

Effect of Transformational and Transactional Leadership Style Towards Employee Commitment in the Organization

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Abstract

This concept paper focused on the critical discussion of the leadership style and employee commitment in the organization. Past researchers in leadership studies have observed a shift in the dimensions of new leadership behavior such as transformational and transactional styles. For the past few decades, leadership styles continue to be one of the most exciting issues for organizations. Many studies have attempted to explore its effect on work outcomes especially towards employees commitment. Leadership styles exhibited by the managers have often been known as the essence of leaders' behavior which is the main actor that forced behind this continuous recognition of employees' behavior in the management literatures. Hence, a better understanding of the dimension leadership style is needed to further understanding about leadership style and employee commitment framework. Thus, the goal of this paper are to (a) describe all the dimension of transformational and transactional leadership style; (b) describe the element of employee commitment; (c) explore the relationship between transformational and transactional (how each dimensional of transformational and transactional can effect towards employee commitment).

Keywords: Transformational and Transactional Leadership Style, Employee Commitment.

Introduction

Leadership is one of the important elements in an organization. It serves as a key driver of performance in the organization. Leadership is the most widely studied concept in social sciences (Greenberg & Baron, 2003). There are many opinions about the leadership. Researchers usually define leadership based on their individual perspective and the aspect of the phenomenon of most interests them. Differences between researcher in their conception of leadership lead to differences in the choice of phenomena to investigate and to differences in explain the result. Whenever feasible, leadership research should be designed to provide and contribute information relevant to the entire range of definitions.

Leadership style is a factor that construct composed of consideration and structure. An individual's leadership style is the mix of consideration and structure that is exhibited in the

leader role (Fleishman, 1969). Generally, leadership style is the manner and approach of providing direction, implementing plans, and motivating people. According to Lewin (1939), early study has been done to identify three major different styles of leadership. The three major style of leadership are authoritarian or democratic, participative of democratic and delegative. A good leaders usually used all three styles of leadership with one of them normally dominant in an appropriate situation but at certain situation two types style are dominant. To be an effective leader, they should know what are the best leadership style that they need to apply in an appropriate situations.

Presently, almost an organization realized that humanities oriented in leadership style is more affective towards an organization than command orientation or autocratic style. Thus, some researcher (Burns, 1978; and Bass and Avolio, 1996) come out with interesting humanities conceptual and model of leadership style for the purpose to motivate and influence employee commitment in their organization.

Transactional and transformational leadership has been of great interest to many researchers in the current era. Using either transformational or transactional leadership behaviour helps in the success of the organization achievement (Laohavichien et al., 2009). Both transformational leadership and transactional leadership help in predicting subordinates' satisfaction with their leaders (Bennett, 2009).

Burn (1978) identified two types of leadership styles; Transformational and Transactional. Transformational leadership is based on more than compliance of followers that involve shift in the belief, the needs, and the values of followers. Transactional leadership involves an exchange relationship between leaders and followers such that followers receive wages or prestige for complying with a leader's wishes.

1. The Dimension of Transformational and Transactional Leadership Style

The theory of transformation-transactional leadership can be best explained as a difference in what leaders and subordinates have to offer in a work relationship. Transformational leadership influences both the micro (individual) and macro level of an institution by transforming followers from their "everyday selves" to "better selves", by appealing to their higher order intrinsic needs, bypassing vision of short-term goals, and becoming motivated by organizational goals rather than self-interests (Judge & Piccolo, 2004; Yukl, 1989).

In contrast transactional leadership is a more conventional style in which work is exchanged for resources. A transactional leader influences subordinates by rewards in exchange for their efforts (contingent rewards), follows workers closely and takes corrective actions when required (management by exception – active), or passively manages employees and takes measures when necessary (Bono & Judge, 2004; Judge & Piccolo, 2004).

Study of Chen et al., (2005) found that followers were satisfied with the contingent reward dimension of transactional leaders and individualize consideration of transformational leaders. The study of Jansen et al., (2009) concluded that the transformational leadership behaviors

contribute significantly to exploratory innovation while transactional leadership behaviors facilitate improving and extending existing knowledge and are associated with exploitative innovation. In another study transformational leadership had big influence on employees' performance and innovation than transactional leaders (Boerner et al., 2007) as well as it was more significantly associated with team cohesiveness, work unit efficacy and organizational learning as compared to transactional leadership (Stashevsky and Koslowsky, 2006).

Table 1: The Dimension of Transformational and Transactional Leadership

Transformational Leadership	Transactional Leadership
<ul style="list-style-type: none"> I. Charisma: provide vision and mission, increase respect and belief II. Inspiration: provide challenge and meaning for the subordinates in performing their jobs. III. Intellectual stimulation: gaining others to involve in problem solving to creating awareness of problems and stirring their imagination to create high-quality solutions. IV. Motivation: advice and guidance, offering special rewards, more individualized consideration 	<ul style="list-style-type: none"> I. Reward: to high achievement and good performance II. Management-by-exception: active-Active leaders monitor follower behaviour, anticipate problems and take corrective actions before the behaviour creates serious difficulties. III. Management-by-exception: Passive-wait until the behaviour has created problems before taking action.

Bass and Avolio (1989) explained the charismatic leaders as a leader that provides vision and a sense of mission, and gains respect and trust. It is the influence based upon perception and behavior of the leader as charismatic. Some behaviors such as persistence determination and risk-taking can influence the subordinates, included as charismatic. Inspiration is determined from some leaders that provide challenge and meaning for the subordinates in performing their jobs. These behaviors may be done by using simple language, and other symbols. They create attractive futures for their followers with high expectations. The third dimension is intellectual stimulation. The transformational leader stimulates followers intellectually, arousing them to develop new ways to think about problems. This dimension is a leader that provides subordinates with a flow of challenging new ideas that are supposed to stimulate

rethinking of old ways of doing things. This type of leader commits people to action and converts followers into leaders.

Yammario and Bass (1990) indicated that subordinates' conceptualization, comprehension, and analysis of the problems will be indicator of leaders' intellectual stimulation. The last dimension that was identified is motivation or individual consideration which are coaching and mentoring to provide continuous feedback and links individual's needs to the organization's mission (Bass & Avolio, 1990). Such leaders provide continuous follow-up and feedback, and, perhaps more importantly, link an employee's current needs to the organization's mission, and elevate those needs when it is appointed to do so.

Transactional leadership is based on the notion of a social exchange, as opposed to personal growth and change. Leaders control followers' behaviors by authority and power on the one hand and satisfying followers' needs on the other. The type of leader believes that the unfair evaluation of staffs opinion and feelings result in job dissatisfaction, and by eliminating any evaluation, they will free the staff to perform to their peak ability. Leaders offer organizational resources in exchange for followers' compliance and responsiveness.

According to Barnard M. Bass (1985), transactional leaders predetermine what their followers should do to realize their personal and organizational aims, while transformational leaders motivate and stimulate their followers to surpass their own self-interests and direct themselves to a higher level of motivation linked to the interests of the team, organization or larger community (Bass and Avolio 1990). Bass considers the leader-follower interactive effects from the perspective of an effective transactional leader who acts as a source of feedback, as communicator, as a model and a source of influence. Gardner and Clevenger (1998) found that the study of Bass rests on a basis distinction between transactional and transformational as transformational leaders motivate follower by offering them rewards that are lower order material and psychic needs in exchange for their performance. On the contrary, transformational leaders communicate an idealized vision, and motivate followers to expend extraordinary levels of effort to perform beyond expectations.

Bass (1997) stated that this form of leadership goes beyond traditional forms of transactional leadership. Transactional leadership emphasizes corrective action, mutual exchanges, and rewards when performance expectations are met. On the other hand, transformational leaders trust their subordinates and leave them space to breathe and grow. The base line of transformational leadership is a more developmental and constructive form of leadership for the employees and the organization as a whole compared to transactional.

2. Employees' Commitment

There are many factors of employees' commitment such as organizational culture, leadership style, job satisfaction, personal characteristics, employees' power their attitude, work behavior, motivation and performance. According to Shirbagi (2007), there is positive relationship between leadership and overall employees' commitment; he also stated that positive relationship of leadership style with three components of employees' commitment.

Employee commitment has typically been viewed as the relative strength of an individual's identification with the involvement in an organization as well as his or her willingness to exert effort and remain in the organization. Commitment as outcome has been related to leadership (Walumbwa, et.,al. 2005). It is important for the organisation to know what are the factors that contribute and plays important role or have big impact in boosting the commitment of the employees. Leadership styles is essential in order for an organization to successfully implement business strategies, achieving their goals, gain competitive advantage and optimizing human capital that encourage employee commitment.

A review of organizational commitment research literature by Meyer and Allen (1991), and corroborated by Dunham, Gruba and Castaneda (1994), identified three types of organizational commitment: *affective, continuance and normative*. Affective commitment is defined as employee emotional attachment to, identification with, and involvement in the organization and its goals. It results from an individual and organizational value congruency. Steers (1977) identified factors which help create intrinsically rewarding situations for employees to be antecedents of affective commitment. These factors include such job characteristics as task significance, identity, skills variety and feedback concerning employee job performance, perceived organizational support or dependence (the feeling that the organization considers what is in the best interest of employees when making decisions that affect employment conditions and work environment), and the degree that employees are involved in the goal-setting and decision-making processes.

Continuance commitment is defined as willingness to remain in an organization because of personal investment in the form of nontransferable investments such as close working relationships with coworkers, years of employment in a particular organization, involvement in the community in which the employer is located, and other benefits that make it too costly for one to leave and seek employment elsewhere.

Normative commitment is induced by a feeling of obligation to remain with an organization. This is an almost natural predisposition to be loyal and committed to institutions such as family, marriage, country, religion and employment organization as a result of socialization in a culture that places a premium on loyalty and devotion to institutions. This view of commitment holds that an individual demonstrates commitment behavior solely because she or he believes it is the moral and right thing to do. This feeling of moral obligation is measured by the extent to which a person feels that he or she should be loyal to his or her organization, make personal sacrifice to help it out and not criticize it (Wiener and Verdi, 1980).

Committed employees are more motivated and dedicated towards meeting and achieving organizational goals (Pfeffer, 1998). Employees with sense of organizational commitment are less likely to engage in withdrawal behaviour and more willing to accept change (Iverson and Buttigieg, 1998). Transformational leaders have great ability to influence organizational commitment by promoting the values which are related to the goal achievement, by emphasizing the relation between the employees' efforts and goal achievement.

According to Walumbwa and Lawler (2003), that leaders who exhibit transformational leadership styles are more effective in achieving significantly higher commitment levels than transactional leadership. They stated that, transformational leaders can motivate and increase employees' motivation and organizational commitment by getting them to solve problems creatively and also understanding their needs.

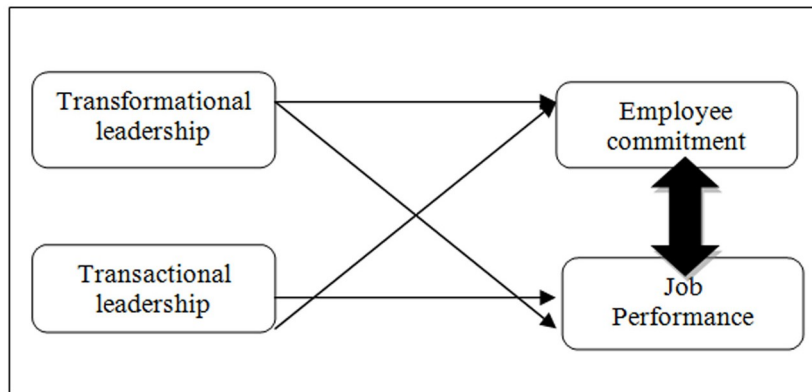


Figure 1: Framework of Employee Commitment Towards Leadership Styles

Although the relationship is not strong, there is a positive relationship between the transformational leadership and commitment. This shows that, leadership behaviours which involve building trust, inspiring a shared vision, involve them in problem solving and emphasizing development is somewhat positively related to employee commitment (Nyengane, 2007). Improving the employees' working situations, fulfilling their needs, and helping them perform better are positively related to transformational leadership (Liu *et al.* 2003).

3. Relationship of Transformational and Transactional Leadership Toward Employee Commitment

Transformational leaders are expected to increase the performance capacity of their followers by setting higher expectations and generating a greater willingness to deal with difficult challenges (Avolio, 1999; Bass, 1998). Transactional contingent reward leadership should also relate positively to performance in that such leaders clarify expectations and recognize achievements that positively contribute to higher levels of effort and performance.

The difference between transactional and transformational is commonly emphasized in leadership studies. In spite of the fact that transformational theories have been a popular topic in leadership literature, transactional leadership constitutes a foundation for it and the two approaches are not necessarily in opposition to one another (Northouse, 2004). Nonetheless, most advocates of the distinction persist in describing leaders as one or the other. While transactional leaders motivate followers to fulfill leader's requests and organizational role through an exchange process, transformational leaders motivate followers by encouraging them to transcend their self-interests for the sake of the organization and shared goals. Study

from Nyengane, (2007) suggests that transformational leadership behaviours are positively related to how employees feel about wanting to stay with the company. Therefore, using transformational leadership style will encourage employees to commit highly with their work.

According to Viator and Ralph (2001) is transformational leadership is directly and positively associated with role clarity, job satisfaction and affective organizational commitment, and indirectly associated with job performance. The mechanisms such as psychological empowerment and structural distance analyzed the researched by Weichun, Koh, William, Bhatia and Puja (2004) stated that transformational leaders to influence the followers towards motivation and organizational commitment is addressed. Study from Marmaya et.al., (2010) shows transformational and transactional leadership style is related to employees' organizational commitment.

Another finding from Mert et al. (2010) states that transformational leadership style positively affect organizational commitment of followers. Similar findings by Tseng and Kang (2008) found that there is positive and significant relationship between transformational leadership style and organizational commitment.

Conclusion

Affective commitment which is known as the employee's positive emotional attachment to the organization. An employee who is affectively committed strongly identifies with the goals of the organization and desires to remain a part of the organization. Organizations that applied either transformational or transactional leadership style can change their management approach to further improve their performance.

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