

## LEADERSHIP AND BASS TRANSACTIONAL AND TRANSFORMATIONAL LEADERSHIP THEORY

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### Abstract

The purpose of this study is to address Bass' Transactional and Transformational Leadership Theory that is arguably the one of the most comprehensive leadership theory in organisational studies. The theory is especially relevant at a time when many organisations need to make radical changes in the way things are done in order to survive in the face of increasing economic competition. Because, increasing competitiveness and a very complex environment made organisations need a new type of leader who can make followers perform beyond expectation.

**Keywords:** Leadership, transactional and transformational leadership, leader effectiveness, research on bass' transformational and transactional leadership theory.

### Özet

Bu makale Bass'ın Türkçe'de transformasyonel yada dönüşümcü liderlik olarak adlandırılan teorisini incelemektedir. Liderlikle ilgili, belki de, en kapsamlı yaklaşım olan teori önce ayrıntılarıyla açıklanmış, konu ile ilgili yapılan araştırmalara yer verilmiştir. Araştırmaların sonuçlarından hareketle, özellikle artan rekabet ve değişim ortamında transformasyonel liderlik davranışı gösteren yöneticilerin işletmelerine sağlayabileceği katkılara ve işletme çalışanları üzerindeki olumlu etkilerine değinilmiştir.

**Anahtar Kelimeler:** Liderlik, Bass'ın Transformasyonel ve Transaksiyonel Liderlik Teorisi, Etkili Liderlik, Bass'ın liderlik teorisi ile ilgili araştırmalar.

### Introduction

There are almost as many definitions of leadership as there are writers in the field because researchers define the concept of leadership according to their individual perspectives. Although the concept has been defined in literature in terms of individual traits, exercising influence

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over certain people, behaviour, role differentiation, initiating and maintaining structure, goal achievement, there is a tendency to define leadership as Yukl (1994) defined it:

"Most leadership reflect the assumption that it involves a social influence process whereby intentional influence is exerted by one person over other people to structure the activities and relationships in a group or organisation" (p.3)

Alban-Metcalfé (1983) defined leadership as follows "Leader ...who occupies a managerial, or sometimes supervisory role...who by virtue of their position of authority within an organisation are expected to influence others with whom they work" (p.3). Mowday and Sutton (1993) noted that "the notion of the leaders' influence over others' thoughts, feelings, and actions is ubiquitous in the vast leadership literature"(p.211).

Ambiguity and insufficient definitions led to controversy about leader/managers or management and leadership because the lack of the universally accepted definitions of the terms, and using these terms interchangeably. Management is about accomplishing pre-determined objectives by appointing formal duties for subordinates. Leadership is a social influence process in which a leader with power exerts this power over a certain group of people to influence their behaviour. It is possible to say that since leadership research started studying the behaviours of leaders these terms -leadership and management or leader and manager-were used interchangeably in literature (Yukl, 1994: p.5). Each definition of leadership and management contains some overlaps but fails to identify enough the differences between leadership and management. Some authors argued that the degree of overlap led to confusion and disagreement and these differences about managers and leaders are not scientifically drawn differences, and there is no measurement to distinguish the differences between leaders and managers. Throughout these debates, the emergent pattern is to accept leadership as an important part of managerial work in an organisational setting. Thus, managers at the same time need to be leaders.

These two concepts are overlapping but again the extent of this overlap is a matter of disagreement. All managers are not leaders in supervisory sense, conversely, not all leaders are managers such as

emergence of a leader in a group. Like all social constructs in social science, the definition of leadership is arbitrary and very subjective and every definition of the concept has its own value (Yukl, 1994:p.5).

### **Leadership Approaches**

Approaches to leadership study emerged under four leadership approaches, namely, trait, behavioural, situational, and transactional-transformational leadership model. Each of these will be described in detail next.

#### **Trait Approach**

Trait approach is based on the assumption that some people possess some personal attributes that make them successful at leadership. According to trait approach leaders are born not made and are called 'natural' leaders. This approach was dominant during the second quarter of the twentieth century. Physical, mental, and personal attributes were tried in an attempt to associate particular attributes and characteristics directly with leadership success.

In searching for measurable leadership traits, early research on leadership attempted to define the characteristics of people that separate leaders from non-leaders, or effective from ineffective leaders. After a comprehensive review, Stogdill (1948) concluded<sup>1</sup>:

“The factors which have been found to be associated with leadership could probably all be classified under the general headings of *capacity*, *achievement*, *responsibility*, *participation*, and *status*:

1. *Capacity* (intelligence, alertness, verbal facility, originality, judgement).
2. *Achievement* (scholarship, knowledge, athletic accomplishments).
3. *Responsibility* (dependability, initiative, persistence, aggressiveness, self confidence, desire to excel).
4. *Participation* (activity, sociability, co-operation, adaptability, humour).
5. *Status* (socio-economic, position, popularity).”(p.64).

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<sup>1</sup> Emphasis is original.

Trait studies failed to identify any traits that consistently differentiate leader from followers. Yukl (1994: pp. 254-256) argued that research on characteristics of leaders failed to give generally accepted definition of these traits and any explanation of how these traits influence leadership success.

The other deficiency for this approach of that it did not investigate the followers. Another problem with trait approach was the measurement problem. Smith and Peterson (1988) remark that:

“The methods used by researchers in this area have mostly involved measuring a set of psychological orientations using paper and pencil indicators that do not include any kind of psychological scaling. Correlations are then identified with independently measured success criteria. Researchers then speculate about intervening processes providing the links between predispositions and success” (p.7).

It should be noted that trait approach has not been completely dismissed from leadership research and re-emerged later on. Some common personality traits have been associated with emergence of leaders. For example, Bass (1985:p.169) suggested that personality differences of leaders would impact upon exhibiting transactional and transformational leadership behaviour. Furthermore, Atwater and Yammarino (1993:p.646) explained some reasons for the inconclusive research on trait approach. They argued that the inconsistent results were attributable to the variations in measuring leadership and traits across studies or to the different leadership contexts investigated for example, comparing a study assessing the personal traits of emergent leaders in a laboratory experiment with a study assessing the personal traits of top executives will likely be inconclusive.

### **Behavioural Leadership Approach**

In the 1950s a new approach emerged after the discouraging results of trait approach. This approach was based on concentrating on the patterns of leader behaviour rather than concentrating on the personal traits of leaders or effective leaders. In other words, the behaviour of the leader was important rather than the leader himself. Unlike the traits approach, it emphasised the way in which leaders behaved, such as how they delegated tasks, communicated with subordinates, and motivated them

and compared the behaviour of effective and ineffective leaders. The aim was to identify the pattern of leaders' behaviours that contributed to effective group performance. Two leadership behaviour emerged as follows: task-oriented and employee-oriented.

In researching the most effective leadership style, the Ohio State University researchers started identifying the managerial behaviours and to associate them to employee satisfaction (Yukl, 1994: p.55). This study led to the development of the Leadership Behaviour Description Questionnaire which is still used in leadership studies. They defined two independent dimensions of leader behaviour which is known as "The Ohio State Model". In the initiating structure, the leader defines and constructs the role of his/her subordinates toward the achievement of the predetermined aims of groups. In the consideration structure, the leader behaves in a friendly and supportive way, looks out for the subordinates' concerns and welfare, and delegates a greater degree of autonomy. It was argued that that these two concepts were independent of each other and one person might behave in a manner to exhibit either or both of these leadership dimensions (Yukl, 1994, p.54).

The similar researches were carried out at the University of Michigan. Employee-centred and production-centred leadership styles emerged from these researches. Production-centred managers set strict work standards and prescribed the work and methods to be followed. Employee-centred managers tried to encourage subordinate participation in decision-making process and ensured trust and respect towards each other. The study assumed that these behaviours were opposite ends of a single leadership dimension. The idea that a person could display both dimensions was less justified. The Michigan studies found that productivity and subordinate satisfaction were higher with employee-centred leaders than production-centred leaders (Yukl, 1994: p.60).

A great amount of research was done about consideration and initiation structure with inconsistent and inconclusive results. In some studies subordinates were more satisfied and performed better with an initiating leader, whereas others studies found a vice versa relation or no significant relations were found (Yukl, 1989: p.258). There were problems that emerged from failure to take into account the contextual factors and from the inability to establish casual relationship from

correlation studies. Korman (1966: p.351) criticised heavily these approaches by arguing that very little is known about how consideration and initiating structure affect group performance. Filley et al., (1976) also criticised the trait and behavioural approaches as follows:

“...the trait and behavioural approaches to leadership seem, to oversimplify the determinants of successful leadership. While certain traits and behaviours are often associated with effective leadership, *no* trait or behaviour has emerged which sufficiently improves subordinate satisfaction or performance *regardless* of the situation” (p.234).

This approach made a contribution to the understanding of leadership phenomena. However, further research contributed to the better understanding of effective leadership.

### **Contingency leadership approach**

Inconsistent result of behavioural theory of leadership led to researchers to identify the situational effects on leadership that resulted in contingency leadership approaches being developed. Contingency leadership theories assume that different leadership behaviour will be effective in different situations, and the same behaviour is not appropriate in all situations. Hence, different situations require different leadership styles. Leader effectiveness is determined by the interaction of situational variables, namely, the leader, the leader's authority, the task, the characteristics of subordinates, the organisational environment and the external environment (Yukl, 1989: p.274).

The contingency approach has also some problems like behavioural approach such as conflicting results, measurement problems, causality problems (McCall, 1976: pp.141-142; Wright, 1996: pp.41-42). Yukl (1994) criticised contingency leadership theories by stating that “...each theory has conceptual weaknesses that limits its utility” (p.312).

In summary, leadership studies started with simple trait approach and developed via various behavioural and contingency leadership theories. Now, the following section will describe transactional and transformational leadership theory.

### **Transactional and Transformational Leadership Model**

Leadership approaches outlined so far have limitations and problems which generated disappointing and contradictory results (McCall, 1976: P.141; Davis and Luthans, 1984: p.237). This disappointing situation in leadership area stimulated researchers to generate new approaches to studying leadership. House (1977) introduced a charismatic leadership. One year later, Burns (1978: pp. 4-425) described two types of political leaders: transactional and transformational. Transactional leadership occurs when a leader engages in an exchange process with subordinates. Transformational leadership associates with changes in the beliefs, values, and needs of followers. Bass (1985, pp.11-13) applied Burn's conceptualisation to organisations and developed a new leadership model which identifies three leadership processes, namely, transactional, transformational, and laissez-faire. The next section will address each of these in turn.

#### **Transactional leadership**

Burns (1978) defines transactional leadership as follows:

"Leadership is the reciprocal process of mobilising, by persons with certain motives and values, various economic, political, and other resources, in a context of competition and conflict, in order to realise goals independently or mutually held by leaders and followers. The nature of those goals is crucial. They could be separated but related; that is, two persons may exchange goods or services or other things in order to realise independent objectives. This is transactional leadership" (p.425).

Therefore, various transactions take place between leaders and their subordinates. Transactional relationship can be described as follows: the leader recognises what it is followers want to get from their work, sets up rewards for followers and then responses to followers' immediate self-interests and exchanges rewards (Bass, 1985:p. 123).

Bass (1985: pp.121-135), in his original model, proposed that transactional leadership has two main components, management-by-exception and contingent reward. A transactional leader relies on management by exception that the leader takes corrective action and intervenes only when failures and deviations occur. Indeed, some

managers search for deviations to meet desired goals. They define performance standards and check subordinate performance whether the standards are being met.

In a subsequent research, Hater and Bass (1988:p.700) separated management by exception in terms of the timing of the leader's intervention, namely, management-by-exception (active) and management-by-exception (passive). In the former, the leader controls subordinates' activities to predict mistakes before they become a problem and immediately takes corrective actions when is necessary. In the latter, the leader avoids giving directions if the old methods are working. Another important component for the transactional leader is the contingent rewards that are set up for subordinates by the leader if they attain desired levels of objectives. In an organisational context, the transactional leader defines and clarifies what needs to be done to meet followers' expectations such as pay, recognition, promotion etc. The leader also expresses his contentment when subordinates do a good job. Literature shows that leaders incline to allocate rewards to those who perform well and punish those who do not perform well (Podsakoff, 1982: p.76). In a research, Podsakoff et al. (1984:p.56) found that leaders' contingent reward behaviour was positively related to subordinates' performance and satisfaction. On the contrary, contingent punishment behaviour was not related to subordinates' performance or job satisfaction of subordinates. Leader's non-contingent rewards behaviour did not contribute subordinates' performance and satisfaction. Leader who administered non-contingent punishment behaviour influenced negatively subordinates' satisfaction and performance. Bass and Avolio (1994:p.3-4) reported that there were significant positive relations ( $p < .01$ ) between contingent reward and effectiveness of the leader, self-reported subordinate satisfaction and extra effort of subordinates.

Burns (1978: p.4) argued that transactional leadership fails to raise aspirations of subordinates. Burns also suggested that the transactional relationship can be seen as a bargaining process and continued by maintaining the transaction process. Leaders and subordinates try to increase their gain from the transaction. This relationship may be superficial and short-lived. Hence, transactional leadership has some



limitations. Leaders assess external and internal environments to identify new problems or opportunities and determine what should be done. Then, the leaders have to deal with motivational and interpersonal issues that help the group to increase its capability of responding to organisational and environmental requirements. This goes beyond what can be achieved by exhibiting transactional leadership behaviour. Furthermore, leaders should influence their subordinates' capacity to work harder and more effectively which cannot be done simply by exhibiting contingent reward and management-by-exception leadership behaviour. The following disadvantages can also be mentioned for transactional leadership. If subordinates think that they have sufficient rewards, therefore, additional rewarding of subordinates will no longer work to motivate subordinates. That will damage the leader's relations with subordinates and the leader might become unable to lead the group by using the same methods. Second, if relations depend upon substantially reward and punishment it can be said that this is not a healthy relationship between leader and subordinates, because subordinates will always have to please the leader to have any reward or to avoid punishment that causes dysfunctional results such as dissatisfaction among employees, increasing absenteeism, reducing organisational commitment and performance. Transactional leaders focus on maintaining the status quo, hence, it has been suggested that transactional leadership is more suitable in stable organisations or economies (Bass, 1985:p.156; Druskat, 1994: p.99). Kirton (1976:pp.622-624) also describes this style as Adaptive where leadership is focused on conformity with group norms and efficient works of the organisation.

Increasing competitiveness and a very complex environment made organisations need a new type of leader who can make followers perform "beyond expectation". The feeling of improving themselves and doing things for the good of other people are embodied in human beings' nature. Inspiring employees to do more than what they expect to do in order to accomplish organisational objectives is crucial to succeed in today's business world. The transformational leader pays attention to these issues.

### **Transformational leadership**

Burns (1978) introduced transformational leadership in his award winning book, "Leadership". Burns defined two types of leadership that are transactional and transformational leadership, and these concepts of leadership were later applied to organisational leadership by Bass (1985). Some others also applied transformational leadership to organisations such as, Bennis and Nanus (1985), Posner and Kouzes (1993), Sashkin and Burke (1990) and Tichy and Devanna (1986). Burns (1978) defined transformational leadership as a "relationship of mutual stimulation and elevation that converts followers into leaders..."(p.4).

According to Bass and Avolio (1994)

"transformational leadership is seen when leaders:

- stimulate interest among colleagues and followers view their work from new perspectives,
- generate awareness of the mission or vision of the team and organisation,
- develop colleagues and followers to higher levels of ability and potential., and
- motivate colleagues and followers to look beyond their own interests toward those that will benefit the group" (p.2).

Yukl (1989) defines transformational leadership as "the process of influencing major changes in the attitudes and assumptions of organisational members and building commitment for the organisation's mission, objectives, and strategies" (p.269). Posner and Kouzes (1993: pp. 191-192) defined the transformational leader as a person who challenges the process, inspires a vision, enables others to act, models the way, and encourages the heart.

As Howell and Avolio (1993) stated;

"Leaders described as transformational concentrate their efforts on longer term goals; place value and emphasis on developing a vision and inspiring followers to pursue the vision; change or align systems to accommodate their vision rather than work within existing systems; and

coach followers to take on greater responsibility for their own development, as well as the development of others" (p.891-892).

Leadership theories outlined so far differ from transformational leadership in dealing with first order changes, i.e. directly affecting immediate behaviour of subordinates. Bass (1985: pp.121-149) outlines that transactional approaches focus on increasing the quantity or quality of performance, a replacement of one goal for another, a shift from one action to another, a reduction in the resistance to particular actions or the implementation of decisions within an agreed framework. Transformational leadership deals with high order changes that include substantial changes in attitudes, beliefs, values, and needs. Avolio (1994) explains how this change (development) take place and its significance:

“Development, however, refers to qualitative changes: a fundamental, shift from one level to another in understanding, beliefs, values, morals, and perspective. As individuals develop, the assumptions they maintain at one level of development no longer apply to the next higher level. Fundamental change or development described in this manner is critical to understanding how transformational leaders move followers to higher levels of development and potential. For example, where followers become concerned about the needs of their group instead of focusing on satisfying their own immediate needs and self-interests, then a fundamental shift in perspective has occurred in followers’ values and assumptions. Shifting followers to this higher level of development is essential to the operation of effective teams and to improving the overall effectiveness of organisational systems and cultures”(p.122-123).

Burns (1978) argued that transformational leaders have the ability to comprehend not only the existing needs of followers but to activate them on newer motivations and desires, because transformational leaders elevate them into higher level needs such as self-actualisation that means leader can alter the hierarchy of needs identified by Maslow (1943) and Alderfer (1972).

Maslow identified five levels in his need hierarchy, namely, physiological, safety, love, esteem, and self-actualisation. Maslow suggested that a lower-level need has to be satisfied before a higher-level need is activated. Alderfer offered three level needs, which are existence, relatedness, and growth needs. The existence needs are concerned with

physiological well-being. The relatedness needs involve social and interpersonal relations. The growth needs are concerned with the individual's personal development.

Alderfer contended in contrast to Maslow that the individual does not have to satisfy a lower-level need to activate the higher-level needs. Bass (1985: p.12) agreed with Alderfer's idea and argued that transformational leaders can change the order of those hierarchies of needs; therefore, leaders can raise subordinates into becoming self-actualisator, self-regulators, and self-controllers. Hence, transformational leaders have the ability to bring changes and differences in groups and organisations. Leaders elevate their followers to higher levels of morality and draw followers up to the their level of moral development. The transformational leader articulates a realistic vision of the future that can be shared, develops the appropriate strategies to attain it, stimulates subordinates intellectually, and pays attention to the differences among the subordinates. The transformational leader motivates subordinates to a level of effort more than originally expected by providing a compelling vision and getting subordinates to transcend their interests (Hater and Bass, 1988: p.695; Druskat, 1994: p.100-101).

Transformational leadership is required at all levels of organisations especially when they are confronted with crisis, and chaotic, unstable and unpredictable environment (Bass, 1985: p.154). Transformational leaders tend to search for new ways of doing things, intellectually stimulate their subordinates asking them to reconsider their old assumptions and develop new ones, to question current rules and procedures of the organisation. They incline to take risk, and encourage their subordinates to take highest advantage of opportunities.

Three factors were embodied in the Bass's (1985: p. 219) original theory of transformational leadership: charisma, individualised consideration, and intellectual stimulation. Bass and Avolio (1994: p. 3) reformulated the components of the transformational leadership as follows; idealised influence (behavioural and attributed), inspirational motivation, intellectual stimulation, and individualised consideration. They replaced idealised influence with charisma and included inspirational motivation. Transformational leadership factors will be explained in turn.

**1. Idealised influence (charisma):** Charisma is the most important concept of transformational leadership (Bass, 1985: p. xiv). Followers see their leaders' behaviour as a model for them and have complete confidence in the leader to overcome any obstacle and are proud of being associated with him. Charisma was introduced for the first time in management literature and defined by Weber (1947) as “a certain quality of an individual personality by virtue of which he is set apart from ordinary men and treated as endowed with supernatural, superhuman, or at least specifically exceptional power or qualities” (p.358).

Burns (1978) gave different definitions of charisma;

“The term has taken on a number of different but overlapping meanings: leaders’ magical qualities; an emotional bond between leader and led; dependence on a father figure by the masses; popular assumptions that a leader is powerful, omniscient, virtuous; imputation of enormous supernatural power to leaders (or secular power, or both); and simply popular support for a leader that verges on love” (p.244).

It has been argued that charismatic leaders are not limited only to world-class leaders or heads of organisations; they can be found at any organisation at all levels (Bass, 1985: p.42; Howell and Frost, 1989: p.243). Charismatic leaders were known as religious, military and political leaders. Recently the concept of charisma became an observable phenomenon in which a laboratory study, Howell and Frost (1989: pp.248-249) isolated, identified, and distinguished charismatic leadership empirically from structuring and considerate leadership styles. According to Conger and Kanungo (1987: p.639 ) charisma is an attributional phenomenon by follower to leader as a result of the behaviour played out by the leaders. Charismatic attribution is not depended on organisational rank.

Burns (1978) suggested that charismatic leaders influence followers in two ways, by their personality and the ideas for which they stand. According to Bass (1985: p. 20) transformational leaders make people aware of the outcome of the task, and raise others’ consciousness of what they can achieve when they make some personal sacrifices. In other words, transformational leaders influence others to transcend their own self-interests for the benefit of the group. Consequently, people sacrifice themselves or their self-interests for the good of groups and

organisations. Transformational leaders make people seek high-order needs such as self-actualisation. Transformational leaders are more likely to do the right things rather than do things right.

Charismatic leaders often emerge in times of crises to solve problems, if they succeed they will take the organisations, societies into radical transformations. Sometimes these radical changes can be solutions to problems (Bass, 1990a: p. 195-196). Crises are not, however, necessary for emerging charismatic leaders. They can emerge in the absence of crisis. Managers can be described as charismatic by their subordinates if they show some attributes of charismatic leader behaviour. Bass (1985) explains that as follows:

“...we find that many followers described their organisational superior as someone who made everyone enthusiastic about assignments, who inspired loyalty to the organisation, who commanded respect from everyone, who had a special gift of seeing what was really important, and who had a sense of mission” (p.43).

Followers of charismatic leaders have confidence in their leader, see them as a model and want to identify with them.

Bass (1990: pp. 187-188) distinguished personalised charismatic leadership from socialised charismatic leadership. The former is self-aggrandising and maintaining psychological distance from their followers that increases their magical, supernatural, charismatic image. Whereas, the latter is oriented to serving others. Socialised charismatic leaders develop shared goals with their followers and inspire the attainment of such goals. The psychological distance between leaders and followers is reduced which enhances the followers' expectation of the equalisation of power and mutual stimulation. The followers have trust and confidence in their leader that results in their motivation to perform beyond expectations. Charismatic relationships have been reported in a very wide range of organisation; such as educational institutions, the military, business, and industry (Bass, 1990a: p. 199).

Charismatic leaders make everyone enthusiastic about their duties. Some findings showed that subordinates were able to generate high productivity while working under the charismatic leader. As mentioned above, Howell and Frost (1989: p. 243) in a laboratory study compared

charismatic leadership to considerate and structuring leadership. Participants worked under a charismatic leader had higher task performance; they suggested more courses of action, had greater satisfaction with the task, felt less role conflict, and were more satisfied with the leader.

**2. Inspirational motivation:** The transformational leader generates awareness of the mission or vision of the team and organisation (Bass and Avolio, 1994: p. 3). Inspiration is an important but ignored aspect of leadership. According to Yukl and Van Fleet (1982: p.101) the inspirational leader can increase subordinate effort and commitment that makes leaders effective. Transformational leaders have a vision of a future state in which the organisation should be. The leader clearly communicates a positive and hopeful outlook for the future of the organisation. The leader involves others to define the organisations' "shared vision" which gives others a sense of ownership and motives, inspires them to perform beyond the expectation. Team working and identification with the team are encouraged. Bass (1990: p. 206) argued that in theory, there is a difference between charismatic and inspirational leadership, but it may be difficult to establish this distinctiveness empirically.

**3. Intellectual stimulation:** The transformational leader not only stimulates interest among colleagues and followers to view their work as well as problems from new perspectives, and new approaches but also encourages others to use logic and reason to solve organisational problems. The transformational leader encourages creativity and innovation amongst subordinates by emphasising the need to rethink old assumptions (Bass and Avolio, 1993: p. 52). Transformational leaders serve as teachers to mould the beliefs and values of his/her subordinates (Brown, 1994:p. 2).

**4. Individualised consideration:** Individualised consideration has mainly two dimensions. The first is treating followers individually including paying attention to those who seems neglected. The second is identifying individuals' weaknesses and strengths and facilitating their developments and growth (Bass, 1985: p. 82). As Burns (1978:p. 4) stated, transformational leadership raises the levels of maturity of followers and convert them into leaders. Transformational leaders consult

their subordinates and involve them in processes of defining organisational vision. Transactional leaders see delegation to achieve desired goals as a result of which they will get people do what they want. Therefore, they help people not only succeed in their present job but prepare them for their future positions. They create opportunities as learning facilities to their subordinates to convert them into leaders, because managers learn mostly from their job career. Transformational leaders can be seen as a model for followers.

### **Laissez-faire Leadership**

With regard to the laissez-faire approach the predominant literature suggest that leadership is non-existent. Bass and Avolio (1993) define it as:

“Leadership is absent. Intervention by the nominal leader is avoided. With laissez-faire (avoiding) leadership, there are generally neither transactions nor agreements with followers. Decisions are often delayed; feedback, rewards, and involvement are absent; and there is no attempt to motivate followers or to recognise and satisfy their needs” (p.53).

Laissez-faire leadership is described as passive leadership in which leaders avoid exerting influence over subordinates or actions of their groups. Laissez-faire leaders keep their involvement at the possible lowest level to decisions; hence, they do not intervene unless they are asked to do so. They give their subordinates completely freedom of action. Laissez-faire leadership is neither transactional nor transformational. Laissez-faire leadership results in negative outcomes of satisfaction, effectiveness, and extra effort.

Burns (1978) affirms that transactional and transformational leadership are at opposite ends of a continuum. In other words, a leader can either behave in transformational or transactional way. On the contrary, Bass (1985: p. 22) contents that leaders can use transformational and transactional leadership behaviour where the situation is viewed appropriate. According to Bass and Avolio (1994: p.4-6), every leader exhibit each style to some degree. However, they suggest an optimal profile the effective leadership. The optimal profile is regarded as being one in which the leader exhibits the transformational leadership factors (Idealised Influence, Inspirational Motivation,



Individualised Consideration, and Intellectual Stimulation) most frequently, the contingent reward behaviour somehow less frequently, followed in order of decreasing frequency by management-by-exception (active), management-by-exception (passive) and finally the laissez-faire behaviour. In contrast, the poorly performing leader's profile, tending toward is opposite that optimal profile.

### **Research on Transformational and Transactional Leadership Theory**

This section summarises a number of empirical research concerning Bass's transformational-transactional theory. These studies generally concerned with the impact of transactional and transformational leadership behaviours upon motivational criteria such as subordinate satisfaction, extra effort and leader effectiveness perceived by subordinates.

In his first study, Bass (1985: p. 219) examined the relations between leadership behaviours and leader effectiveness and subordinates' satisfaction in military setting. Although Bass did not give the significance level ( $p$ ), but he reported that transformational leadership behaviours were more significantly related than transactional leadership behaviours to satisfaction and leader effectiveness. Transformational leadership factors correlated from .55 to .91 with effectiveness and satisfaction while transactional leadership behaviours correlated only .29 and .45 with the two criteria. Bass (1985: p. 227) investigated the outcomes of transactional and transformational leadership and satisfaction and effectiveness using an American managers sample. Transformational leadership behaviours and contingent reward behaviour of transactional leadership had significant and positive ( $p < 0.1$  and  $p < 0.5$ ) influence on effectiveness and satisfaction. Management-by-exception was correlated negatively ( $p < 0.1$  and  $p < 0.5$ ) with the two criteria.

Singer (1985: p. 143) found that subordinates were inclined to work with transformational leaders rather than transactional leaders. Waldman et al., (1987: pp. 184-185) found that transformational leadership behaviours (e.g., charisma, individualised consideration) and contingent reward behaviour had positively and significantly improved individual performance and associated with the job satisfaction of subordinates.

Avolio et al., (1988:pp.73-78) researched the effect of transformational leadership in a semester-long complex business game played by MBA (Master of Business Administration) students. Students rated the president of each group (company in the simulation) by using the Multifactor Leadership Questionnaire (MLQ). Both transformational and contingent reward behaviour of transactional leadership had significantly affected organisational outcomes such as returns on investment, stock prices, and share of the market.

Bass (1990a: p.219) reported that Methodist ministers who displayed transformational leadership behaviour tended to generate high church membership and attendance at Sunday services. Koh et al., (1995: p. 319) examined the effect of transformational and transactional leadership in predicting organisational commitment, organisational citizenship behaviour, and teacher satisfaction in a field study of schools in Singapore. The result of this study showed that transformational leadership were higher effect in generating organisational commitment, organisational citizenship behaviour, and satisfaction with the leader than transactional leadership.

Yammarino and Bass (1990: pp.160-166) carried out a research using a sample of U.S. Navy officers and senior subordinates. They found that transformational leadership behaviours as compared to transactional or laissez-faire leadership behaviours were related more strongly to subordinates' extra effort and satisfaction with the focal officers and the officers' effectiveness.

Taylor and Klafehn (1995: p.70) investigated what is the best leadership among nurse executives. They identified the best leaders' qualities that appeared significantly similar to qualities of transformational leadership qualities than transactional leadership qualities. Then, they examined the effect of this kind of leadership style on satisfaction with leader, leader effectiveness, and extra effort of subordinates. Staff working with transformational leaders indicated a higher satisfaction. Leaders with transformational leadership qualities were rated more effective and staff wanted to exert extra effort for these leaders in comparison to leaders with transactional leadership qualities. Druskat (1994:p. 114) examined gender differences of transformational and transactional leadership styles in the Roman Catholic Church in the

USA. Both male and female leaders displayed the two types of leadership styles, but female leaders were rated to exhibit significantly more transformational leadership behaviour than male leaders. Subordinates of transformational leaders were more satisfied than subordinates of transactional leaders.

Sillins (1994: pp.279-289) studied the effect of transformational leadership in comparison to transactional leadership in Canadian schools. Transformational leadership added significantly incremental effect over and above transactional leadership in promoting school programme and instruction improvement programme and student outcomes. This research showed that the school as a whole benefited from transformational leadership, but teacher, programme and student outcome were also influenced by contingent reward that is an element of transactional leadership.

Howell and Avolio (1993: pp.898-900) investigated between transactional, transformational leadership behaviour and organisational-unit performance. Transformational leadership was positively and significantly related to consolidated-unit performance that represented the degree to which a manager achieved targeted objectives for the year. The correlations between charisma, intellectual stimulation and individual consideration of transformational leadership and consolidated-unit performance were significantly positive ( $p < .01$ ). The correlations between contingent reward, management-by-exception (active), management-by-exception (passive) and consolidated-unit performance were significantly negative ( $p < 0.01$ ). Tucker et al., (1992:p: 174-175) investigated the impact of leadership on a university. They intended to determine whether transformational leadership accounts for more of the variance in (a) subordinates' perceived satisfaction with their leader, (b) subordinates' perception of the leader effectiveness, and (c) subordinates' perception of their extra effort beyond that accounted for by transactional leadership. Transactional leadership, particularly contingent reward, was associated with satisfaction, effectiveness, and extra effort. However, such transactional leadership augmented by transformational leadership, generated perceived increase of satisfaction, effectiveness, and extra effort.

Bycio, et al., (1995: p. 468) found that transformational leadership was strongly associated with subordinates' extra effort, satisfaction with the leader and subordinate-rated leader effectiveness in a sample of nurses. Research also found that transformational leadership decreased subordinates' intent to leave. Transformational leadership behaviours had a strong positive influence on affective commitment, which reflects employees' emotional attachment to, and involvement with organisation. Management-by-exception was negatively correlated with the outcome measures.

Medley And Larochelle (1995: p. 64NN) investigated the effect of transactional and transformational leadership amongst 122 staff nurses. This study found that transformational leadership was associated with higher job satisfaction than transactional leadership.

Avolio et al., (1995) reported the results of nine study of over 2080 managers, nurses, students, military leaders showed that subordinate satisfaction, extra effort and leaders' effectiveness have had positive and significant ( $p < .01$ ) relation with transformational leadership behaviours and contingent reward leadership behaviour. Management-by-exception (active) was only negatively related to perceived leader effectiveness ( $p < .01$ ). Management-by-exception (passive) and laissez-faire leadership behaviours had negative significant ( $p < .01$ ) relation with the outcome measures. Aminuddin (1998) also provided evidence for the positive effect of transformational leadership behaviours in intercollegiate athletic setting. He found that transformational leadership behaviour enhanced subordinates' job satisfaction.

Zacharatos et al., (2000) examined development and effect of transformational leadership in adults and adolescents. They found that transformational leadership behaviours were exhibited both by adults and adolescents. Adolescents exhibiting transformational leadership behaviours seemed to be capable of evoking effort from their peers. In this study, adolescents were also perceived as satisfying and effective leaders. Masi and Cooke (2000) investigated the effects of both transactional and transformational leadership on subordinate motivation and organisational productivity in a military setting. There was a positive significant relationship between transformational leadership and motivation. As hypothesised there were the negative relationships

between transactional leadership and both commitment to quality and organisational productivity. Kane and Tremble (2000) investigated the effects of transformational and transactional leadership on subordinates in a military setting. Their research supported that transformational behaviour was found to augment the effects of transactional behaviours on followers' job motivation and affective commitment, whereas transactional behaviours were associated with subordinates' calculative commitment.

### **Conclusion**

The following points have emerged from above researches:

- It seems clear that leader behaviour actually influences the subordinate satisfaction, extra efforts of subordinates, and leader effectiveness;
- Research found that transformational leadership and contingent reward leadership behaviour were positively related to employees' satisfaction, self-reported extra effort, job performance and leader effectiveness;
- Management-by-exception (passive) and also laissez-faire were negatively related to outcome measures;
- Management-by-exception (active) had sometimes negative sometimes had no statistically significant relation with the outcome measures.

It has been postulated that transformational leadership theory is a universal theory and common characteristics of transformational leadership could be found in any country at different level of management (Bass and Avolio, 1993, Bass, 1997). The findings about transformational leadership and its outcomes, such as satisfaction with the leader, performance are promising, because research found supportive results in countries with different cultural values such as USA, New Zealand, Singapore, Japan, Saudi Arabia, UK, Italy.

Culture might influence every part of society including management techniques used in organisations. However, rapid changing in information technology has made the world like a global village. Therefore, people in many part of the world can easily access and use to

new information. With the increasing interaction between different cultures, different cultural values are becoming convergent. The developing countries are striving towards economic growth and industrialisation, which can be achieved by using appropriate management knowledge and techniques. Most of the underdeveloped countries have been trying to improve organisational effectiveness through effective leadership (Kiggundu et al., 1983). Thus, we can speculate that the developing countries need transformational leaders. Leadership effectiveness is critical, as suggested by literature, for organisational effectiveness. Transformational leadership might help organisations to be more effective in Turkey as well. In order to achieve organisational objectives, organisations have to use their resources in a very effective way; therefore, leaders have big responsibility to use these resources according to priorities. Turkey is a developing country and a waiting member of EU, so Turkish managers have to take and adjust, if necessary, scientific advancement in the management area. Indeed, most organisations in Turkey seem to take and adapt up-to-date management techniques to reach that aim as some research indicated (Ersöz, 1986; Baykal, 1994; Çimendereli, 1994).

In sum, the concept of transactional and transformational management may well be applied in countries with different cultural values including Turkey. As Bettin et al., (1992) suggested that:

“although there may be unique cultural differences associated with specific leadership behaviours, there is significant commonality associated with effective leadership that transcends cultural boundaries” (p.81).

Consequently, we can assume that transformational leadership might transcend cultural boundaries as previous research found. The today's organisations find themselves functioning in an environment of constant change. Not only is the environment changing, so too employees; their needs, motives, and priorities are also becoming different. These constantly changing needs and motives set new challenges for managers to achieve organisational objectives through their subordinates. Transformational leadership might meet these challenges or help improve the quality of work life and consequently organisational performance. People do want to have their own business or they want to feel to be

working for their business. As long as the feeling of involvement is present, while they work for someone else's business, managers using transformational leadership behaviours might be able to inspire and motivate people and overcome some unwanted feelings such as stress, depression and anxiety.

Increasing competitiveness and even more complex environment made organisations need a new type of leader who can make followers perform "beyond expectation". The feeling of improving themselves and doing things for the good of other people are embodied in human beings' nature. Inspiring employees to do more than what they expect to do in order to accomplish organisational objectives is crucial to succeed in today's business world. The transformational leader pays attention to these issues, therefore it might be better if leaders adopt a more transformational leadership style than transactional leadership style to make their organisations more successful.

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