

An Analysis of the Concepts of Transformational Leadership and Transactional Leadership: The Way Forward?

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Abstract: Transactional and transformational leadership styles have been adopted by most organizations, but there exists a controversy as to which of the two leadership styles is the most appropriate and acceptable for organizational effectiveness and competitiveness. A survey of pertinent research on transactional and transformational leadership styles is included in this study. According to the findings, transformational leadership is more important than transactional leadership in specific situations. Transactional leadership has been demonstrated to have a considerable positive impact on organizational performance in different circumstances. As a result, both leadership styles were shown to be useful to businesses and could be used separately or in combination, depending on the context of the organization and the task at hand.

Keywords: Leadership, Transactional leadership, Transformational leadership

I. INTRODUCTION

Leadership is defined as a process that encourages others to give their all in order to achieve a specific goal. It is a manager's ability to accept and aggressively encourage others to act in a desired and different manner in order to achieve the organizational goal (Armstrong, 2009 & Certo, 2002). Amah (2006) defined leadership as a process in which a conducive environment or circumstance is created for people who are motivated to work with zeal to attain the organization's goals.

One of the most important aspects of corporate performance and competitiveness is leadership.

Every organization is created with the intention of achieving specific objectives. As a result, a leader must persuade members of the organization to willingly devote their energies to achieving such goals. According to Fasola et al (2013), leaders are the creators of vision, corporate ethics, and citizenship behavior, which they utilize to change companies by encouraging subordinates to perform at higher levels in order to boost organizational productivity and performance.

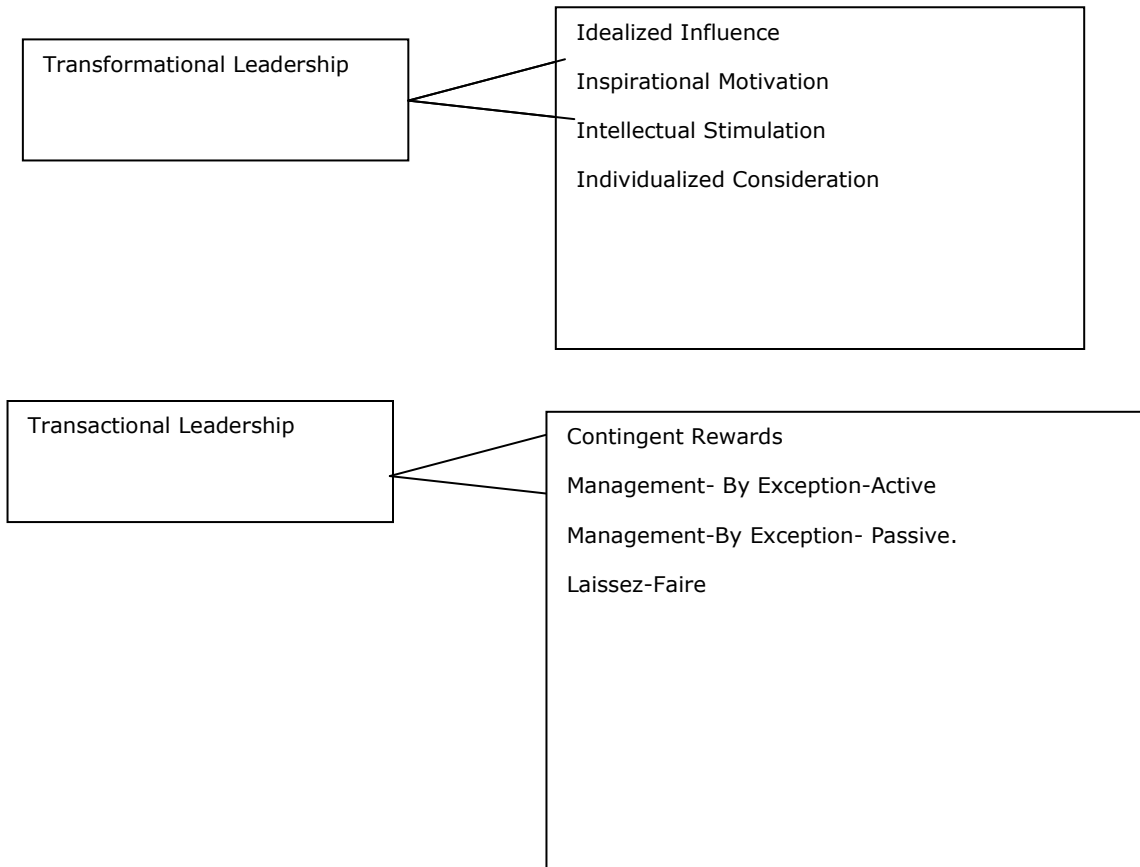
Many theories have been proposed to explain effective leadership styles, with transformational and transactional leadership theories being two of the most famous (Judge & *Conceptual Framework*

Bono 2000, Odumeru & Ogbonna, 2013). Burns (1978) was the first to introduce these two themes when researching political leaders. This was further developed and enlarged by Bass and Avolio (1979) to encompass the whole range model of leadership, and it is now widely used in organizational psychology and management (Jung & Sosik, 2002).

Transformational leadership is a management style that encourages employees to try new things and give their all so that the organization can exceed the competition. By defining, expressing, and explaining the vision, as well as inspiring individuals to work toward the organization's goals, the leader reorganizes the teams and the company (Amah, 2006). On the other side, transactional leadership occurs when leaders aid organizations in attaining their immediate goals while making no attempt to change the course of events. Employees are given the resources they need to complete their responsibilities, and performance is linked to rewards. This is the leadership perspective adopted by contingency and behavioral theories, which focuses on leaders' conduct to increase employee performance and satisfaction (Godwin et al, 2011).

The majority of authors and researchers feel that both leadership styles differ in idea and practice, while others believe that transformational leadership outperforms transactional leadership by allowing individuals and organizations to attain high levels of performance. Lowe et al., 1996; Howell & Avolio, 1993; Bass & Avolio, 1994; Howell & Avolio, 1993; Bass & Avolio, 1994; Howell & Avolio, 1993). According to Wehrich et al. (2008), transactional leadership is a "Subset" of transformational leadership. Furthermore, both leadership styles are claimed to have a positive impact on organizational productivity, employee performance, employee happiness and commitment, and organizational performance (Hartog et al.,1977).

This study therefore is aimed at analyzing the transformational and transactional leadership styles to ascertain the most adaptable and acceptable and right way going forward for organizations.



II. LITERATURE REVIEW

Leadership

"A process through which employees in an organization are motivated, inspired, or encouraged to be productive toward the achievement of organizational goals," Yukl and Lepsinger (2005) describe leadership. Leadership not only function as an inspirational process, but is particularly involved in creating the organizational vision, corporate values and ethics which are geared towards the organization [Amah, 2006].

Effective Leadership

Effective leadership is defined as a leader's capacity to get his subordinates to perform better over time [McShane, 2009]. Effective leadership encourages the adoption and practice of organizational ethics and good workforce management which in turn leads to improved performance. As a result of effective leadership, subordinates are motivated, committed, and top performers. Effective leaders focus mainly on the vision, mission and goals of the organization and insist on the workers doing the right things, while managers are concerned about doing things right. They promote change and challenge situations as they arise (Bennis, 1989).

The impactful efforts of successful managers (leaders) on workers improve organizational performance. Example of such leaders was Gordon Bethune who transformed Continental Airline that went bankrupt in 1994, restored it to a number one on-time airline of that decade. Louis Gerstner

also transformed IBM company from a money-losing computer hardware company to a powerful servicing firm (McShane, 2008). As previously stated, good leaders improve organizational performance, and bad leaders reduce performance. Continental Airlines, for example, had gone through 10 CEOs in as many years and was looking for a good leader until Gordon Bethune came along and made a substantial contribution to the airline's success. Bad leaders, on the other hand, have a tendency to drain the "economic value" of the firm. AI Dunlop, popularly known as "Chainsaw AI," was a tough boss who took a hard line to cut expenses, causing Sunbeam to go bankrupt in less than two years, exhibiting bad leadership (McShane, 2009).

Researchers have attempted to discover successful leadership styles that can contribute to positive organizational results over the years. Two of the leadership perspectives that will be discussed in this study are transformational and transactional leadership styles.

Transformational Leadership

Transformational leadership is defined as "leaders' behaviors that transform and drive followers to achieve beyond expectations while transcending self-interest for the sake of the company" (Avolio et al., 2009). Transformational leaders are noted for re-energizing and leading ailing businesses in new directions by changing operational processes, organizational design, and culture (Bass, 1990). In addition, a transformational leader, according to Zaleznik (1977),

concentrates on changing the organizational context, changing tactics, and changing culture to meet the operating environment. In today's world of technological advancements and developments, many businesses face fierce competition from competitors in order to get a larger market share and a competitive advantage over their competitors. To survive in such a challenging situation, organizations require exceptional leaders who can re-strategize the organizational structure and activities. Louis Gerstner was an example of a transformational leader who re-engineered and repositioned IBM, which had lost billions of dollars in 1991 while domineering the market with mainframe computers, into a none-to-equal; whereas new organizations such as Dell Computers, Microsoft, and Intel made a technological shift to personal computers, which drew large crowds (McShane, 2009). Heinrich Von PIERER, a CEO of a German Company Siemens in the 1990s, transformed the enterprise that suffered stiff competition globally due to their organizational culture that was conservative and perfectionist and so did not allow innovation and creativity. But as Von Pierer became CEO in 1992, he created an atmosphere that encouraged subordinates' interaction, critique, training and innovation which gained the organization a competitive advantage (Evans, 1970).

According to Schuster (1994), transformational leadership aims to increase employee engagement while also improving their quality of life. Transformational leaders, according to Fasola et al (2013), have empathy for their subordinates' developmental needs, which motivates them to act on their own needs as well as the needs of others and the group as a whole. Employees who work for transformative leaders are more civic-minded and take part in workplace decision-making (Barling et al, 1996). The following transformational leadership outcomes on subordinates were identified by Pounder (2008): a) the leader's ability to motivate subordinates to work hard, b) the subordinates' understanding and belief in the leader's efficacy, and c) the subordinates' contentment with the leader. Dixon (1998) identified four primary intrinsic characteristics that influence a leader's behavior, including self-confidence, integrity, honesty, and personal ideals, based on his research. Burns outlines four major characteristics of transformational leadership: idealized influence, inspiring drive, intellectual stimulation, and customized concern (1978).

- 1) Idealized Influence: This refers to how much the subordinates admire the leader's actions, which causes them to identify with him.
- 2) Inspirational Motivation: This metric reflects how much the leader's stated vision appeals to and motivates followers to be optimistic about future goals while remaining focused on the current work.
- 3) Intellectual Stimulation: This demonstrates the leader's ability to question assumptions, take risks, and get feedback from subordinates.
- 4) Individualized Consideration: This demonstrates how concerned the boss is about each subordinate's well-

being and how he behaves as a mentor or coach to him.

Transformational leadership happens when leaders impact their employees in three ways, according to Jones & George (2006):

- 1) Transformational leaders teach their people the value of their work and the importance of giving it their all to achieve the organization's goals.
- 2) Transformational leaders make it apparent to their subordinates that they must grow, develop, and succeed in their jobs.
- 3) Transformational leaders inspire their employees to work hard not just for their own personal benefit, but for the sake of the company as a whole.

Elements of Transformational Leadership

According to McShane (2009), transformational leadership consists of seven elements:

- 1) **NEW VISION:** To begin with, transformational leaders, as previously said in this work, have a new vision for the organization that involves changes in culture, strategy, and organizational design, as well as the adoption of new norms and values. According to Jones & George (2006), transformational managers are charismatic in their behavior and have a vision of how things should be done in teams and in the company that is considerably different from the norm. Such a vision allows for significant gains in group and organizational performance (Jones & George, 2006).
- 2) **COMMUNICATE VISION:** Transformational leaders constantly convey their new vision to subordinates through simple and unambiguous phrases, images, and symbols in order to persuade them to accept it and educate them on how to carry it out (Conger, 1991).
- 3) **MODEL DESIRED BEHAVIOR:** Transformational leaders set an example by living by the ideals they preach in order to attain their goals. This was a strategy used by Lee Iacocca, when he took over as CEO of Chrysler Company which was at the verge of going bankrupt. In the struggle for the company's survival, his decision to take a one-dollar-a-year salary pending the company's return to profitability sent a message of togetherness to the employees (McShane, 2009).
- 4) **EMPOWER EMPLOYEES:** Transformational leaders empower their subordinates in a number of ways to carry out the new vision's initiatives. For example, in his appeal to subordinates to help and enhance Continental Airlines, Gordon Bethune offered them a part of the company's profits.
- 5) **MEANINGFUL CHANGES:** To gain employee support, transformational leaders implement significant and significant changes in the

organization's activities, control, incentive systems, and architecture. Continental Airline's CEO achieved this by tying employee bonuses to improved customer service.

- 6) **LEAD WITH INTEGRITY:** Transformational leaders have a high reputation for being dependable, honest, and fair, but they are firm in their decisions. They conduct business in an ethical, transparent, and honest manner.
- 7) **CREATE AN ENDURING ORGANIZATION:** Transformational leaders build and manage organizations that will continue to function successfully and efficiently long after they have left the company. Transformational leaders who are great build strong organizations consolidate it and develop employees who will continue after they are gone.

Transactional Leadership

Employees are driven by a "exchange of rewards, compliments, and incentives," according to transactional leadership (Fasola et al., 2013). Bass (2008), noted that transactional leaders lead by means of 'social exchange'. Transactional leadership, according to Ivey and Kline (2010), involves characteristics of 'leader-follower exchanges,' in which leaders exchange valuable products with subordinates in the interest of each other's 'agenda.' Furthermore, transactional leaders, according to Scareset al (1992) and Armstrong (2009), "sell money, jobs, and security for subordinates to follow directions." In other words, using rewards and power-influence to motivate high-performing subordinates, reinforce desired behaviors, and reprimand and penalize low-performing subordinates.

Transactional leadership, often known as management leadership, is responsible for supervisory, organizational, and group performance. According to Odumeru and Ifeanyi (2013), transactional leadership is a subset of transformational leadership, and both are linked to organizational success. This type of leadership is most effective in times of crisis and emergency, as well as when projects must be performed precisely and meticulously. Transactional leaders, according to Hargris et al. (2010), are more concerned with monitoring subordinates' work efforts and procedures, as well as deviations, than with thinking about the future. This is to imply that transactional leaders lead in an action-oriented manner. They put a greater emphasis on lower-level needs by focusing on individual task performance. Transactional leaders, according to Durbrin (2004), should concentrate on clarifying duties and tasks, which he agrees with.

Bass & Avolio (1994), noted that transactional leadership has four components:

- 1) **CONTINGENT REWARD:** Odumeru & Ifeanyi (2013), pointed out two types of contingent reward:
 - Contingent positive reinforcement and Contingent negative reinforcement. Continuous positive reinforcement in the form of praise or reward is delivered

when certain goals are fulfilled on time or ahead of schedule. Contingent negative reinforcement is employed when set goals are not met, tasks are not finished, or performance is poor. According to Fasola et al (2013), dependent rewards are given to the subordinates group based on the achievement of defined goals on time, ahead of schedule, or promoting good working speed to job completion. They further noted that group punishments are meted on the group like suspension, salary cuts or extension of work hours where assigned goals or tasks are not achieved or production quality or quantity fell below standard.

- 2) **MANAGEMENT-BY-EXCEPTION - ACTIVE:** Management by exception occurs in transactional leadership when the leader intervenes when there are deviations from the rules and regulations, anticipates problems or stated performance levels are not met, and initiates measures to correct and resolve the problems to improve subordinate performance, according to Hackman (2009).
- 3) **MANAGEMENT-BY-EXCEPTION - PASSIVE:** Leaders who manage by exception – passively, according to Odumeru and Ifeanyi (2013), do not become involved in resolving problems; instead, they stand by until the problems become too serious, at which point they act.
- 4) **LAISSEZ - FAIRE:** According to Robbin & Coulter (2007), leaders avoid making judgments and taking responsibility in this strategy. Instead, leaders delegate total responsibility, freedom, and influence over work decisions to subordinates (Chaudhry & Javed, 2012).

Transactional leadership, according to Khalil et al., (2016), comprises an exchange process in which followers obtain immediate and tangible rewards for obeying the leaders' directions. Rewards and incentives have a critical role in employee engagement in transactional leadership, according to Burns (1978), as cited by Khalil et al., (2016). According to Johnson (2017), transactional leadership managers provide assignments to employees and reward or punish team members based on performance. Transactional leadership, according to Ingram (2019), can be defined as "arrow hit the target" since leaders are more concerned with tasks being completed easily and on time rather than traditional organizational tactics.

Instead of imagining an exciting and challenging future, transactional leaders frequently maintain the status quo and control their employees. Because transactional leadership is based on risk aversion and protecting the status quo, it is thought to be anti-entrepreneurial because it discourages employees from seeking out and exploiting chances. Followers of this leadership style tend to limit themselves to following the leaders' orders and doing exactly what they've been taught (Moses & Ritossa, 2007; Ryan & Tipu, 2013). According to Jung (2001), transactional leaders are primarily concerned with operational effectiveness and process efficiency within the limits of existing systems. Subordinates

only try to meet the agreed-upon level of performance for which they will be rewarded or punished in such an environment.

Comparison/Differences Between Transactional and Transformational Leadership

James Macgregor Burns distinguished between transactional and transformative leadership styles, according to Odumeru & Ogbonna (2013). Northouse (2016), UK Essay (2017), Ronald (1998), Joseph (2015), and Surbhi (2015), among others, found notable disparities between the two leadership styles under consideration as follows:

Transactional Leadership and Transformational Leadership

	TRANSACTIONAL LEADERSHIP	TRANSFORMATIONAL LEADERSHIP
1	Leaders reward exchange for work and Leaders engage subordinates and focus on subordinates' loyalty higher level intrinsic needs.	
2	Operates within existing culture of the organization	Operates to change the culture of the organization with new vision and ideas.
3	Subordinates are motivated by considering their personal interest first.	Subordinates are encouraged to attend to group interest first.
4	Objectives are achieved by and ideals.	Objectives are achieved by high moral values subordinates through
5	Leaders employ management-by-exception to correct, monitor and improve subordinate performance.	Individuals are allowed to make personal inputs.
6	Transactional leaders react quickly and in a positive way to issues.	Leaders handles matters proactively.
7	Leadership is best for a stable setting	Leadership is good for troubled setting.
8	Transactional leadership is bureaucratic.	Leadership is charismatic.
9	Focus is on planning and execution	Focuses on promoting innovation.
10	Gives room for only one leader in a group	There can be more than one leader in a group
11	Emphasis is placed on leaders with followers.	Emphasis laid on values, beliefs and needs of the leader and followers.
12	Subordinates work under strict rules and regulations presenting rigidity of work.	Subordinates work creatively and efficiently.

Appraisal of Transformational and Transactional Leadership Effect in Different Organizations

ORGANIZATION	TRANSFORMATIONAL	TRANSACTIONAL
Small Firms (Chile)	Positive impact	Negative Impact
Bank	Not impactful	Effective
Small scale enterprise (Nigeria) positive impact.	Insignificant effect.	Significant more
Private schools performance.	Less related to employee performance.	More positively related to (Pakistan).

Water Company (Nigeria)	Strong positive relationship with organizational performance.	Weak Positive relationship with organizational performance.
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Limitations and Weaknesses of Transformational and Transactional Leadership Styles

Transactional Leadership

According to Galilee (2018), transactional leadership subordinates are unable to express their inventiveness because to their superiors' required tight adherence to rules and regulations. Afsar et al (2016), noted that subordinates might also consider this leadership style as rigid, inflexible, bureaucratic, centralized and less empowering scenario, thereby inhibiting entrepreneurial behavior.

The 'broad thinking approach' that presents abrupt rules and supervision may produce followers instead of leaders of tomorrow. Risk taking is minimized under transactional leadership, which may compromise lucrative gain.

There is no emotional attachment to subordinates as punishments, salary cuts, denial of promotions or termination from the team could be meted on those with undesired results.

Transformational Leadership

According to Bently (2002), transformational leaders have a tendency to utilize their manipulative influence in unethical and self-centered ways, which can have a negative impact on the organization.

Transformational leaders' difficult duties, as well as extended hours of labor or overtime, may have an impact on subordinates' performance, resulting in low productivity (Natalie, 2014).

III. EMPIRICAL REVIEW

Despite its many critics, transformational leadership has gained appeal in recent years. According to studies of managers in a variety of situations, including the military, corporations, and management, transformational leadership is more effective, with higher subordinate performance, more promotion, and more sensitive interpersonal interactions than transactional leadership. According to other research, transformative leadership is strongly associated to employee outcomes like reduced turnover, increased productivity, employee happiness, innovation, goal achievement, and employee well-being (Judge & Bono, 2000, Piccolo & Colquitt, 2006, Eisenbeib & Boerner, 2013, Garcia-Morales et al, 2008, Keller,1992).

According to other research, transformative leadership is strongly associated to employee outcomes like reduced turnover, increased productivity, employee happiness, innovation, goal achievement, and employee well-being (Judge & Bono, 2000, Piccolo & Colquitt, 2006, Eisenbeib & Boerner, 2013, Garcia-Morales et al, 2008, Keller,1992). In other research, transactional leadership was found to have a considerable favorable impact on performance, while

transformational leadership had a minor but positive impact. (Obiwuru and colleagues, 2011).

In the United States, Muterara (2012) discovered that both transformational and transactional leadership styles were positively connected with organizational performance, with transformational leadership having a bigger influence than transactional leadership. Ejere and Abasilim's findings back up those of Prodeep and Prabhn (2011) and Muterara (2012), who found that transformational leadership had a stronger impact on organizational performance than transactional leadership. The findings contrast those of Paracha et al., (2012), who reported a stronger correlation between transactional and transformational leadership styles and organizational performance.

According to Ojukwu et al., (2012), transformational leadership was positively connected to bank worker performance, whereas transactional leadership was negatively related. In a study of the leadership behavior of presidents at various institutions, Weber (2003) discovered a significant positive relationship between transformational leadership and work satisfaction and motivation of subordinates. According to Howell and Avolio (1993), the usage of contingent compensation has a negative influence on employee performance. Transactional leadership, according to Bass (2008), has a negative impact on subordinates' work satisfaction and performance.

Several studies, however, have discovered that both transformational and transactional leadership styles have an impact on employee motivation (Abdul et al., 2012, & Judge & Piccolo, 2004). In Pakistan, for example, Abdul et al. (2012) investigated the impact of transformational and transactional leadership styles on employee motivation. Both leadership styles were found to have a substantial positive link to organizational commitment (Barbuto, 2005; Ibrahim, 2010; Charles & Catherine, 2007). On the other hand, Fasola et al. (2013) discovered that while there was a positive relationship between transformational leadership and bank staff commitment, it was not very significant, implying that the style adopted did not exactly induce their commitment. Transactional leadership style was proven to be more effective than transformational leadership style in influencing people.

According to Joseph (2015), transformational leadership was favoured by 86.7 percent of respondents, whereas transactional leadership was valued by just 53 percent. Kalsoom et al. (2018) did their own research on a Pakistani sector, finding that transactional leadership had a more positive impact on employee performance than transformational leadership. Transformational leadership, according to Nsom et al., (2019), has a considerable positive impact on employee behavior, whereas transactional leadership has a negative impact.

According to Brymer and Gray (2006), the transformational leadership paradigm is more appropriate for effective outdoor leadership, but that in some circumstances, recognition and

compensation for specific tasks accomplished by staff may be necessary. Employee performance was favorably connected with transformational leadership, according to Li and Hung (2009) in their study of 570 school teachers. In another study conducted in India, Biswas (2009) discovered that transformative leadership has a positive impact and is strongly linked to employee performance. Transformational leadership, according to Asfar et al., (2016), is more beneficial, advantageous, and effective than transactional leadership in encouraging entrepreneurial behavior, but only when employees have a greater psychological empowerment attitude and belief.

IV. GAP IN LITERATURE

In both transformational and transactional leadership, there is a vacuum in the literature on the traits that negatively affect organizational success. Second, there aren't enough empirical research and evidence on the impact of transformational and transactional leadership styles in various and similar firms to make meaningful comparisons and generalizations based on their findings.

V. FINDINGS OF THE STUDY

According to the findings of this study, different authors and academics have differing opinions about which of the two leadership styles, transformational and transactional, is most suited to enterprises. According to the study, both leadership styles have a positive relationship and impact on organizational performance. However, the study found that in some situations, transformational leadership was more important than transactional leadership. In other cases, transactional leadership had a significant positive impact on organizational performance, whereas transformational leadership, despite being positively correlated, had a minor impact. This was also the opinion of Pawar and Eastman (1997), who stated that transformational leadership may be appropriate in some settings but not in others. For instance, organizations in troubled state, need change and improvement in their performance. For companies in a stable performance position, transactional leadership may be more suited.

VI. CONCLUSION

Because the findings of this study demonstrated that transformational and transactional leadership styles have good benefits in varied contexts, they cannot be applied to every organization. Rather, they've presented confirmation of the link between transformational and transactional leadership and organizational success.

As a result, both transformational and transactional leadership styles are found to be beneficial to organizations, and they can be utilized independently or in combination, depending on the situation or context of the organization and the job at hand.

Also, in the manufacturing industry where strict guidelines have to be followed, then becoming a transactional leader is a better fit for you. Unlike, the educational sector which focuses more on long-term goals and providing subordinates with

more room to operate, then the transformational leadership is best to choose.

VII. RECOMMENDATIONS

Based on the findings of this study, which reveal that both transformational and transactional leadership styles have a positive impact on organizational performance, independent of the degree to which they are significantly associated, the following recommendations are made:

1. In order to achieve organizational goals, organizational leaders should critically evaluate which leadership style best suits their organization's setting, culture, and kind of duties assigned to employees.
2. Researchers and leaders should explore deeper into the parts of transformational and transactional leadership styles that have a negative impact on organizational performance, and adopt the leadership style that best meets the demands of the organization.
3. Organizations could also combine the two leadership styles to achieve their objectives more successfully than if they simply used one, as both are beneficial to organizational performance.

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