

# **Leadership Enterprise**

[www.cheapessaywriter.com](http://www.cheapessaywriter.com)

## **Executive Summary**

Today's environment is considered to be dynamic and competitive, for which the organisations to survive, a capability is required to instantly adapt the changes occurring in their environment(s) – whether it be internal or external. For that, an effective leadership style is necessary and two of the most prominent and most debated leadership styles are transformational and transactional leadership. However, there are inconclusive studies on the deeper characteristics and traits of these styles so to decide which leadership style is to be adopted in a certain situation. This report conducted a review of the available literature to identify the benefits and differences in both of the leadership styles so that effective recommendations for the leaders can be provided. A qualitative approach was used while the data was gathered from secondary resources and two cases studies of Australian famous leaders – Professor Doug Hargreaves and Malcolm Turnbull – were used as an example to support the arguments relating to the differences in both of the approaches. It was found that most of the scholars believe that transformational leadership is an evolved and augmented version of transactional leadership which is suitable in most of the situations, whereas, the transactional leadership is only helpful in crisis and emergency situations. It was also found that transactional leaders focus on keeping things the same, whereas, the transformational leaders are forward-thinkers and engender new and creative ideas to stimulate their followers ultimately leading to enhanced individual and organisational performance. Though both of the approaches are different in nature, the study, at the end, recommended to use the mixture of both; where applicable, so that effective results can be achieved. The recommendations provided are after a thorough review of the available literature.

## Table of Contents

Executive Summary .....	
1.0 Introduction.....	1
2.0 Leadership styles .....	1
2.1 Transactional leadership .....	1
2.2 Transformational leadership .....	2
3.0 Methodology .....	2
4.0 Results .....	3
5.0 Discussion and Conclusions .....	5
6.0 Recommendations .....	5
References .....	6
Appendices .....	8

[www.cheapessaywriter.com](http://www.cheapessaywriter.com)

## **1.0 Introduction**

It is widely believed that an important reality of the current era is 'change' and it is also a matter of fact that organisations have to adapt to change in order to survive in this dynamic and competitive era (İkinci 2014). On the same hand, Tuncer (2011) believes that besides making efficient organisational arrangements and being organised, organisations are required to adopt effective leadership approaches in order to adapt to the changes occurring in their environment. In this regards, Deichmann and Stam (2015) advocated that leadership, especially transactional and transformational leadership, has been identified as one of the most important and crucial factors in influencing the ability of employees to engender innovative ideas for the organisation. However, a number of studies, including that of Pieterse et al. (2010) and Rank et al. (2009), are an evidence that many of the scholars still have not reached any conclusion on what leadership style to adopt – whether it be transformational or transactional or a mixture of both. Therefore, this report will critically analyse the benefits and differences of both the aforementioned leadership styles in light of scholarly articles and using the help of various case studies of different Australian leaders so to provide effective recommendations for organisations and leaders on what style to adopt.

## **2.0 Leadership styles**

Within the realm of leadership styles, today's leaders must be flexible enough to adopt from a variety of proven, old, new and such styles that are yet to be systematised (Marques 2015). Below, two of the most apropos styles of the 21<sup>st</sup> century – transformational and transactional – are briefly explained to provide an overview of the traits and characteristics of these leadership styles.

### **2.1 Transactional leadership**

An exchange-based relationship which will continue to be part of processes where the individuals use the services or products of others. Often, punishments and rewards are used by transactional

leaders to enhance the performance and to quicken the completion of tasks by their followers. Majorly, the routine maintenance activities of monitoring, directing followers for task completion and achieving organisational goals, and allocating resources effectively are the major concern of transactional leaders (Marques 2015). However, Zagorsek, Dimovski, and Skerlavaj (2009) believe that such leadership style, usually, does not lead to longitudinal relationships and long-term commitments. Contrary to this, McCleskey (2014) mentioned that transactional leadership is useful in the leadership's landscape of today's world because the primary focus of the leaders is on organisational performance and that ultimately helps them in the implementation of effective and clear strategies.

## **2.2 Transformational leadership**

As the name suggests, a deeper relationship is established within the transformational leadership approach by the leader with his followers. This leadership style is an evolved version of transactional leadership and developed from charismatic leadership, subsequently leading to a deeper and more caring subdivision of transformational leadership (Bottomley, Burgess and Fox 2014). Simply, influential techniques and strategies are adopted by a transformational leader to elevate the performance and to empower the followers McCleskey (2014). Subsequently, it leads towards a change in the attitudes and norms of the followers, therefore, becoming more aligned with the vision of their leaders (Kim and Yoon 2015). This, therefore, helps in the development of a strong relationship between a transformational leader and his/her followers.

## **3.0 Methodology**

The methodology is an important aspect of a research – whether it be qualitative or quantitative and a primary research or secondary research (Flick 2011). Considering the objectives of this report, i.e. to discuss the benefits and differences in transformational and transactional leadership

style while using scholarly literature and case studies of Australian leaders – thus using the secondary approach for collecting data, it was deemed suitable to opt for a qualitative design as advocated by Creswell (2013). The collected data will be critically analysed and evaluated to reach definitive conclusions and recommendations, hence, using the secondary data analysis methods in this report (Flick 2015).

#### **4.0 Results**

Perhaps, one of the most important aspects of management in an organisation is leadership (Wehrich, Cannice, and Koontz 2008) because it majorly contributes in enhancing the performance and well-being of an organisation. Odumeru and Ogbonna (2013) mentioned that in order for the leadership effectiveness to be explained, several theories are put forward and two of the most prominent are transformational and transactional leadership theories. Though most of the scholars argue that the concepts and practice of both the aforementioned leadership styles are different, some of them still believe that transformational leadership is an augmented version of transactional leadership style, subsequently, resulting in increased level of group, individual and organisational performance (Hamstra et al. 2013; Allio 2013). Whereas, Wehrich, Cannice, and Koontz (2008) further commented that some still believe that a subset of transformational leadership is the transactional leadership style.

According to Robbins and Coutler (2007), a transformational leader inspires and stimulates followers to achieve exceptional outcomes. They transform followers awareness regarding issues by helping them in observing old/conventional problems in a new way; they pay special attention towards developmental needs of their followers; and they have the capabilities to inspire, arouse and excite their followers so they can exert extra efforts in order to achieve individual or organisational goals (Eisenbeiß and Boerner 2013). Summing up, transformational leadership

theory is directed towards bringing a positive change in the followers, whereby, they take care of each other's interests and act in such a way resulting in a benefit for the whole group (Warrilow 2012). Professor Doug Hargreaves – National President of Engineers Australia and the head of the School of Engineering Systems at Queensland University of Technology (QUT) took the leadership of around 90,000 professional engineers in Australia. According to the discussion of Odumeru and Ogbonna (2013), it is believed that the professor possesses the transformational leadership because his focus is always on changing the future of his organisation(s). In a media press, he said that he will remain focus in expanding the obligations and opportunities of leadership while also having a concern about the social, economic and community changes in Australia (Engineers Australia 2009).

On the contrary, transactional leadership, or management leadership, primarily focus on the organisation and supervision of group performance while promoting the compliance of his followers through both punishments and rewards (Marques 2015). Unlike transformational leadership, transactional leaders are looking forward to keeping things the same rather than thinking to change the future of their organisation and followers. However, such leadership style is still suitable in situations of crisis and emergency, and when certain projects are required to be conducted in a particular manner. Such leaders focus on the processes rather than avant-garde ideas alike the transformational leaders (Odumeru and Ogbonna 2013). Malcolm Turnbull – the 29<sup>th</sup> and current president of Australia – is a famous example of a transactional leader as Hartcher (2016) mentions that the actions of Turnbull are the same as of a transactional leader defined by MacGregor Burns in 1978. Turnbull does not hold his promise of making Australia a modernised country which completely fulfils the definition of Marques (2015) that transactional leaders are looking forward to keeping things the same.

(Note: Some other benefits and differences in both the leadership styles are presented in table 1 located in the Appendices section)

## **5.0 Discussion and Conclusions**

Conclusively, further empirical research needs to be carried out to effectively explore the important traits of these leadership styles. It was found that most of the author believe that an augmented version of transactional leadership is the transformational leadership, whereas, some of them are still uncertain about the differences in between the two. However, the analysis of secondary data revealed that transformational leaders (Prof Doug Hargreaves) mostly focused on forward-thinking to change the future unlike transactional leaders (Malcolm Turnbull) who are looking forward to keeping things the same. Lastly, it is believed that transformational leaders have the power to positively influence their followers, therefore, leading towards the enhanced individual, group and organisational performance.

## **6.0 Recommendations**

In light of the research conducted, below are some recommendations:

1. While differentiating both of the leadership styles, the effect of situational variables on the outcomes of leadership must not be ignored in the future research (Posner 2013).
2. Deichmann and Stam (2015) specifically highlights the fact that focusing on transformational leadership will help the leaders in expanding change, inspiring/motivating their followers and enhancing the organisational performance, therefore, this leadership style is recommended to be used by leaders.
3. Transformational leadership – desirable in most of the situations – must also be used in conjunction with the transactional leadership where applicable to achieve better results (Jansen, Vera and Crossan 2009)

## References

- Allio, RJ 2013, 'Leaders and leadership – many theories, but what advice is reliable?', *Strategy & Leadership*, vol. 41, no. 1, pp. 4–14, DOI 10.1108/10878571311290016.
- Bottomley, K, Burgess, S & Fox, M 2014, 'Are the behaviors of transformational leaders impacting organizations? A study of transformational leadership', *International Management Review*, vol. 10, no. 1, pp. 5–9.
- Creswell, JW 2013, *Research design: Qualitative, quantitative, and mixed methods approaches*, 4th edn, Sage Publications, Thousand Oaks, CA.
- Deichmann, D & Stam, D 2015, 'Leveraging transformational and transactional leadership to cultivate the generation of organization-focused ideas', *The Leadership Quarterly*, vol. 26, no. 2, pp. 204–219, DOI 10.1016/j.leaqua.2014.10.004.
- Eisenbeiß, SA & Boerner, S 2013, 'A double-edged sword: Transformational leadership and individual creativity', *British Journal of Management*, vol. 24, no. 1, pp. 54–68, DOI 10.1111/j.1467-8551.2011.00786.x.
- Engineers Australia 2009, 'Prof Doug Hargreaves presidency media release Nov 09', Engineers Australia, viewed 18 September 2016, <[https://www.engineersaustralia.org.au/sites/default/files/shado/News%20and%20Media/Media%20Statements/2009%20Media%20Statements/27.11.09\\_-\\_new\\_leader\\_of\\_australias\\_peak\\_engineering\\_body.pdf](https://www.engineersaustralia.org.au/sites/default/files/shado/News%20and%20Media/Media%20Statements/2009%20Media%20Statements/27.11.09_-_new_leader_of_australias_peak_engineering_body.pdf)>.
- Flick, U 2011, *Introducing research methodology: A beginner's guide to doing a research project*, 1st edn, Sage Publications, Thousand Oaks, CA.
- Flick, U 2015, *Introducing research methodology: A beginner's guide to doing a research project*, 2nd edn, Sage Publications, Thousand Oaks, CA.
- Hamstra, MRW, Van Yperen, NW, Wisse, B & Sassenberg, K 2013, 'Transformational and Transactional leadership and followers' achievement goals', *Journal of Business and Psychology*, vol. 29, no. 3, pp. 413–425, DOI 10.1007/s10869-013-9322-9.
- Hartcher, P 2016, Comment, 22 May, *The Sydney Morning Herald* viewed 18 September 2016, <<http://www.smh.com.au/comment/the-28-words-that-have-sealed-malcolm-turnbulls-fate-20160520-gp06ks.html>>.
- İkinci, SS 2014, 'Organizational change: Importance of leadership style and training', *Management and Organizational Studies*, vol. 1, no. 2, DOI 10.5430/mos.v1n2p122.
- Jansen, JJP, Vera, D & Crossan, M 2009, 'Strategic leadership for exploration and exploitation: The moderating role of environmental dynamism', *The Leadership Quarterly*, vol. 20, no. 1, pp. 5–18, DOI 10.1016/j.leaqua.2008.11.008.

Kim, S & Yoon, G 2015, 'An innovation-driven culture in local government: Do senior manager's Transformational leadership and the climate for creativity matter?', *Public Personnel Management*, vol. 44, no. 2, pp. 147–168, DOI 10.1177/0091026014568896.

Marques, J 2015, 'The changed leadership landscape: What matters today', *Journal of Management Development*, vol. 34, no. 10, pp. 1310–1322, DOI 10.1108/jmd-02-2015-0010.

McCleskey, JA 2014, 'Situational, transformational, and transactional leadership and leadership development', *Journal of Business Studies Quarterly*, vol. 5, no. 4, pp. 117–130.

Odumeru, JA & Ogbonna, IG 2013, 'Transformational vs. Transactional Leadership Theories: Evidence in Literature', *International Review of Management and Business Research*, vol. 2, no. 2, pp. 355–361.

Pieterse, AN, van Knippenberg, D, Schippers, M & Stam, D 2010, 'Transformational and transactional leadership and innovative behavior: The moderating role of psychological empowerment', *Journal of Organizational Behavior*, vol. 31, no. 4, pp. 609–623, DOI 10.1002/job.650.

Posner, BZ 2013, 'It's how leaders behave that matters, not where they are from', *Leadership & Organization Development Journal*, vol. 34, no. 6, pp. 573–587, DOI 10.1108/loj-11-2011-0115.

Rank, J, Nelson, NE, Allen, TD & Xu, X 2009, 'Leadership predictors of innovation and task performance: Subordinates' self-esteem and self-presentation as moderators', *Journal of Occupational and Organizational Psychology*, vol. 82, no. 3, pp. 465–489, DOI 10.1348/096317908x371547.

Robbins, SP & Coulter, M 2007, *Management*, 9th edn, Prentice Hall, London.

Tunçer, P 2011, 'Organizational change and leadership', *Journal of Court of Accounts*, vol. 80, pp. 57–83.

Warrilow, S 2012, Transformational Leadership Theory - The 4 Key Components in Leading Change & Managing Change, viewed 18 September 2016, <[http://EzineArticles.com/?expert=Stephen\\_Warrilow](http://EzineArticles.com/?expert=Stephen_Warrilow)>.

Wehrich, H, Cannice, MV & Koontz, H 2008, *Management*, 12th edn, McGraw-Hill, New Delhi.

Zagorsek, H, Dimovski, V & Skerlavaj, M 2009, 'Transactional and transformational leadership impacts on organizational learning', *Journal for East European Management Studies*, vol. 14, no. 2, pp. 144–165.

## Appendices

Table 1 shows further differences and benefits of transformational and transactional leadership that were deemed suitable to be included in the report but are not included in the main body because of the scope and limitations of this study.

**Table 1: Differences between transformational and transactional leadership (Odumeru and Ogbonna 2013)**

<b>Transformational Leadership</b>	<b>Transactional Leadership</b>
Works to change the culture of the organisation through engendering new ideas.	Works within the boundaries of the organisational culture
A proactive leadership	A responsive leadership
Objectives are achieved by employees through higher ideals and moral values	Objectives are achieved by employees through punishments and rewards
Followers are motivated by encouraging them to prioritise the interests of groups first	Followers are motivated by encouraging them to prioritise their own self-interests
Innovative and creative ideas are promoted to solve problems – intellectual stimulation	Use of stress to improve the actions; status quo is maintained – management-by-exception
Each individual is directed by each behaviour so to express support and consolidation – individualised consideration	