THE INTERFACE OF TRANSACTIONAL AND TRANSFORMATIONAL LEADERSHIP: REVIEW OF LITERATURE

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ABSTRACT

The purpose of this paper is to discuss the relationship of transactional and transformational leadership. Specifically, this paper looks at how transactional and transformational leadership interact with one another, particularly how transformational leadership augments transactional leadership. In order to look at this interaction, there is first a description of the characteristics of both leadership types. Next, several studies are reviewed in an effort to look at how transformational leadership augments transactional leadership The studies are diverse across various types of organizations and industries in order to give a broader look at how transformational and transactional leadership characteristics interact.

KEYWORDS: Leadership, Transactional, Transformational

INTRODUCTION

The Interaction of Transactional and Transformational Leadership

Imagine yourself as a leader within an organization, working at developing the skills of your employees in order to help motivate them to perform at their highest level each day. Doing this requires a set of skills that enables you to not only direct work, but to inspire your employees to be their best. Is this something you feel you can do? Is this something attainable? Is there a set of skills that provide leaders the ability to inspire their employees? These questions are important and this paper seeks to provide an explanation of a set of leadership skills that can provide leaders the ability to direct work and inspire employees to perform their best.

This paper will discuss a set of skills called the full range of leadership skills. These skills are made up of transactional and transformational leadership characteristics. The purpose of this paper is to specifically discuss how the two sets of characteristics interact, providing leaders with the full range of leadership skills necessary to be effective in the workplace. To understand how the characteristics work together, this paper will explore how transformational leadership characteristics build upon (or augment) transactional leadership characteristics in a way that provide a full range of skills that can be implemented daily in the workplace. In order to fully understand this interaction one needs to be clear on the definitions of transactional and transformational leadership as well as all the characteristics within the full range of leadership skills. Therefore, the first part of this paper is a review of how transactional and transformational leadership have been defined. Secondly, this paper reflects on how transformational leadership builds upon and interacts with transactional leadership. In order to show how transactional and transformational characteristics interact there are several examples shared within the paper. Each example, purposefully, comes from various industries, to show how the research of transactional and transformational leadership extends across industries and locations.

One might consider why attaining transformational leadership is important or if it is attainable. The importance of utilizing the transformational leadership skills can be seen in the examples provided a little further in this paper. In light of this importance, Bass (1985, 1) describes three ways that transformational leadership can be attained:

- Raising one's level of consciousness about the importance and value of designated outcomes and ways of reaching these outcomes.

- Getting one to transcend their self-interests for the sake of the team, organization, or larger polity.

- Raising one's need level of Abraham Maslow's hierarchy

Maslow's hierarchy of needs should be clarified a little. The importance of this is that the leader needs to draw out the motivation of the follower and a way to do so is to satisfy the higher order need of self-actualization (Dvir, et. al, 2002, p. 736). This is a two-way street in that the leader needs to reach their own self-actualization as well as work towards satisfying that same level of need in their followers. This could bring about a conflict between reaching self-actualization or serving the interest of the organization. Bass (1999) suggests that one needs to move beyond their own "selforiented concerns," and suggests that "the transformational leaders need to do both by aligning the followers' self-interests in their own development with the interests of the group, organization, or society (p. 13)."

Transactional and Transformational Leadership Defined

Prior to defining each characteristic of transactional and transformational leadership, it is important to clarify how both of these are defined. Transactional leadership can be summarized simply as transactions between leaders and subordinates, in an effort to improve performance of subordinates. Authors use similar definitions to describe transactional leadership and in general, describe it to be "leadership which is based on transactions between manager and employees (Bass, 1990, p. 20)." Bass (1985) describes transactional leadership in detail, explaining that "changes in degree or marginal improvement can be seen as the result of leadership that is an exchange process: a transaction in which followers' needs are met if their performance measures up to their explicit or implicit contracts with their leader (p. 27)." Another similar definition from Bromley and Kirschner-Bromley (2007) explains transactional leadership as leaders which "specify explicit requirements and conditions of the task, and provide rewards for fulfilling those requirements," and that "fulfilling the requirement is completing the transaction (p. 54)."

Transformational leadership lies on the opposite end of the spectrum, in that this type of leadership strives to inspire and "transform" their employees in order to improve their performance. Transformational leadership research was recognized and originally developed by Burns in 1978, and later more fully developed by Bernard Bass (Bromley, 2007). Bass (1990) explains that transformational leadership "occurs when leaders broaden and elevate the interests of their employees, when they generate awareness and acceptance of the purposes and mission of the group, and when they stir their employees to look beyond their own self-interest for the good of the group (p. 21)."

Characteristics of Transactional and Transformational Leadership

Both transactional and transformational leadership have four characteristics each. In order to have an understanding of both types of leadership, it is important to review all eight. All eight characteristics work together to create the full range of leadership skills. The first four characteristics described below are transactional leadership

characteristics. The first characteristic of transactional leadership is contingent reward, which Bass (1990) explains leaders exhibit when they "contract exchange of rewards for effort, promises rewards for good performance, (and) recognizes accomplishments (p. 22)." Thesecond characteristic is management by exception (active) which is when a leader "watches and searches for deviations from rules and standards, (and) takes corrective action (p. 22)." The third characteristic, management by exception (passive) is when a leader "intervenes only if standards are not met (p. 22)." The final transactional characteristic is laissez-faire leadership when a leader "abdicates responsibility (and) avoids making decisions (p. 22)."

Transformational Leadership is Also Composed of Four Characteristics

Charisma/Idealized Influence, Inspiration, Intellectual Stimulation and Individualized

Consideration, that build upon those of transactional leadership (Dvir, Eden, Avolio, &Shamir, 2002, p. 736). The first characteristic being Charisma, which Bass (1990) explains is when a leader "provides vision and sense of mission, instills pride, (and) gains respect and trust (p. 22)." This same characteristic is also described as Idealized Influence, in some research (Boerner, Eisenbeiss, Griesser, 2007). Idealized Influence is defined as a leader who "consider(s) followers' needs over his or her own needs," and "behaves in a manner consistent to articulated ethics, principles and values (Boerner, et. al, p. 16). The term Idealized Influence has been utilized in place of Charisma in various situations, such as training (Bass, 1999). Bass (1990, p. 22) does use Charisma in defining the transformational leadership characteristics. For the purposes of this paper, the word Charisma will be used hereafter.

Considering this paper will use the term charisma, the following further clarifies what is meant by charisma. A charismatic leader is "characterized by an ability to inculcate followers with a sense of shared mission-one which depends on exceptional levels of performance to succeed" (Mannarelli, 2006, p. 46-47). Mannarelli goes on to note that "most descriptions of charismatic leadership do not specify precisely how charismatic leaders achieve their impact on followers," and it is important to recognize that "whether (the leader is) regarded as charismatic or transformational, is that they have a compelling vision and that they find a way to communicate it" (p. 47). In essence not every leader may be flamboyant in actions and style, but can still encompass the charismatic style through effective communication of their vision and mission.

The Second Characteristic of transformational leadership is inspiration, which Bass (1990) explains is when a leader "communicates high expectations, uses symbols to focus efforts, (and) express important purposes in simple ways (p. 22)." Furthermore, "team spirit is stimulated through outward enthusiasm and optimism for the future of the organization (Bromley & Kirschner-Bromley, 2007, p. 55).

The Third Characteristic, of transformational leadership, is Intellectual Stimulation

which is when a leader "promotes intelligence, rationality, and careful problem solving

(Bass, 1990, p. 22)." Bromely, et. al., (2007) further describes that this characteristic exists in leaders who "seek out new ideas and creative solutions to organizational problems from their followers, and encourage new approaches for performing tasks (p.55)."

The Fourth Characteristic, of transformational leadership, is Individualized Consideration, which "gives personal attention, treats each employee individually, coaches, (and) advises (Bass, 1990, p. 22)." What is valuable in upholding this characteristic is communicating effectively to subordinates. Communicating effectively described by Bromely, et. al. (2007) as "leaders who listen attentively, paying special attention to their followers' achievements and growth requirements (p.55)."

In summary, the above paragraphs define and explain all eight characteristics that compose the full range of leadership skills; however, it is how the transformational characteristics build upon the transactional characteristics, which is important to the focus of this paper. Transactional and transformational leadership might be seen as leadership styles that are on opposite ends of the spectrum; however, through the research completed by Bass (1985), the assertion is that "transformational leadership is presented in a way to augment transactional approaches to management (p. 27)." Understanding the two leadership styles in this fashion provides us with the knowledge that "a given managermay be both transformational and transactional (Lowe & Kroeck, 1996, p. 2).

Studies Using MLQ

The final part of this paper reviews, three examples, all from different types of organizations, showing how both transactional and transformational leadership skills are valuable to the leaders success. All three examples used the MLQ to measure the full range of leadership skills.

The first study concerns the alignment of transactional and transformational leadership within the realm of sport coaching. In part, the research discusses how transformational leadership augments transactional skills (Rowold, 2006). This study was focused in the sport field of martial arts. The researchers used the MLQ to evaluate the full range leadership skills within the realm of martial arts coaches. Questionnaires were distributed to 200 martial arts students throughout 20 different studios in Germany (Rowold, 2006). The research was aimed particularly at looking for the use of transformational leadership skills within the world of sport coaching; however, the research also took a look at the transformational leadership scales in an effort to understand if they were augmenting transactional skills as asserted by other research. The research found that "while controlling for students' and coaches demographic variables and skill levels, this augmentation hypothesis was confirmed for three of the four dependant measures (Rowold, 2006, p. 321)." Furthermore, the author asserts that within the world of coaching the skill of management-by-exception (active), which is transactional, is important to have in coaching by helping watch for trainees mistakes and making corrections. Rowold (2006) proposes that "Management-by-Exception (active) is an important leadership skill for sport coaches…it might be seen as a prerequisite for transformational leadership (Rowold, 2006, p. 322)." Going on to explain Rowold (2006) discusses that active management-by-exception, through detection and correction of student's mistakes, provides the coaches an opportunity to "interact with students directly, and, therefore, have a better chance to transform their values (p. 322)."

This research does show how transformational leadership can augment transactional leadership, as well as provides insight into the value for leaders (coaches), in this setting, to have both transactional and transformational skill setsA second study explores how transactional and transformational leadership skills, are exhibited, by school principals (Stone, 1992). The research included 27 school principals, which worked rural and urban school districts at all levels of schooling, across the state of Minnesota. the MLQ was given to all 27 principals as well as 482 teachers, within each of

the school districts. The conclusions show that there is a need for improvements in some of the transactional and transformational traits. The author discusses that following the research of principals and transformational leadership, "findings clearly suggest that principals who do demonstrate both transformational leadership and transactional leadership are successful in their ability to elevate staff morale, performance and school-wide productivity (Stone, 1992, p. 6)." Stone not only discusses the need to improve various transformational characteristics, but also identifiesareas of improvement in both transactional characteristics of contingent reward and management-by-exception (p. 23). Stone suggests that the principals increase "the frequency of constructive exchanges between principals and teachers"…and "by minimizing the corrective action taken by the principals with teachers, ratings generated by teachers for transactional leadership could be improved (p. 25)." This discussion, by the author, shows the value placed on both transactional and transformational leadership qualities.

A third example of research on transactional and transformational leadership, is one concerning a multi-national study done of building professionals. Chan & Chan (2005) explored both transactional and transformational leadership among building professionals across four locations: Australia, Hong Kong, Singapore, and the United Kingdom. Again, the MLQ was used as the second part of a questionnaire sent electronically to 7200 potential respondents. Chan, et al., (2005), define building professionals as those "who were responsible for the design, construction, and maintenance of buildings (p. 416)." Prior to sending out the final survey, Chan, et. al, sent out a pilot survey to respondents in Hong Kong, where comments were made and the researchers were able to make adjustments, to the instrument, prior to sending out thelarger quantity of assessments (p. 416).Amongst the findings of Chan et al., (2005), there was information as to how transformational leadership augments transactional leadership characteristics. Throughregression analysis, they found that "transformational leadership can augment transactional leadership to produce a greater effect on the performance and satisfaction of employees; however, transactional leadership does not augment transformational leadership (p. 419)." Furthermore, the authors supported the augmentation of transactional leadership by transformational leadership, through discussion of the regression analysis and their findings that "transformational leadership has a substantial add-on effect on transactional leadership in prediction of employees' rated outcomes of extra effort, perceived leader effectiveness, and satisfaction with the leaders in the sampleof building professionals (p. 420)."

Chan et al., (2005) did conclude: that "building professionals use transformational leadership more frequently than transactional leadership in their work (p. 420). They further concluded that the most prominent behavior, under transformational leadership, was inspirational motivation (p. 420), and that the most prominent transactional behaviour is contingent reward (p. 421). These conclusions again, support that transformationa leadership augments transactional leadership as well as that transactional leadership characteristics are valuable in building this relationship between the two. A final example of how transformational leadership and transactional leadership interact with one another, does not utilize the MLQ, but simply provides a discussion about how the two interact within the realm of team leadership. Corrigan & Garman (1999) discuss how transformational and transactional leadership skills are needed to develop leaders in a team situation. The research was conducted in a mental health institution and the authors discuss the importance of transformational skills in building team cohesion. The three transformational factors that were important for the team leaders to inhibit were: "inspiration and charisma, intellectual stimulation, and individualized consideration (Corrigan et al., 1999, p. 304)."

CONCLUSIONS AND FURTHER RESEARCH

This review of the interaction of transactional and transformational leadership characteristics was accomplished to support previous research that has asserted that the "transformational/transactional leadership paradigm as being comprised of complementary rather than polar constructs (Lowe et al., 1996, p. 2)." This suggests: that "a given manager may be both transformational and transactional (p. 2)." This assertion was supported in the examples shared in this summary of research, which extended beyond reviewing of a single industry and a single country. The examples shared here do show that assessment of transactional and transformational leadership support the assertion that transformational leadership augments transactional leadership and that transactional leadership characteristics do have a place and importance in some leader/subordinate exchanges. Further concerns for research about transactional and transformational leadership include effective training of leaders in the full range of development of both transactional and transformational skills. There is some work concerning the trainability of transformational leadership (Parry & Sinha, 2005), where training was found to "result in more effective leadership behaviour (p. 179)." Even so, Parry, et al., (2005) still asserts that more research needs done in this area, specifically concerning the sustainability of the leadership training as well as the long-term transfer to the job. Another important factor for future research, concerning transformational leadership, is how the culture impacts the practice of transformational leadership characteristics. There are some assertions that the organizational structure and culture, itself, may prevent some leadership characteristics from being practiced. Massood, Dani, Burns, & Blackhouse (2006) have research that explores the type of culture that aligns transformational and transactional leadership practices. Their research explores transformational leadership, situational strength and organizational culture, providing amodel for a study that takes place in a manufacturing environment. They conclude by discussing how certain cultures, and situational strength line up with transformational leadership practices. Further research in this area is vital to understanding more thoroughly when and how to implement development of leaders within various Organizations.

In conclusion, this review of how transformational leadership augments transactional leadership characteristics is an initial examination of the literations that discuss how to develop leaders in organizations. There are additional factors to consider such as culture, trainability, and transfer of training. All of these should be researched and understood much more in order to fully grasp the effects of the full range of leadership characteristics employed by a transformational leader. This paper provided an overview of the characteristics of both transactional and transformational leadership and then led into a discussion of several examples that showed how transformational leadership characteristics augment transactional leadership. A better understanding of how transactional and transformational leadership interact may help organizational leadership fine tune their skills as a leader. Bromley, et. al (2007), recognizes the importance of becoming a transformational leader and shares that such leaders are "not plentiful" (p. 57). Further research into various organizations hat have used the MLQ and provided development programs for their leaders, may allow better understanding of this topic.

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