from standards and takes corrective actions, MBE-passive

means that a transactional leader waits passively for mistakes and errors and then takes actions to correct them [3], [5].

III. DISCUSSION

Leadership theory from the contingency perspective incorporates aspects of the organization or characteristics of followers as critical factors that influence the leader's effectiveness. The contingency perspective leadership theory stresses that a successful leader in one situation is not assumed to be successful in all situations. The effectiveness of a leader depends on the extent of the fit between the leader's characteristics and behavior and the environmental, organizational, and follower characteristics. Many variables have been studied. The current study considers time pressures, group diversity, task type, and organizational structure as contingency factors that may have effects on leader effectiveness.

A. Time Pressure

Time pressure has been studied in the problem-solving and decision-making processes [7], [10], [16]. Several research suggests that time pressure has significant effects on the task behaviors of people. Karau and Kelly [25] indicate that time pressure strongly increases the focus on task activity and constrains interpersonal activity and other behaviors that do not advance the task. Park and Cowlin's study (1995) shows that groups increase the rates of activity and less repeat previously considered information when working under high time pressure. The study confirms that when groups work under time pressures, they show a narrowing of attention and a focus on task-focused action. Kelly, Jackson, and Hutson-Comeaux's study [26] examines influential processes during group decisions under time pressure. The study demonstrates that the groups working under time pressure involve in more normative influence, whereas groups working under no time pressure are involved in more information influence.

Under time pressure, transformational leaders' behaviors that encourage followers' creative thinking and that consider followers' needs would be constrained because these behaviors of a transformational leader make followers and leaders /her self-deviate from the urgent task to be completed. However, a transactional leader may effectively handle task situations under time pressure. Rather than encouraging a variety of ideas, a transactional leader makes followers concentrate on the given task. A transactional leader will be more effective by managing followers' behaviors.

Proposition 1a: Under high time pressure, transactional leadership will be more effective than transformational leadership.

However, under low time pressure, a transformational leader will show better leader effectiveness.

Proposition 1b: Under low time pressure, transformational leadership will be more effective than transactional leadership.

B. Task Type

An organization consists of groups that execute a variety of tasks. An effective leader is required to show different behaviors and skills to deal with each different task. Hackman, Jones, and McGrath [19] discuss three types of tasks: production, discussion, and problem-solving tasks. Davis, Laughin, and Komorita [11] classify two types of tasks: tasks completed by a cooperative group versus a competitive group. Steiner [34] develops a task type taxonomy that distinguishes between divisible and unitary tasks.

Further, the unitary task is divided into four sub-task types: additive task, conjunctive task, disjunctive task, and discretionary task. The additive task refers to a task that requires the summing or averaging of individual resources for performance. Brainstorming is a good example of this type of task where the performance is based on the number of answers. The performance will increase the ability of the team members proportionately, regardless of the distribution of ability among team members [12]. Another type of task is a conjunctive task, where performance is based on the lowest performer in the team. The assembly line is a good example of a conjunctive task. Each assembler's performance relies on the previous assembler in the line. The line will only move as fast as the slowest assembler can keep up. The other type of task is a disjunctive task. In this type of task, performance is based on the highest performing member of the team. For example, problem-solving is a disjunctive task where the best answer will represent the team's performance [34].

A transformational leader will be effective in leading the group doing additive or disjunctive tasks. With inspirational motivation, a transformational leader will encourage followers to commit to goals, improving overall group performances. Also, a transformational leader makes efforts to maximize the potential of each member by encouraging creativity and innovative thought and by caring for each member's needs for growth. Meanwhile, a transactional leader will be effective in managing the group doing the conjunctive task by just identifying low performers and correcting them.

Proposition 2a: Transformational leadership will be more effective in managing the group doing the additive task or disjunctive task than transactional leadership.

Proposition 2b: Transactional leadership will be more effective in managing the group doing the conjunctive task than transformational leadership.

C. Diversity

Team diversity refers to the extent to which the composition of a team member is various in terms of sex, age, race, personality, value, attitude, and belief. Surface-level diversity refers to the differences among team members in overt demographic characteristics: age, sex, and race, while deep-level diversity is defined as team members' various psychological characteristics such as

personality, values, and attitudes [23], [20]. The impacts of diversity on performance show mixed results. Several studies show that diversity is closely related to creative or innovative performance. A group or team that consists of members with a diverse backgrounds is more efficient in solving complex problems or in generating creative ideas. However, team diversity also has negative impacts on performance, such as social isolation, reduced cohesion, diminished communication, low-performance ratings, and reduced commitments [28], [29]. When it comes to the effect of deep-level diversity, the diversity of group members' personalities was negatively related to social cohesion or group viability [3]. John and Mannix [24] demonstrate that a greater priority consensus on work values leads to effective patterns of task conflict and low levels of relationship conflicts over time. Related to attitudes among members, the similarity of attitude has been closely related to higher team cohesiveness [20].

A transformational leader is more suitable in leading a group with diversity than a transactional leader. The transformational leader will stimulate each follower intelligently and draw original, innovative solutions and ideas from interaction among followers. On the other hand, by using inspirational motivation, transformational leaders communicate clear goals with followers and encourage them to commit to shared goals and visions. Also, a transformational leader provides meaningfulness to tasks and the importance of outcomes to followers. A transformational leader cares about each individual's needs, reducing such problems as social isolation and diminished communication. Therefore, the transformational leader will enhance the positive impacts of team diversity and reduce the negative impacts at the same time.

Proposition 3: Transformational leadership will be more effective in managing a team with diversity than transactional leadership.

D. Organizational Structure

There have been two main streams of researches on organizational structure: organic structure theory and bureaucratic structure theory [13]. The organic theory considers the fundamental dimension of organizational structure to be a continuum that runs from the poles of mechanistic to the organic structure. The mechanistic structure is top-down, so that top leaders seek to control lower-level employees in every way possible. Leaders centralize decision-making so that they make decisions about what should happen [8]. On the contrary, the organic structure is decentralized so that employees can exercise autonomy in decision-making. The organic structure is also low on functional specialization and formalization so that how employees should do their jobs is not prescribed by top leaders. There are only a few studies that examine the influence of organic-mechanic structure on leader effectiveness. Howell [21] proposes that transformational leadership will be effective in organic structure while transactional leadership will be effective in mechanic structure.

The bureaucracy structure theory has the dimension of structure from simple to bureaucratic structure, whereas the organic structure theory considers the dimensions of organizational structure to be a continuum from mechanistic to organic structure [13]. In the bureaucratic approach, size is the most critical factor that determines the structure of an organization. Size is positively correlated with the structuring of such activities of structuring as specialization, formalization, and decentralization. Size growth weakens the direct control over followers by a leader, which instead relies more on the indirect controls provided by bureaucratic structure, such as written job descriptions, rules, and procedures [13]. The increase in the number of followers will inhibit the behaviors of a transformational leader from considering individual needs. Since in the bureaucratic structure, job manuals, rules, and procedures guide how the task should be completed, transformational leaders' behaviors that motivate followers to generate new, creative ideas may not be effective and even undesirable. However, transactional leadership will be more appropriate in a bureaucratic structure by guiding followers to work according to manuals, rules, and procedures and just correcting their deviances from the rules.

Proposition 4a: In a bureaucratic structure, transactional leadership will be more effective than transformational leadership.

Size is also positively correlated with vertical spans, which are the number of levels in the hierarchy. Child [9] argues that larger organizations have taller hierarchies down which authority is delegated, but such delegated authority is circumscribed by the increasing structuring of activities. The leader in the high-level group, such as the top management team, can exercise power and discretion with little or no limitation. However, the middle- lower level leader exercises some authority, but they are hedged by tight job definitions, rules, procedures, and paper works that limit their discretion. Besides, the group in high-level deals with uncertain and complex tasks. Therefore, the transformational leadership style is more appropriate for managing high-level group because transformational leader stimulates followers' innovative thoughts and original solutions to solve uncertain, complex tasks. The tasks of low-level groups are certain and structured. Therefore, a transactional leader will be more effective in managing the low-level group by preventing and correcting followers' deviance from the pre-specified manuals, rules, and procedures.

Proposition 4b: Transactional leadership will be more effective in leading the low-level group than transformational leadership.

Proposition 4c: Transformational leadership will be more effective in leading a high-level group than transactional leadership.

CONCLUSION

This study contributes to extant transformational/transactional leadership literature by comparing the effectiveness of transformational leadership and transactional leadership from a contingency perspective. This study argues that such contingency variables as time pressure, task type, diversity, and organizational structure determines the effectiveness of each leadership style, rather than that transformational leadership is always better than transactional leadership in any situation.

On the other hand, Bass [5] claims that the transformational/transactional leadership paradigm as being comprised of complementary rather than polar constructs. He integrates the transformational and transactional styles by recognizing that both styles may be linked to the achievement of desired goals and objectives. In this vein, a leader can develop both transformational leadership and transactional leadership at the same time. Then, a leader who carefully selects and exercises each leadership style according to situations will show better leader effectiveness.

The adoption of contingency perspective sheds new light on transformational/ transactional leadership literature. This study considers four contingency variables. However, future research is required to explore more contingency variables such as organizational culture, goal, and motivation system. Also, this study explores the simple effect of each contingency variable, not considering the compound effects of two more variables. However, in reality, contingency variables may have a compound effect. Future research is required to examine the compounded effect of the variables on leader effectiveness. Finally, this study compares transformational leadership with transactional leadership. Future research is required to compare transformational leadership, under certain contingency, with a variety of leadership styles such as visionary leadership, servant leadership, pragmatic leadership, and so on.

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