



Transformational vs. Transactional Leadership

The Role in Organisational Performance

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About Me

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Presentation Layout

The Main Parts of the Presentation

- Introduction
- Transformational Leadership (History, Definition, Parts, Approaches, Importance, and Effects in Numbers)
- Jeff Bezos Case Study
- Transactional Leadership (History, Definition, Parts, Importance, and Effects in Numbers)
- Bill Gates Case Study
- How to Adopt Leadership Style? (Comparison and Main Factors)
- Conclusion
- References

- Leadership is one of the most important aspects of boosting corporate performance (Ciulla, 2020).
- A leader's style and approaches may inevitably drift toward either the transactional or transformational side (Martinez and Sharma, 2014).
- Those who want to be leaders in management must grasp the distinctions between the two and comprehend how they may use the proper style based on the occasion to achieve organizational efficiency (Sethuraman and Suresh, 2014).

Introduction

Importance of the Leadership



Transformational Leadership

History, Definition, Parts, Approaches, Importance,
Effects in Numbers, and Case Study

- Transformational leadership was pioneered by James MacGregor Burns in 1978, and it is characterised by cheerful, trusting, and encouraging leaders who emotionally inspire cooperation and establish support innovations (Bailey and Axelrod, 2001).
- According to Burns (2004), transformational leadership encompasses mutualistic goals, inspiration, personal bonding, vision, and shared values.

History and Definition

The Foundation of Transformational
Leadership

- Transformational leadership, according to Hossain Reza (2019), consists of four major components: magnetism, enthusiasm, intellectual stimulation, and individual consideration.
- These components enable transformational leaders to concentrate on nourishing and actively engaging their workforce (Mokhber et al., 2015).
- Transformational leaders, rather than micromanaging, cultivate an autonomous atmosphere that encourages creativity, values new thinking, and allows people to feel more confident (Avolio, 1999).

Parts

Components of Transformational
leadership

- According to Mutahar, Rasli and Al-Ghazali (2015), leaders adopt a situational approach to practice distinct leadership structures and techniques based on the maturity of their followers. As a result, the leadership style chosen is determined by the followers' maturity level.
- There are three main situational approaches present in the literature: The System Resource Approach, Constituency Approach, and the Competing Values Approach (Katou, 2015).

Approaches

Practical Ways to Implement
Transformational leadership

- Transformational leadership assists businesses in more effectively achieving their present objectives by tying work success to valued incentives and ensuring staff has the facilities needed to execute the job (Naguib and Naem, 2018).
- Transformational leaders develop a strategic plan, express that vision via narrative and symbolism, demonstrate the vision by “living the walk” and performing consistently, and foster devotion to the goal (Arshad et al., 2016).
- Much scientific research has found that transformative leadership improves leadership effectiveness and corporate outcomes (Barker, 2001; Mason, Griffin and Parker, 2014; Mokhber et al., 2015).

Importance

The Role of Transformational leadership
in Organisational Performance

- Alsayyed et al. (2020) tested transformational leadership in the academic environment. They found transformational leadership improved overall organisational performance (human resource efficiency, financial efficiency, etc.) by 40%.
- On the other hand, Le and Le (2021) examined it in a pure corporate environment. They found transformational leadership MIA Pakistan has enhanced the operational and financial performance of 100 manufacturing and service companies by 37% and 29%, respectively.
- Similarly, Saad and Abbas (2019) researched the group (a private manufacturing group in Pakistan). They found that transformational leadership has raised the manufacturing output by 30% through a mediating role of improving workers' productivity by 66%.

Effects in Numbers

Real-Time Effects of Transformational Leadership



- Jeff Bezos' (Amazon CEO) transformational leadership style developed a customer-driven atmosphere at Amazon by dividing his workers into small teams, directing them to different tasks and issues, and fostering collaboration throughout the firm (Tongkachok et al., 2022).
- It also fostered a healthy competitive climate among employees, encouraging them to surpass their talents to complete all duties and challenges (Toma et al., 2020).

Case Study

Jeff Bezos (CEO-Amazon)

Transactional Leadership

History, Definition, Parts, Importance, Effects in Numbers, and Case Study



- Max Weber defined transactional leadership in 1947, and Bernard Bass described it in 1981 (Madanchian et al., 2021).
- Transactional leadership is described as the interchange of goals and incentives between leadership and staff (Le and Le, 2021).
- A transactional leader is constantly eager to provide something in return. It might involve a promotion, a wage hike, a performance appraisal, and additional duties (Sujith and Udayanga, 2018).

History and Definition

The Foundation of Transactional Leadership

This leadership is based on the following parts:

- **Contingent Incentives:** Transactional leaders, according to Ali, identify and reward their followers' effectiveness (Tavanti, 2008).
- **Active Management by Exception:** Active management by exception means that a leader examines the employee's performance, monitors variances from the legislation and requirements, predicts problems and challenges, takes actions regarding the performance of the followers, and makes modifications to fix the problems (Eagly, Johannesen-Schmidt and van Engen, 2003).
- **Exceptional Passive Leadership:** Leaders who practice passive management by exception do not solve problems until they are serious (Nguni, Slegers and Denessen, 2006).
- **Laissez-Faire Leadership:** Laissez-Faire leadership refers to leaders who avoid making choices and accepting responsibilities. Leaders hold subordinates entirely accountable for each decision and provide colleagues with complete flexibility and the ability to make work-related decisions (Lai and Olin, 2011).

Parts

Components of Transformational
Leadership

- Alharbi et al.'s (2020) research found that transactional leadership has a favourable influence on organisational performance. As workers can constantly gain real and intangible benefits, transactional leadership helps to build and preserve a framework in which organisational and human talents are maximised.
- This leadership style creates an ideal performance environment by articulating an inspiring vision that improves overall organisational performance (Katou, 2015).
- According to Mason, Griffin and Parker's (2014) research, transactional leadership was found to have no substantial influence on organisational performance. This leadership style does not foster employees' originality and invention, and as a result, employees fail to meet the organization's objectives.

Importance

The Role of Transactional Leadership in
Organisational Performance

- Tahir (2015) analysed the numerous transactional leadership factors and then empirically examined their impact on organisational performance. According to the findings, transactional leadership increased employee and organisational performance by 25% in five big South Asian manufacturing businesses.
- Donkor and Zhou (2020) investigated the influence of transactional leadership on organisational performance in the public sector of developing countries. According to the findings, public sector executives should use measures to instill ongoing commitment in organisational operations to improve staff performance. Continuance commitment appears to be a strong resource for improving employee performance in the country's public services sector, explaining a 30% difference in organisational performance.
- Similarly, Saad and Abbas (2019) researched the group (a private manufacturing group in Pakistan). They found that transformational leadership has raised the manufacturing output by 30% through a mediating role of improving workers' productivity by 66%.

Effects in Numbers

Real-Time Effects of Transactional Leadership



Case Study

Bill Gates (ex CEO-Microsoft)

- Microsoft, led by Bill Gates, transformed the IT business and became one of the most influential trendsetters in the contemporary world (Chen et al., 2016).
- Bill Gates frequently portrays himself as a strong and severe boss to competitors and employees. He was successful in converting Microsoft into a stable monopoly (Katou, 2015).
- To keep the company standing, Gates had to concentrate on erecting hurdles for potential comers. Furthermore, he had to rigorously manage the organization's production process for consumers to accept the items (Arenas, 2019).

Comparison

Which Leadership Style to Adopt? (Major Differences)

Transactional leadership

- While transactional leadership is the ideal way to optimize the process parameters, it can fall by the wayside in innovation, long-term vision formulation, and workforce development (Madanchian et al., 2021).

Transformational leadership

- While transformational leadership is ideal for developing strategy and encouraging organisational change, it might lack attention to detail since these leaders are less interested in everyday workflow and procedures. It also requires a leader who can maintain a high enthusiasm and enthusiasm for an extended time (Ciulla, 2020).

Before deciding on a leadership style, think about the following factors:

- **Communication Strategy:** A leader conveys principles by his model and the actions you overlook, praise, reprimand, or advise. Transactional leadership is better if the leader believes in one-way interaction (Chen et al., 2016).
- **Situational Approach:** Every circumstance is unique. Leadership behaviors in one scenario may not be effective in another. Before deciding on the appropriate leadership action to take, examine all existing funds. When selecting resources, consider PET (personnel, equipment/resources, and time). The transformational style is best if a leader adapts according to various situations, such as competing values (Hossain Reza, 2019).
- **Goal Setting:** Transactional leadership is good if a leader believes in conveying/implementing their vision rather than sharing a common goal. Transformational leadership is appropriate if leaders share common goals with their teams (Sethuraman and Suresh, 2014).

Which Leadership Style to Adopt?

Major Factors to Consider

- Leadership plays a crucial role in the progress of an organisation. That's why it is essential to adopt the leadership style according to organisational goals and the leader's nature.
- Transformational and transactional leadership are two major styles.
- While transactional leadership is the ideal way to optimize the process parameters, it can fall by the wayside in innovation, long-term vision formulation, and workforce development.
- While transformational leadership is ideal for developing strategy and encouraging organisational change, it might lack attention to detail since these leaders are less interested in everyday workflow and procedures.
- The decision to adopt the leadership style depends on crucial factors such as Communication Strategy, Situational Approach, and Goal Setting.

Conclusion

Summary of the Presentation

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Thank You

Any Questions?