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The Effects of Transformational and Transactional Leadership Style on Employee Voice and Empowerment

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Abstract:
This paper seeks to examine the effects of transformational and transactional leadership styles on employee voice and empowerment. Because of an individual's characteristic traits, a manager may either be a transactional or a transformational leader; he/she cannot be both. This paper argues that the concept similarly applies to employees who may also be categorized as either transformational or transactional employees. The study analyzes prior literature on transformational and transactional leadership styles and identifies a gap in the practical application of leadership styles whereby mismatches in characteristic traits between managers and employees prohibit optimization of employee performance. For this reason, a proposed model for a new conceptual approach is presented. Theories describing leadership styles have been established by scholars such as Burns and these theories are used to build the theoretical framework in the proposed model. In this manner, the impact of leadership styles to employee voice and empowerment is explored and the probability for optimization of employee performance is enhanced. Finally, implications to theory, practice, and future research directions from the study are discussed.

Keywords: Transformational leadership, transactional leadership, employee voice, employee empowerment

1. Introduction

Prior studies on leadership styles indicate that managers may either be a transactional or transformational leader and cannot be both (Muterera, 2008, p.16). Managers inherently possess characteristic traits or personalities that reveal themselves in the performance of their duties. Relative to the fact that employees similarly possess character traits, it should follow that employees can also be categorized as either transformational or transactional. In this aspect, the aim of this study is to explore a gap in the literature whereby there is lack of an appropriate conceptual approach to address personality mismatches between the manager and the employees. Understandably, personality mismatches can impact employee performance as issues in work relationships discourage employee empowerment and inhibits employee voice.

Wilkinson and Fay (2011) argues that the term employee voice can also refer to employee engagement or employee empowerment. Employee voice is a critical aspect of any organization since it provides an opportunity for growth and improvement due to the availability of nourishing ideas. Leadership styles that encourage employees' voice such as listening and responding to suggestions create a work environment that is coherent and more productive (Detert & Burris, 2007). Employee voice can be classified as a proactive behavior that is critical to the determination of a job's success. Deter and Burris (2007) states that employee voice has a positive effect on an organization especially in team effectiveness as well as the entire functioning of a firm. The productivity of a given business is mostly linked to the leadership system of the organization.

The two leadership styles (transactional and transformational) have attracted lots of interest from various researchers some who believe that the two are similar and others believe that they are different. Bass (1999) described the difference between transformational and transactional leadership by their application. In his research, he established that transformational leadership is a system whereby the leaders motivate their followers by uplifting their morale and transactional leadership is a leadership system whereby the leaders cater for their employees' self-interests. The aim of this paper is to examine the effects or impacts of transformational and transactional leadership styles on employees' voice and empowerment. This paper is structured as follows: first, prior literature relating to leadership style, particularly transformational and transactional, and employee voice and empowerment, are discussed; next, a model is proposed; finally, implications for theory, practice, and future research are discussed.

2. Review of Literature

2.1. Leadership Styles

Leadership is a critical aspect of organization management. While leadership is the process of influencing people a leader is a person who influences others. The development of leadership-related studies can be traced back to the 1930s, and this is according to House

and Aditya (1997). In the 1950s the trait leadership theory was developed and in the 1960s the behavioral style theory emerged. Later, in the late 1970s and early 1980s, the focus was on the situational leadership theory. The transformational and transactional leadership theory was introduced at the end of the 1980s and has experienced dynamic changes in its concepts. The approaches adopted by the superiors as they interact with their followers are divided into various dimensions. Lok and Crawford (2004) observed that norms, values, observed issues and the working environment have an influence on the relationship between a leader and the subordinates.

Different leaders incorporate different leadership styles in their organizations based on various circumstances such as culture, environment, and emotions. Other leaders apply specific leadership styles to specific situations to arrive at the desired results. Based on the above remarks, all leaders are unique based on their leadership style that has an influence on the organizational culture and success. In consideration of the employee's voice and empowerment, different leadership styles have different impacts on the employees' behavior. Therefore, leadership style whether transformational or transactional determines the relationship between the leader and subordinates.

2.2. Employee Empowerment and Voice

Leadership styles have a direct effect on employee empowerment and functioning within an organization (Epitropaki&Martin, 2005). The term empowerment has been defined as a collaborative process that seeks to empower or increase the power of all the individuals working in a company with the aim of creating benefits for the firm as well as all the people working in the enterprise. Another definition of empowerment, according to Frost (1987), is the ability to use power to create opportunities through which the subordinates may access the authority to make decisions, expand their skills and fulfill organizational requirements in the ways they see fit. Chiles and Zorn (1995) critically analyzed the conceptualization of empowerment and classified it into two categories. The first type states that empowerment is the perception of self-competences or abilities whose primary focus is personal efficacy in carrying out a task. The second category views empowerment as a decision-making authority or the shared power to decide. The two categories are dependent on each other since they should not only be aware of their efficacies but should also be able to use them during a decision-making process.

The employee voice is categorized as a proactive employee behavior that is future oriented, and it is aimed at self-development. Increased competition due to globalization has resulted in the need for organizational employees to be proactive so that they accomplish the goals of their company (MLance& Bowler, 2012). The employee voice dynamic behavior may involve verbal contributions to change, presentation of new ideas, and speaking up in the case of any ambiguity in an organization (Erez et al., 2002). Inadequate or lack of employee voice may deny a secure access to ideas or relevant suggestions that may contribute to the expansion and growth of an organization.

3. Theoretical Framework of Transformational and Transactional Leadership

The study by Weber on charismatic leadership is a stepping stone in creating an understanding of the transformational leadership theory (Hughes et al., 2006). The studies illustrated that the authority of charismatic leaders mostly relied on the ability of the leaders to be people who possess unusual traits and thus stand out in a group. In 1978, James Mac Gregor introduced the idea of a transactional leader as an individual with an exchange relationship with his subordinates. The transaction or transfer may be in the form of finances, psychological or political issues and the duration of the relationship may only last for as long as the transaction is available. Despite the difference in definition, a leader can use both leadership styles to ensure continuity of business.

The developmental theory (Kegan, 1982) has been extensively used in distinguishing between transactional and transformational theories. This theory has successfully accomplished its purposes by the application of measure to leadership developmental stages (Kegan, 1982). This theory determines the adults' levels of perceptual processing through structured interviews that establish how mature people organize their language and values. Further empirical research is however required to ascertain this theory.

The Transformational Leadership Theory

The theoretical framework of the theory differs from the traditional leadership theories by putting more emphasis on morals and values. It was first developed by Burns in 1978, and the definition is given to it is a process through which both leaders and subordinates are directed towards higher levels of motivation and morality. The study established the four main characteristics of transformational leadership and they include: idealized influence, individualized consideration, intellectual stimulation, and inspirational motivation.

The idealized influence represents leaders who act as strong role models for their followers. These leaders often display high standards of moral and religious behavior and are thus respected by their followers. It may also be possible that followers may be challenged by their behavior and may want to compete with them (Bigharaz et al., 2010). It is through the display of high moral standards that the leaders earn respect, trust, and admiration from subordinates. The basis of this aspect is the creation of values that create enthusiasm in individuals (Fernetet., al 2015).

Some leaders place a very high expectation on their subordinates and often inspire them by motivating them. This aspect of transformational leadership is known as inspirational motivation. Leaders that use this approach use emotional symbols that appeal to team members to make them achieve more than what is of personal interest. The leaders provide motivation by use of challenges that are aimed at increasing individual and team enthusiasm regarding the future situations (Bigharaz et al., 2010).

The stimulation of subordinates by a leader to achieve new solutions and come up with ways of solving organizational problems is known as Intellectual Stimulation. This aspect of transformational leadership requires that the leader's behavior creates a challenge for the employees so that they can rethink about the work they do. Leaders can formulate specific questions and request subordinate staff to come up with solutions thus involvement in the problem-solving process (Bass et al., 2003).

The aspect of individualized consideration pays attention to personal differences of the followers and it is based on private communication and stimulation through supportive behaviors (Fernet et al., 2015). Individualized considerations take place when a leader ensures that the subordinates achieve their optimal needs and have developed potentials (Horwitz et al., 2008).

3.1. Transactional Leadership Theory

Before the development of transformational leadership model, most researchers considered the transactional leadership model as the core component of organizational leadership (Bass et al., 2003). This theory puts emphasis on social transactions. The principle technique applied by this theory is the use of persuasion, unlike the traditional theory that involves the use of authority. Transactional leaders focus on incentives for the fulfillment of expectations by subordinates. The primary challenge presented by the model is that it may result in inequality if the system is ineffective. Additionally, excessive use of rewards may reduce the effectiveness of the subordinates, and the leaders should be careful to ensure that the award is valuable.

They should be reward centered. This means that transactional leadership style is dependent on incentives and rewards. This style puts emphasis on clarification of duties and responsibilities but motivates the subordinates through proportionate rewards of the performance (Deichmann&Stam, 2015). Contingent rewarding aspect is a representation of the transactional leadership style that involves the give and takes relationship (Noorshahi, 2006).

Active or the Management by exception: this means that the leader actively supervises the performance of the subordinates and provides a response or a reaction at that time when the problem has been realized (Bass and Riggio,2006). This approach of transactional leadership allows the leader to issue immediate rewards that may be in verbal form or punishment to the employees. It is critical in accurately examining deviations mistakes or errors (Roueche, Baker, and Rose, 2014).

Passive category of transactional leaders does not interfere with the subordinates' activities until a problem becomes severe. These leaders react after an error has occurred since they wait until the challenge sufficiently appears before implementing any solutions. This leadership style takes a passive approach, and the leaders do not set any actions that express expectations or goals of the organization (Noorshahi and Yamani, 2006).

4. Theoretical Framework of Employee Voice and Empowerment

Various assertions have been proposed regarding employee voice and empowerment. Some researchers such as Wilkinson and Fay (2011) are of the idea that employee voice is a term that has a very broad meaning and it is thus related to employee empowerment. Another researcher (Danford et al., 2009) believes employee voice is a highly imprecise concept that should be critically analyzed. Generally, what most researchers agree with is that employee voice refers to the freedom or ability of the junior staff to take part in the decision-making process within an organization (Freeman, Boxall, and Hanyes, 2007). Employee voice can be perceived as either behavior or an attitude. Employee voice in the form of action can be exemplified by the ability of a staff member to present a problem to the leader. This creates an opportunity for the employee to take part in the decision-making process thus indirectly empowering them.

The social exchange theory is critical in elaborating the relationship that exists between leaders and their subordinates (Townsend et al., 2012). Through the application of Blau's (1964) exchange theory, the relationship between employee voice and the transactional leadership style can be clearly seen. The social theory is critical in the establishment of the relationship between employee voice and the relationship that is based on the exchange of benefits. In summary, the type of leadership style is critical in the establishment of employee voice and further employee empowerment (Moorman and Byrne, 2005).

4.1. Leadership Styles and Employee Empowerment/Voice

The article has clearly introduced and defined the role of leadership in employee empowerment and voice. However, a model illustrating the relationship between transformational and transactional leadership and employee empowerment and voice is developed. Two main factors determine the employee's feeling of empowerment in an organizational setting and they include easy access to information and rewards (Spreitzer, 2005). Transformational leadership style is labeled with an open communication system between the leader, and the subordinates can be applied to implement employee empowerment through a clear articulation of the firm's goals, expectations and progress thus creating an anxious feeling among the employees. In transactional leadership style, awards are given based on the employees' performance as a way of motivating them to keep up with their good work (Lawlerr, 1992). Incentives are meant to reinforce the staff competencies, but they may create small delegation among employees if they are overly relied on (Bass &Avolio, 1994).
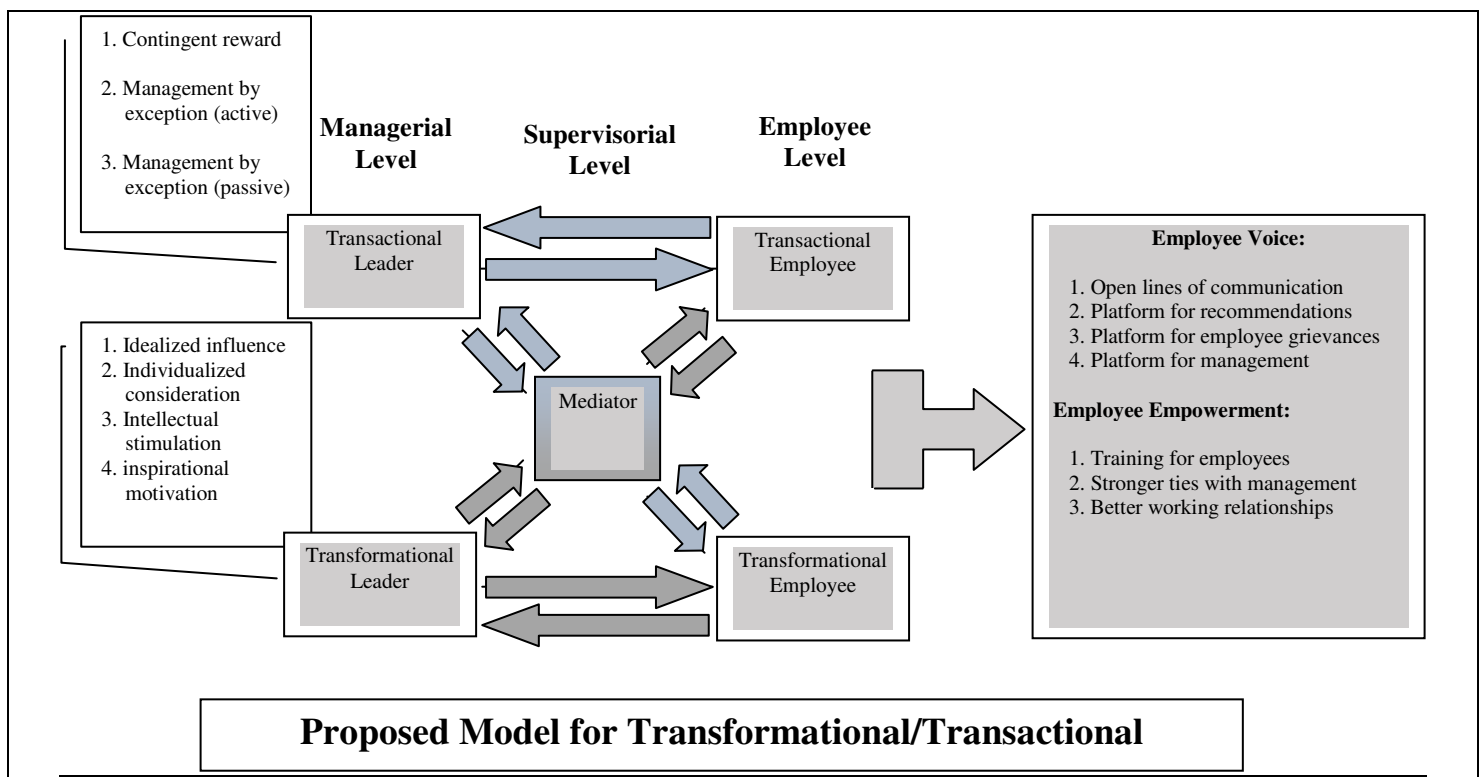
Figure 1: Model Showing the Relationship between Transformational and Transactional Leadership and Employee Voice and Empowerment

In relation to the proposed model presented above, several points need to be raised: 1) A manager can either be a transformational leader or a transactional leader. He or she cannot be both; 2) Following the same logic, the personality of an employee can also be categorized as either transformational or transactional. There is no in-between; 3) A transactional leader managing a team of transformational employees cannot expect optimum employee performance because there is a personality mismatch. The same is true for a transformational manager handling a transactional team, and; 4) In a group composed of transformational employees, a transactional manager would require the services of a transformational supervisor to perform the role of 'mediator' between the transactional manager and the transformational employees. This means that the opposite would apply if the manager is transformational and the employees are transactional; 5) It is through this process that employee voice and employee empowerment can be optimized.

It should not be assumed that all people, regardless of ethnicity or socio-political beliefs, would automatically prefer a transformational leader to rule over them. It should be recognized that there are cultures that thrive on transactional leadership and where a transformational style would be perceived as a character weakness. This is especially true in male-dominant societies such as in Japan and the Middle East where for centuries, transactional leadership has been a way of life. In today's modern world wherein globalization has led to the rise of international corporations where multicultural diversity is an ever-present reality, it can be expected that the problem of character mismatches between the manager and the subordinates will negatively impact employee performance, especially when instances of mismatches are high.

5. Conceptual Approach

Although a transactional leader can manage a team composed of transformational employees and arrive at a predefined goal, the output will not be optimal because of the mismatch in personalities. For example, in a workplace environment with a transactional manager handling ten transactional employees and ten transformational employees, only half of the workforce can be expected to perform their work optimally; the other half may accomplish assigned tasks but their work potential would not be maximized because they would only be acting in compliance to the demands of the manager and would not be intrinsically motivated to perform well.

As a human being with an inherent leadership style, the manager would be unable to shift from a transactional to a transformational style for the benefit of the ten transformational employees, even if the circumstances demand it. In instances where a company has one transformational junior manager and one transactional junior manager, the business owner/senior manager should be aware that he/she has hired the services of two junior managers whose character differences may not allow them to work harmoniously and this may not necessarily produce the best outcomes for the business.

It is therefore the duty of the senior manager or the business owner to be familiar with the leadership styles of the junior managers that he/she intends to hire. Ideally, it would be beneficial to hire junior managers with the same leadership style as the senior manager because there would be less possibility of disagreements due to conflicting personalities. However, in as much as it is the

responsibility of the senior manager to be familiar with the leadership style of his/her junior managers, it should be recognized that it is also the duty of the junior managers to be familiar with their subordinates, as well.

It is therefore proposed that the junior manager categorize all subordinates under him/her as either transformational or transactional. This can be done primarily through observation and analysis of the employee's work performance, something that is normally done in almost all organizations on a periodic basis. Basically, inadequate work performance can be resolved through additional training which should favor employee empowerment. Initially, the process of categorization may involve trial-and-error but, in time, this can be fine-tuned. In doing so, a transactional junior manager can identify which employee can effectively perform the role of a transformational supervisor, and vice versa.

The leadership style of the selected personnel should be opposite to the style of the junior manager because it will be through this individual that the transactional junior manager can reach out to the rest of the transformational employees. Hence, there can be a personality match between the transactional junior manager and the transactional employees, as well as a match between the delegated transformational supervisor and the transformational employees. There must be open lines of communication between the manager and the supervisor so that continuous feedback can be possible. It is through this approach that overall work performance can be optimized to its full potential.

The supervisorial level, or what this proposed model will term as the 'mediator level', will involve mediation between the manager and the supervisor, as well as between the supervisor and the identified employees of the company. First, it will be the duty of the mediator to clearly understand the goals and objectives of the company, as relayed to him/her by the manager. Second, it will be his/her role to identify points of weaknesses in the team so that these can be corrected through training, thereby empowering the employees. Third, the mediator should exert positive influence on the identified employees under his/her supervision, making sure that the team is well-motivated in accordance with their personality types. In this aspect, motivation can come from improving employee voice by maintaining open lines of communication with the said employees.

Fourth, it will be the responsibility of the mediator to set targets for his team in line with the goals and objectives identified by the manager. It is his/her duty to ensure that these targets are met. Fifth, the mediator should regularly monitor the work performance of each employee under him/her to determine if progress is being made and accordingly make appropriate corrective actions, if necessary. Moreover, the mediator should ensure that employee voice and employee empowerment are constantly monitored for progress to improve or sustain motivation. Sixth, the mediator should regularly report to the manager on the accomplishments of his/her team, periodically present employee assessment results, and follow subsequent directives from the manager. In addition, the mediator should inform the manager about related problems that arise in the workplace so that he/she may be given guidance and support, whenever necessary. In this manner, work processes may be optimized both at the level of the manager and the employees of the company.

6. Implications for Theory

This study has successfully provided important implications for managers, scholars, and other professionals through the proposed model presented above. The conceptual approach adds value to theory because it addresses a gap in literature on the practical application of leadership styles. The finding of this theoretical study has contributed to the knowledge of leadership style, employee empowerment, and employee voice. The aim of the study to examine transactional and transformational leadership styles, employee empowerment and employee voice, has established a dependent relationship between all the variables involved and the positive implications of organizational growth and expansion. This article also adds to the ever-growing knowledge on leadership and public relations by demonstrating how the two leadership styles affect the outcome of employee performance. It has also advanced the understanding of the concepts of employee empowerment and employee voice in any public or private organization by conceptualizing empowerment. Transformational leaders are obligated to empower their subordinates not only for satisfying their need for power or desire to participate in a decision-making process but also for the psychological self-efficacy of each employee (Grunig et al., 2002).

7. Implications for Practice

The study has clearly established that transformational and transactional leadership can have positive effects on employee empowerment and voice if the proposed model is utilized. Transformational leaders are most likely to delegate power and involve the lower staff members in the decision-making process than transactional leaders, and this makes transformational leaders more adaptable to the conceptual approach that is presented in this study. These conclusions support the claim by other studies such as Aldoory & Toth (2004). Important to understand is that neither of the two leadership styles is responsible for employee's personal feelings of competencies or psychological development; instead, mismatches in personality between manager and employee is the problem. Previously, reasons attributed to the problem of poor employee performance pertains to insufficient psychological empowerment and self-efficacy (Menon, 2001). The high-level manager is more likely to demonstrate transformational leadership than low-level managers (Bass, 1999). Managers at all levels are rated high when it comes to the application of the transactional leadership style and no difference regarding performance has been established. Leadership style may have an indirect influence on the employees' voice and empowerment since most junior staff may limit their performance and competencies to events of intellectual stimulation or a worthy cause. Importantly is to understand that transactional leadership style that is based on the beneficial exchange is a primary type of leadership but transformational leadership is more efficient and strategic for organizational performance.

8. Conclusion

Transformational and transactional leadership styles are known to increase both productivity and well- being of employees through empowering them and creating a suitable atmosphere for employee voice. However, personality mismatches between the manager and the employees inhibit optimal work performance on the part of the employees. By analyzing the impacts of the leadership styles on employee empowerment and employee voice, and by applying the proposed model, this study showed that the performance of any organization can be improved further. A climate in which employees are encouraged to make improvements, take initiatives, and receive critical organizational information mediates between employee empowerment and transformational and transactional leadership styles.

9. Future Research Directions

Different scholars have conducted extensive research on the various aspects of transformational and transactional leadership styles. Others have investigated the influence of the leadership styles on the well-being of employees. In line with the above-mentioned proposal, future research should explore better ways to utilize the model, particularly in the categorization stage of employees where they are identified as either transformational or transactional. Moreover, it is important for future research to consider possible avenues for the improvement of the proposed conceptual approach in matters pertaining to the optimization of employee performance through employee empowerment and improvement of employee voice.

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