Journal DOI: 10.36713/epra1013 | SJIF Impact Factor (2024): 8.431 ISSN: 2347-4378
EPRA International Journal of Economics, Business and Management Studies (EBMS)
Volume: 11 | Issue:6 | June 2024 -Peer-Reviewed Journal

# A REVIEW OFTHETRANSACTIONAL AND TRANSFORMATIONAL LEADERSHIP ON ORGANIZATIONAL PERFORMANCE

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**Article DOI: https://doi.org/10.36713/epra17284**

**DOI No: 10.36713/epra17284**

**ABSTRACT**

*Organizational performance and expansion are greatly influenced by leadership, and competent management requires an awareness of the many leadership philosophies and implications. The effectiveness of organizations is examined in this study along with the link between transactional and transformational leadership styles. The purpose of transactional leadership is to preserve the status quo while using rewards and penalties to accomplish organizational objectives. This leadership style prioritizes performance, efficiency, and conformity to established procedures. It is mostly concerned with the exchange of rewards and performance objectives. The goal of transformational leadership, on the other hand, is to inspire and encourage followers to put aside their own interests and strive towards a common goal. Transformational leaders are endearing, support innovation and creativity, and cultivate a culture of loyalty and trust among their subordinates. Their goal is to establish a culture inside the company that fosters both professional and personal development. The study discovered that organizational change preparedness was predicted by transformational leadership behavior. Moreover, better productivity, morale, and teamwork may be achieved in organizations by combining transactional and transformational leadership styles.*

**KEYWORDS:** *Transactional Leadership, Transactional Leadership, Motivation, Inspiration*

## I. INTRODUCTION

Leadership plays a crucial role in shaping the success and performance of organizations (Martin & Ernst, 2005). Effective leaders possess a set of traits and skills that enable them to guide their teams toward achieving common goals. They can influence and motivate their employees, implement strategies, and adapt to changing circumstances. Research has shown that there are different leadership styles, ranging from transactional to transformational (Rodríguez-Sánchez et al., 2018). These styles have different impacts on organizational performance, as they focus on different aspects of leadership, such as task-oriented behaviors or inspiring and empowering followers. Leadership is not just about carrying out routine work, but rather about making the organization better and achieving its goals. Leadership is action, not just a position. In this review, we will explore the relationship between transactional and transformational leadership styles and their impact on organizational performance (Spangler et al., 1997). Leadership is important in organizations to carry out a goal and lead in completing tasks by others. An organization will run well if the leader truly possesses good and true leadership traits. It is imperative for a leader to have leadership traits according to applicable standards (Antonakis, 2011). In this review, we will examine the impact of transactional and transformational leadership styles on organizational performance (Spangler et al., 1997). We will also explore individual differences in leadership and whether personality traits, such as extraversion and neuroticism, may influence the adoption of specific leadership approaches. Some sources that may be relevant for this review include: Yulk's explanation of leadership as the process of influencing and guiding others towards organizational goals, McGannon and Eko's emphasis on leadership as action rather than position, and the development of a continuum of leadership styles based on stakeholder salience and performance outcomes. Theorists in organizational behavior suggest that an individual's personality characteristics may be predictive of the leadership style they adopt. Therefore, this review aims to investigate the relationship between transactional and transformational leadership styles and their impact on organizational performance. In today's rapidly changing world, effective leadership is crucial for organizations to achieve their goals and succeed in completing tasks (Rodríguez-Sánchez et al., 2018). In this review of the transactional and transformational leadership on organizational performance, we will explore the different

leadership styles and their impacts on organizations (Spangler et al., 1997). We will also delve into individual differences in leadership, specifically examining how personality traits such as extraversion and neuroticism may influence the adoption of different leadership.

The purpose of this review is to examine the relationship between transactional and transformational leadership styles and their impact on organizational performance. In this review of transactional and transformational leadership on organizational performance, we will investigate how different leadership styles impact organizations (Rodríguez-Sánchez et al., 2018). In this review of the transactional and transformational leadership on organizational performance, we will examine the interplay between different leadership styles and their effects on an organization's performance. Leadership is crucial in organizations to guide and influence others towards achieving organizational goals.

This study aims to provide helpful insights and useful recommendations for organizational leaders, human resource professionals, and academics as they navigate the intricate terrain of leadership theory and practice. Organizations may enhance their performance in a constantly changing competitive environment by creating customised leadership development programmes, cultivating a positive leadership culture, and understanding the subtle differences between transactional and transformational leadership.

## II. RELATED WORKS

### 2.1 Related work on Transactional and Transformational Leadership

**Table 1:Related published research work**

| Sl.No | Area & Focus of Study | Outcome/Findings | Reference |
|---|---|---|---|
| 1 | To gauge nurses' attitudes towards in-service training and its effects on nurse management and inadequate patient comprehension | Although nurses felt that the education programme was good, management issues persisted following subpar patient education because of their low self-esteem, fear of criticism, hospital culture-related delays, and fear of criticism. Twenty to twenty-five percent of patients' worsening outcomes are ignored, according to the nurse's self-reflection on management. | Mina Azimirad, Carin Magnusson, Allison Wiseman, Tuomas Selander, IIkka Parviainend, Hannele Turunen (2021) |
| 2 | By identifying his followers and encouraging each one of them to take initiative on their own, a leader may demonstrate whether or not he is implementing transformational leadership in his actions. Individual initiative and subordinate qualities are linked to work engagement and performance under transformational leadership. | "Leaders benefit from the intellectual stimulation and personal evaluation that come with transformational leadership, which encourages subordinates to take the initiative and exploit their abilities. In order to determine job engagement and performance the next day, and since subordinates' individual initiative is linked to higher than lower work participation." | Arnold B.Bakker, Jørn Hetland, Olav Kjellevold Olsen, Roar Espevik (2022) |
| 3 | Instrumental leadership: Measurement and extension of transformational–transactional leadership theory | revealed that four first-order components provided the greatest representation of IL. By employing experimental designs, we discovered that IL was highly correlated with the kind of conventionally excellent leadership that is comparable to transformative and contingent incentive leadership. shown that, in addition to the impacts of well-established leadership dimensions, IL predicted additional variation in leadership outcomes. | J Antonakis, RJ House (2014) |
| 4 | Transformational and Transactional Leadership Styles on Employee Performance | Compared to transactional leadership, transformational leadership was found to be a more reliable predictor of good employee performance. | A Hoxha (2019) |

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|---|---|---|---|
| 5 | The impact of transformational leadership style on employee satisfaction | The statistical results shown above indicate a substantial positive association between the aspects of transformative leadership and overall work satisfaction. | AH Metwally, N El-Bishbishy (2014) |
| 6 | Analysing the impact of work environment and leadership behaviours on the existence or absence of employee performance | Two key roles are social support factors and transformative leadership. One factor that could improve worker performance is transformational leadership. Performance comes before task importance and empowerment. | M. ngeles López-Cabarcos, Paula Vázquez- Rodríguez, Lara M. Quiñoá-Piñeiro (2021) |
| 7 | To impart fresh knowledge about the proactive conduct of leaders and their subordinates, as well as fundamental knowledge about the proactive nature of employee dynamics | The emphasis on employee advancement tempers the ability of transformational leadership to persuade followers to use their jobs. | Jørn Hetland, Arnold B. Bakker, Hilde Hetland, Evangelia Demerouti (2018) |
| 8 | Examine and comprehend what factors contribute to transformational leadership and how they impact middle-level leaders' effectiveness. | Workers' performance is influenced by a transformational leadership paradigm, which affects organizational commitment and worker satisfaction. | Anis Eliyana, Muzakki, SyamsulMa'arif (2019) |
| 9 | The Influence Of Transactional Leadership On Innovative Work Behavior-A Mediation Model | The purpose of this research was to examine the link between innovative work behavior (IWB) and transactional leadership (TSL), as well as the mediating function of intrinsic motivation (IM) in this relationship. The findings showed that TSL positively affects IWB, which is at odds with previous research and consistent with the findings of other investigations. | NA Faraz, C Yanxia, F Ahmed, ZG Estifo (2018) |
| 10 | Assessing Transactional and Transformational Leadership on Workgroup Behaviour | While transformational leadership concentrates on inspiring and motivating followers, transactional leadership emphasises interactions between the leader and followers, dependent compensation, and management by exception. | A Bans-Akutey, BM Tiimub (2021) |

## III. THE KEY DIMENSIONS

### 3.1.Transactional Leadership:

- Focuses on processes, control, and a strict management structure.
- Emphasizes setting goals, directing followers, and controlling outcomes.
- Uses contingent rewards and management by exception (only intervening when things go wrong)
- Works best in situations that require following rules and hierarchy, with less emphasis on innovation.
- Examples include military, large corporations, and sports coaching.

### 3.2. Transformational Leadership:

- Focuses on inspiring and motivating followers to exceed normal performance levels.
- Exhibits four key characteristics:
  a) Idealized influence: Demonstrating core values and building trust.
  b) Inspirational motivation: Conveying confidence and a sense of purpose.
  c) Intellectual stimulation: Encouraging creativity, innovation, and learning.
  d) Individualized consideration: Attending to followers' needs and development.
- Transforms both the leader and followers to achieve higher levels of morality and motivation.
- Examples include leaders like Martin Luther King Jr. and Oprah Winfrey.

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## IV. STRENGTH, WEAKNESS, OPPORTUNITIES AND CHALLENGES (SWOC) ANALYSIS FOR TRANSACTIONAL AND TRANSFORMATIONAL LEADERSHIP STYLES.

### 4.1. Strength

Leadership styles play a crucial role in guiding organizations toward success and achieving desired outcomes (Hermosilla et al., 2016). Transactional leadership style strengths lie in its ability to provide clear direction, set goals, and establish accountability within the organization. Transactional leaders excel in managing tasks, clarifying roles, and providing rewards and punishments based on performance (Hermosilla et al., 2016). On the other hand, transformational leadership style strengths lie in its ability to inspire and motivate individuals to go beyond their self-interests and work towards a collective vision. Transformational leaders excel in fostering creativity, promoting innovation, and creating a positive and empowering work environment.

Accountability and performance management: Transactional leaders establish clear performance metrics, hold employees accountable for their actions, and provide rewards and consequences based on individual performance. Practicality and efficiency: Transactional leadership is focused on achieving results and getting things done in a timely manner.

Clear communication: Transactional leaders effectively communicate expectations, feedback, and instructions to ensure that everyone understands their roles and responsibilities.

Transformational Leadership Style Strengths of the transformational leadership style include: Inspirational and motivational: Transformational leaders inspire and motivate employees by creating a compelling vision, setting high standards, and encouraging personal growth and development.

Building strong relationships: Transformational leaders prioritize building relationships with their followers, fostering trust, loyalty, and a sense of camaraderie within the team.

Creativity and innovation: Transformational leaders promote a culture of creativity and innovation, encouraging employees to think outside the box and come up with new ideas and solutions.

Adaptive and flexible: Transformational leaders are adaptable and flexible in their approach, allowing them to effectively navigate and respond to changing circumstances.

Promoting personal growth and development: Transformational leaders focus on the individual growth and development of their employees, helping them reach their full potential and achieve their professional goals.

Promoting teamwork and collaboration: Transformational leaders emphasize the importance of teamwork and collaboration, creating a cohesive and supportive work environment where everyone works together towards a common goal.

Transformational leadership stands out as one of the most suitable types of leadership to guide organizations towards change and innovation.

### 4.2. Weakness

(Sassenberg, 2014)Both transactional and transformational leadership styles have their strengths and weaknesses (Hermosilla et al., 2016). Transactional leadership, while effective in certain situations, can be limiting in terms of fostering creativity and innovation. Transformational leadership relies heavily on the leader's charisma and personal influence, which may not be replicable or sustainable by other members of the organization.

Transactional leaders primarily focus on maintaining the status quo and meeting predetermined goals, often through rewards and punishments. This approach may discourage employees from taking risks or thinking outside the box, as they are primarily motivated by external rewards rather than intrinsic motivation. Additionally, transactional leadership may also create a dependence on the leader and limit employee empowerment and autonomy.

Transformational leadership can sometimes create unrealistic expectations or a reliance on the leader for direction and inspiration. This can lead to a lack of accountability and initiative among followers, who may rely too heavily on the leader for guidance.

Transactional leadership may hinder long-term growth and innovation, while transformational leadership may be less effective in situations requiring quick decision-making and strict adherence to rules.

Both transactional and transformational leadership styles have their limitations and may not be suitable for every situation or organization (Lexa, 2017).

### 4.3. Opportunities

Leadership is a crucial aspect of organizational effectiveness and success (Hutabarat et al., 2022). (Parris & Peachey, 2012)Transactional and transformational leadership are two distinct styles of leadership that offer different opportunities for organizations and individuals. Transactional leadership offers opportunities for organizations to create clear expectations and incentives for employees, promoting accountability and efficiency. Transformational leadership, on the other hand, offers opportunities for organizations to foster innovation, creativity, and employee development.

#### 4.3.1. Transactional Leadership Opportunities

Short-term Goals and Stability: Achieving short-term goals and keeping things running smoothly are two areas where transactional leadership shines. In stable, well-established organisations where following policies and guidelines is essential, it works effectively.

Efficiency and Productivity: Transactional leaders place a high value on productivity and efficiency by establishing clear expectations and offering incentives for achieving predetermined targets or performance standards. This method, which frequently depends on extrinsic reward, promotes compliance.

Crisis Management: When quick action is needed in a crisis, transactional leadership can be useful. It offers an organised process and a distinct chain of command to guarantee quick decision-making and implementation.

Traditional Approach: Transactional leadership is frequently linked to a conventional management style that emphasises upholding discipline and accomplishing immediate objectives via a system of incentives and sanctions.

#### 4.3.2. Transformational Leadership Opportunities

Long-term Vision and Innovation: The three main tenets of transformational leadership are encouraging innovation, motivating change, and long-term vision. Because it fosters creativity, personal development, and adaptation, it is useful in environments that are dynamic and ever-changing.

Employee Engagement and Motivation: Employee engagement and motivation are increased under transformational leadership because they engender a sense of excitement and dedication in their workforce. By giving people a feeling of direction and purpose, they stimulate internal motivation.

Organizational Change and Growth: Encouraging long-term organizational growth and change requires transformational leadership. It aims to create long-lasting change by motivating people to rise to obstacles and pursue a common goal.
Employee Development: Transformational leaders foster their team members' personal and professional development, which increases worker happiness and retention.

#### 4.3.3. Hybrid Approach

Combining Styles: Depending on the circumstance, a lot of leaders combine transactional and transformational leadership philosophies. Known as "transformational-transactional leadership," this hybrid strategy enables leaders to foster creativity and development while still offering discipline and clarity when necessary.

Contextual Adaptation: Competent leaders are able to modify their strategy to fit various situations, using aspects of both approaches to satisfy the changing requirements of their groups and organizations.

Transactional leadership excels in maintaining stability and achieving short-term goals, while transformational leadership is more effective in driving long-term change and growth. A hybrid approach that combines elements of both styles can be beneficial in different situations, allowing leaders to adapt to changing contexts and needs.

### 4.4. Challenges

Transactional and transformational leadership styles are two distinct approaches used by leaders to motivate and influence their teams (Boeske& Murray, 2022). Transactional and transformational leadership styles have different challenges associated with each. Here are some key challenges:

#### 4.4.1 Transactional Leadership Challenges

Lack of Focus on Building Relationships: Transactional leadership sometimes overlooks the significance of developing a feeling of community and personal relationships among staff members in favor of concentrating on the routine activities and interactions between leaders and followers.

Limited Room for Creativity and Innovation: Short-term objectives and regimented processes are the focus of transactional leadership, which can stifle originality and creativity. Workers are frequently asked to adhere to set protocols without considering innovative ideas.

Punishment for Failure: Transactional leaders frequently penalize staff members for falling short of objectives, which can foster a culture of fear and deter staff members from taking chances or experimenting with novel ideas. Short-Term Focus: Long-term planning and vision are often neglected in favor of transactional leadership, which is more concerned with short-term objectives and instant results.

#### 4.4.2. Transformational Leadership Challenges

High Expectations: Transformational leaders have high standards for their team members, which some workers may find difficult to live up to. If not handled appropriately, this might result in demotivation or burnout.

Emphasis on Personal Growth: Transformational leadership focuses on personal growth and development, which can be challenging for employees who are not motivated by self-improvement or may not have the necessary skills or resources to gro.

High Level of Emotional Labor: It can be difficult for workers who have trouble controlling their emotions or who lack the requisite emotional intelligence to work with transformational leaders since they frequently demand a high level of emotional engagement and empathy from their team members.

High Expectations for Innovation: Transformational leaders often encourage innovation and creativity, which can be challenging for employees who are not naturally inclined towards these traits or may not have the necessary skills or resources to innovate.

Potential for Burnout: Transformational leadership can be demanding, especially if the leader is highly charismatic or has high expectations. This can lead to burnout if not managed properly.

#### 4.4.3. Common Challenges

Balancing Structure and Flexibility: Both transactional and transformational leadership styles require a balance between structure and flexibility. Leaders must find a balance between providing clear guidance and allowing for creativity and innovation.

Adapting to Changing Contexts: Leaders must be able to adapt their style to changing contexts and situations. This can be challenging, especially if they are strongly committed to one particular style.

Managing Different Motivations: Leaders must understand and manage different motivations within their team, as not all employees are motivated by the same factors.

Developing Emotional Intelligence: Leaders must develop emotional intelligence to effectively manage their team members and foster a positive work environment.

Maintaining a Hybrid Approach: Effective leaders often use a combination of both transactional and transformational leadership styles, which can be challenging to manage and balance effectively.

## V. CONCLUSIONS

The theories of transformational and transactional leadership are daring attempts by scholars to elucidate the essence and impact of leadership. There are benefits and drawbacks to both ideas. However, it is still important to look at the influence of situational factors on the outcomes of leadership in both types of scenarios. It is evident from the examinations of these two leadership models that further empirical research is still required in order to fully comprehend these two ideas.

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