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Transformational Vs Transactional Leadership with Examples

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Abstract:

Organizations consist of many functional units and parts as well as workers, all of which must work together for the organization to excel in a competitive environment. One of these parts of any organization is leadership. Leadership creates a shared vision, inspire others, and provide a stable center during times of change. How they exactly carry out this is their leadership style. There are many types of leadership styles which have been identified. Transformational and transactional leadership styles focus on the relationship between leaders and employees and in return influence the level of success of an organization. Leaders are expected to use leadership as a process of ensuring long term goals of the organization are realized especially in a turbulent competitive environment. At the end of the financial year, an organization finally presents its financial reports and shareholders, workers and leaders are keen to hear about success, growth, and reward. Present corporate environment has gone global and highly competitive and so requires a more efficient leader with clear vision and motivation power, instead of dominant personality. Transactional and Transformational leadership styles got notable attentions of many researchers from decades. This study explores the distinctiveness of Transactional and Transformational leadership from literature. Various differences have been drawn between these leadership styles to identify which one is more applicable for present corporate context. Examples of leaders viewed as transactional and transformational are given from which success was realized in both cases. It was noted that the nature of business was different and hence a probable influence on leadership style. This paper concludes that both Transactional and Transformational leadership styles have weaknesses and strengths, but recommends an attempt to mix the two leadership styles.

Keywords: Leadership style, transformational leadership, transactional leadership

1. Introduction

Leadership is a process whereby an individual influences a group of Individuals to achieve a common goal (Northhouse, 2016). A leadership style is a leader's style of providing directing, implementing plans and motivating people. Many different leadership styles are exhibited by leaders in political, business or other fields. In their study on various leadership styles in large organizations, Nanjundeswaraswamy & Swamy (2014) concluded that leadership style, organizational commitment and work satisfaction are interrelated.

1.1. Transactional Leadership

Transactional leaders are always willing to give you something in return for following them. It can be any number of things including a good performance review, a raise, a promotion, new responsibilities or a desired change in duties. Transactional leadership is also known as managerial leadership and focuses on role of supervision, organization, and group performance. Transactional leaders sometimes display the traits or behaviors of charismatic leaders and can be quite effective in many circumstances while creating motivated players. They are adept at making deals that motivate and this can prove beneficial to an organization. The issue then is simply one of sustainability (Germano, 2010; Odumeru & Ifeanyi, 2013; Northhouse, 2016).

Transactional leaders use reward and punishments to gain compliance from followers, they accept goals, structure, and the culture of existing organizations. They are willing to work within existing systems and negotiate to attain goals of the organization. They tend to think inside the box when solving problems. Transactional leadership is primarily passive, and the behaviors most associated with this type of leadership are establishing the criteria for rewarding followers and maintaining status quo (Odumeru & Ifeanyi, 2013). I can therefore argue that transactional leaders operate within existing goals, objectives and strategies and may not be change oriented and rarely seek new ways and solutions to existing problems.

Ma Yun professionally known as Jack Ma, executive chairman of Alibaba Group Holding Ltd. Is an example of a transactional leader. Ma Yun is a Chinese business magnate, investor, and philanthropist. He is the co-founder and executive chairman of Alibaba Group, a multinational technology conglomerate. As of March 2018, he is one of China's richest men with a net worth of US\$42.4 billion, as well as one of the wealthiest people in the world. However the company has little or nothing to show in terms of research, development, and innovation or change of strategies. This could be influence by the nature of

business which capitalizes on ever existing and growing demand for linkage between sellers and buyers. By merely linking sellers and buyers, Alibaba is being transactional in nature.

1.2. Transformational

A transformational leader is a person who stimulates and inspires followers to achieve extra ordinary outcomes. Transformational leaders pay attention to concern and developmental needs of individual followers, they change followers awareness of issues by helping them to look at old problems in a new way and they are able to arouse, excite and inspire followers to put out extra effort to achieve group goals (Odumeru & Ifeanyi, 2013). Transformational leaders seek to change those they lead. In doing so, they can represent sustainable, self-replicating leadership. Not content to simply use force of personality (charismatic) or bargaining (transactional) to persuade followers, transformational leaders use knowledge, expertise and vision to change those around them in a way that makes them followers with deeply embedded buy-in that remains even when the leader that created it is no longer on the scene. Transformational leaders represent the most valuable form of leadership since followers are given the chance to change, transform and, in the process, develop themselves as contributors. Organizationally this achieves the best leadership outcome since transformational leaders develop people (Germano, 2010; Odumeru & Ifeanyi, 2013; Northouse, 2016)

Transformational leaders prepare followers for leadership. According to Gabbar, Honarmand & Abdelsalam (2014) transformational leaders develop their followers to the point where followers are able to take on leadership roles and perform beyond established standards or goals. This means that transformational leaders attempt and succeed in raising colleagues, subordinates, followers, clients or constituencies to a greater level of awareness. This definitely brings about sustainable change, even after they exit from the leadership positions.

Bill Gates of Microsoft Corporation is an example of a transformational leader. He started Microsoft as a manager owner but today the company is managed by professionals who also undertake research and development. He has also sustained Microsoft leadership by managing and taming any disruptive technologies to his advantage.

2. Discussion and Conclusion

According to Latham (2014) organizations that are only good at execution will end up making reliable products that few will buy while organizations that are only good at innovation and strategy will experience sales only to experience a steep decline when they cannot deliver on their promises. He recommends that to succeed now and in the future, leaders will have to design organizations with the ability to do both with an increasingly diverse workforce operating in a complex global environment.

2.1. Negative Consequences of Transformational Leadership

Some leaders can be transforming but in the negative way and, good example is that of such leaders is Saddam Hussein, Adolf Hitler. These leaders are transforming but rather negatively. Their leadership could be termed as pseudotransformational. This form of transformational leadership is considered personalized leadership, which focuses on the leader's own interests rather than on the interests of others unlike authentic leadership which is concerned with collective good (Northouse, 2016). There are other negative consequences as Eisenbeiß and Boerner (2013) established which include followers dependency on the leader but suggested that organizations placing strong emphasis on creativity and innovative outcomes should implement transformational leadership courses in which managers can learn how to effectively encourage, motivate and intellectually stimulate their followers

2.3. Conclusion

From the discussion it is not clearly shown which leadership is better between transformational and transactional. In my own view it could depend on the nature of business and operating environment influenced by the leadership trait of the leader. However mixing two as proposed by Latham (2014) could yield better results, even though Nikezic, Puric, S. & Puric, J. (2012) argue that the leader can be transactional or transformational, but cannot simultaneously have the characteristics of both

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