



Leadership

**Transformational-Transactional
Leadership: What is it?**

Leadership is one of the key drivers of

performance in an organization. Leaders make all the major decisions in terms of what the company's purpose is, how employees are compensated and interpersonally treated, what services and/or products are produced, how they are produced, who the targeted consumer is, how the product and/or service is delivered, and so forth (Zhu, Chew, & Spangler, 2005). Thus, it is not surprising that in the social sciences, leadership is the most widely studied concept (Greenberg & Baron, 2003). In a recent PsycINFO* database search, the topic of leadership brought up more than 24,000 articles related to its examination. Of the many different theories of leadership available in the literature today (e.g., LPC theory, path-goal theory, normative decision theory, substitutes for leadership theory, etc.), no other theory has been researched more than transformational leadership (Brown & Keeping, 2005; Judge & Piccolo, 2004). Since the introduction of transformational leadership, it has been associated with multiple types of outcomes: perceived effectiveness of leader, subordinate reported work effort, satisfaction with leader, subordinate performance rated by leader, organizational commitment, motivation, organizational citizenship behavior (OCB), absenteeism, and some aspects of financial influence (Barling, Weber, & Kelloway, 1996; Elenkov, 2000; Geyer & Steyrer, 1998; Tickle, Brownlee, & Nailon, 2004; Xenikou & Simosi, 2006; Zhu et al., 2005).

The theory of transformation-transactional leadership can be best explained as a difference in what leaders and subordinates have to offer in a work relationship. Transformational

leadership influences both the micro (individual) and macro level (e.g., create reform) of an institution by transforming followers from their "everyday selves" to "better selves", by appealing to their higher order intrinsic needs, bypassing vision of short-term goals, and becoming motivated by organizational goals rather than self-interests (i.e., taking on the interests of the leader) (Judge & Piccolo, 2004; Yukl, 1989). More precisely, a transformational leader is described as able to elicit support from followers by the strength of their character (idealized influence or charisma), communicate a vision that creates enthusiasm in followers (inspirational motivation), encourages divergent thinking and innovativeness within the organization (intellectual stimulation), and provides individual encouragement and support through mentoring or coaching (individual consideration).

In contrast, transactional leadership is a more conventional style in which work is exchanged for resources. A transactional leader influences subordinates by rewards in exchange for their efforts (contingent rewards), follows workers closely and takes corrective actions when required (management by exception – active), or passively manages employees and takes measures when necessary (management by exception – passive) (Bono & Judge, 2004; Elkins & Keller, 2003; Judge & Piccolo, 2004). Though initially thought that the two forms of leadership were considered to be on a continuum, further research has modified the theory. In particular, Bass created the augmentation theory, which proposes that transformational leadership builds upon transactional leadership, and that successful leaders display both types of behaviors (Bass, 1985).

Though not as popular, but as important to mention is the very similar charismatic leadership. This theory is defined by House (1980) as “a leader [that] is capable of having profound and extraordinary effects on followers by the force of their personal abilities”. Charismatic leaders are described as having high self-confidence, vision, excellent communication skills, strong conviction, extraordinary behavior, recognized as a change agent, and have a strong need for power. Though the differences between transactional and the other two leadership types is clear, the difference between charismatic and transformational are harder to tell. The major differences between these two theories are that first, charisma is a necessary condition of transformational, but in and of itself is insufficient. Second, transformational leaders empower their followers, whereas charismatic leaders make their followers dependent upon them. Third, charismatic leaders are infrequent in comparison to transformational leaders who are found throughout different hierarchies and contexts. Lastly, transformational leadership goes beyond the aspect of charisma (intellectual stimulation, etc.).

* PsycINFO is a database containing abstracts of scholarly journal articles, book chapters, books, and dissertations in the field of psychology.