



## Transactional Leadership and its Impact on the Organizational Performance: A Critical Analysis

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### ABSTRACT

Leadership in the organization is considered as vital factor in the success of failure of organization. It describes as the combination of traits, skills and behavior adopted by the leaders to lead the employees in the organization. It further helps the organization to achieve organizational goals and make ensure that employees are being provided needed resources to get the job done. The organizational performance of any organization is very much dependent upon the Leadership of the organization. The leadership style is driving force for enhancing the performance of the organization because the leader is key decision maker in determining, acquiring and deployment of resource in the organization in a proper manner.

The research study is focused on to analyze impact of the i.e Transactional Leadership on the performance of the organization. The study is based on secondary source of data and qualitative approach is adopted for conducting the critical perspectives. The study has applied goal approach method to analyze the impact of transactional leadership on the performance of organization.

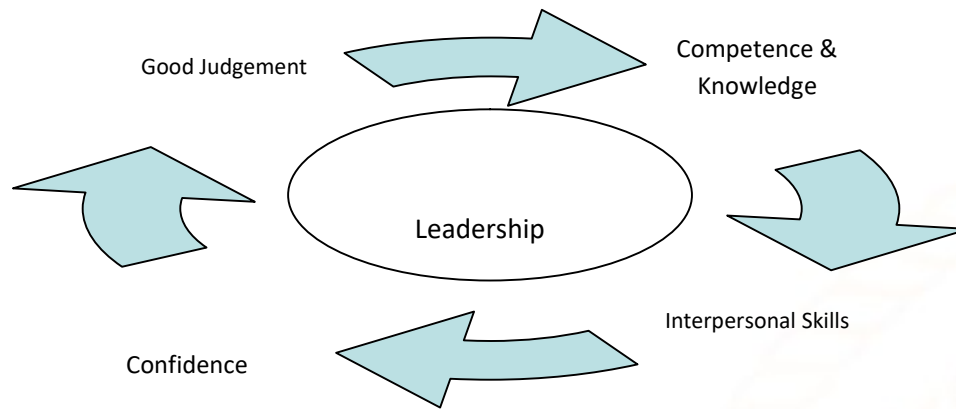
The study has mentioned the areas within the organization, where transactional leadership according to their characteristics can have impact on the organizational performance of the organization.

**Keywords:** Leadership, Transactional Leadership, Organizational goals, Organizational, Performance

### 1. LEADERSHIP IN THE ORGANIZATIONS

The Leadership is defined as capacity of a person to influence a group towards the attainment of goals. It is a process in which leader or manager directs the behaviour of the employees for accomplishing specific goals in a certain situation. According to Keith Davis, "Leadership is the ability to persuade others to seek defined objectives enthusiastically". The leadership style is a pattern of behaviour that creates perceived influences over the employees in the organization. The behavioural theory believes that situational behaviour forms the basis of Leadership style. The leaders must assess the attitude and ability level of the followers before assigning any task to them. The leaders use different style of leadership in decision making to enhance the performance of the organization. The change in leadership takes place when followers obtained required skills to achieve organizational goals (Bass, 2008)

The current theories of leadership has mentioned that leadership styles can be categorized into two main styles i.e Transactional leadership and Transformational Leadership. Currently, most of the organizations are adopting team oriented work approach where team leaders are central to the success of the organization. The leader should have vision of what can be achieved and how it can be communicated to the followers to realize the vision of organization. The leaders motivate the followers and negotiate for the resources and support to achieve the desired organizational goals. There are wide range of factors that effects the performance of the organization. The good leadership is consisting of following core characteristics.



**Figure-1 Core Leadership Characteristics**

The organizational success is dependent upon the ability of Leadership as how to achieve organizational goals. The good leadership always considered the importance of employees in achieving the organizational goals. The good leaders must have the ability of good judgment, possesses confidence, interpersonal skills and must be a competent and knowledgeable. The employees of the organization need to be inspired and stimulated for the achievement of the organizational mission. The effective leadership can enable greater participation employee workforce and enhances organizational performance (Charry, 2012).

The last decade has observed the radicle change in the organizational environment. The global competition in the market has forced the organizations to streamline the business operations to enhance their organizational performance. The performance of organization is dependent on the quality of the workforce at different levels of the organization. The employees' performance measured by the degree to which employees accomplish work requirement. The employee's performance reflects the efficiency of the organization. The research has mentioned that there is significant relationship between leadership style and organizational performance. The effective leadership plays significant role in the development of management and sustaining competitive advantage (Hargis, Wayyat & Piotrowski, 2012)

The research studies conducted by Sun Scholar has compared leadership styles with organizational performance in enterprises. His research study has found positive co-relation of leadership style with

organizational performance. The management of the organization attribute their success to the leadership efficiency. The demonstration of leadership style to care and respect for the employees would increase the commitment and motivation of employees to put up their efforts for better performance. The employee performance enhance the organizational performance. The study has mentioned that there is significant relationship between the leadership styles and organizational performance. It is observed that effective leadership has substantive impact on the organizational development and growth of the organization (Bass, 2008)

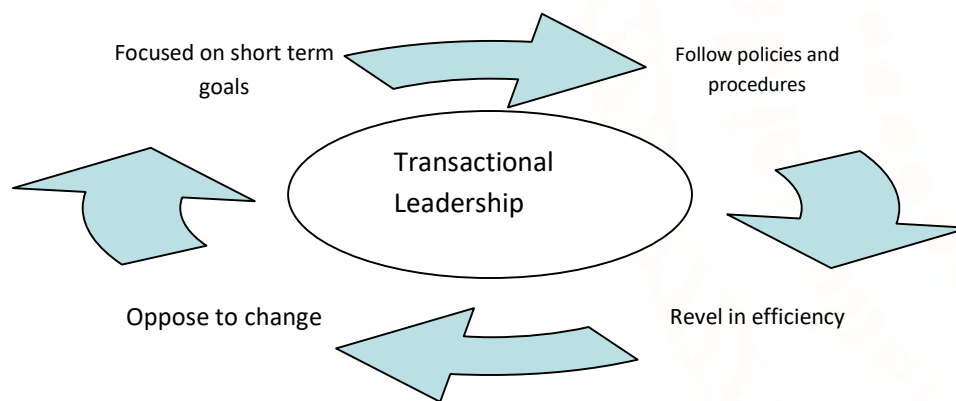
The organizational performance is the capability of the organization to obtain the set of objectives by utilizing available resources effectively within the organization. Generally, organizational performance is measured in terms of revenue, profit, growth, development and expansion of the organization. It includes three primary outcomes i.e, financial performance, market performance and production performance. In the case of public organizations, the performance is measured in terms of efficiency in delivering the services to the public. The transactional leadership is bureaucratic in style and it can be found in business and as well as in public organizations. This leadership always emphasize on developing relationship with their followers and more reactive in decision making of the organization. This leadership focused on developing existing organization culture and there in only one leaders in the organization (Timothy, Andy & Idowu, 2011).

There is no specific agreed criteria to be used in assessing the organizational performance. However, the literature study has mentioned four main approaches used for the assessing the organizational performance. The first is “Goal Approach”, in the approach the organizational performance is assessed in terms of ability of the organization to achieve organizational goals. The second is “System Resource Approach” where organization performance is assessed by exploring the relationship of the organization with its environment. The third is “Contingency Approach” where organizational performance is assessed by perception of multiple stakeholders as an effective organization. The fourth is “Competing Value approach” where the organization performance is assessed by using different criteria that shows the adaptability, flexibility and stable organization in the competitive environment (Karamat, 2013)

As this study is focused on to assess the impact of transactional leadership on the organizational performance, therefore, it will apply goal approach technique to assess the impact of Transactional leadership on the performance of the organization.

## 2. Transactional leadership and Organizational Performance

This Leadership model was introduced by the Maxweber in 1947. Transactional leadership is a kind of Managerial Leadership and mostly focused on organization, supervision and performance of the employees in the organization. This leadership style emphasized on the rewards and targets between employees and management. It focussed on the performance of employees in the organization and the employees are rewarded with promotions and financial awards on the basis of the performance record of the employees. This leadership style assist the organization to obtain the objectives based on efficiency and effectiveness of the employees. This Leadership believes that employees are motivated by reward and punishment and employee must obey the order of the superior and their work closely be monitored and controlled (Bryant, 2003). The study has mentioned following characteristics of the Transactional Leadership model.



**Figure-2: Transactional Leadership Characteristics**

The above figure presents the major characteristics of Transactional Leadership Model. It shows that transactional leadership emphasize on short terms goals, follows policies and procedures, revel in efficiency but inflexible to changing environment. This leadership does not provide the opportunity to their followers to participate in decision making process of the organization. This type of leadership is found effective in the decision making which is aimed at reducing the cost and increase the productivity in

the organization. This leadership assumed that subordinate can be motivated by simply rewards.

The example of Transactional leadership is found bureaucratic organizations. The bureaucratic leaders focuses on rules and procedures to manage teams and projects. It is a style that run a number of departments or people and there is a strict set of regulations. People who want to use this style of leadership are often familiar with the many policies and guidelines. Transactional Leadership values order and structure of

the organization. This style of leadership is successful in military organisations and large corporations but it is not successful in the organization where creative and innovative practices are followed. Amongst the large corporations, Hewlett-Packard Company is well known for its extensive use of Transaction style of leadership.

Norman Schwarzkopf, Brigadier General of United States Army was one of the example of Transactional leadership. He was commander in chief of the United States forces in operation desert storm, who was responsible for tens of thousands of troops in Iraq and Kuwait. He used military rules and regulations to execute the operation on several continents. Vince Lombardi is also a example of Transactional

Leadership. He remained a coach of Green Bay Packers for Super Bowl team. His leadership led the team to win five championships. He trained the team so well that the opponent teams faced troubles to defend against them. Bill Gates is also a great example of Transactional Leadership. He is CEO of Microsoft Company, who is known as one of richest person in the world due to his successful achievement in his business career. As a Transaction leader, he frequently made the visits to his product teams to make sure that his team is going on the right direction to achieve organizational goals (Bernard, 2000). The following figure mentioned the areas within the organization that as to how the transactional leadership can have a impact on the organizational performance.



**Figure 3: Transactional Leadership's impact on the organization**

The above figure describes that transactional leadership emphasize on working efficiency of the employees, maintain the same order and structure of the organization, follow the rules and regulations, closely monitor the workings of the employees and reward the employees who performed well and punish the employees who performed bad in performing their assigned tasks.

This leadership style has been successful in the multinational organizations where the employees do not speak the same language, same culture and same race but the leadership approach is understandable across the organization and employees easily follow

the leadership directions to complete the tasks successfully. Transactional leadership is simple to learn and easier to apply in crisis situation where everyone knows exactly what required tasks are and how they can be completed under pressure.

## CONCLUSION

It is generally observed that leadership existed at the different levels of the organization and its common goal is to obtain the desired goals of the organization. It is observed that organizational performance is totally dependent upon the leadership of the organization. The study has highlighted core

characteristics of leadership that good leadership must possess good judgement, competence and knowledge, confidence and interpersonal skills.

Analyzing the impact of Transactional leadership on the performance of the organization, it is concluded that transactional leadership emphasizes on the effectiveness and efficiency of the employees, it values order and structure of the organization, motivate employees by giving reward and punishment to the employees, follow strict rules and regulations and closely monitor the working of the employees in the organization

This leadership style focused on planning and execution of the programs and work for improving the present condition of the organization. It is also concluded that transactional leadership is bureaucratic style of leadership and it mostly existed in bureaucratic form of organizations. This leadership style is best suited to the settled environment of the organization.

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