

**Impact of leadership styles (transformational and transactional leadership) on employee
performance**

Prepared by : Rashed Ahmed Saeedi

Supervised By :

Dr. Abdulrahim Nader

Table of contents

Chapter 1	3
1.0 Introduction	
1.1 Background of the study	4
1.2 Problem Statement	4
1.3 Purpose of the study	5
1.4 Research Questions	5
1.5 Significance of the Study	5
1.6 Definition of key terms	6
Chapter 2	
Literature review	8
2.0 Introduction	
2.1 Employee Performance	8
2.2 Leadership	9
2.3 Leadership and leadership style	10
2.4 Transformational leadership	10
2.5 Transactional leadership	11
2.6 Relationship between Leadership styles and employee performance	12
2.7 Research hypothesis	13
2.8 Research Model	13

Chapter one

Introduction

1.0 Introduction

In recent years, leadership has been involved as a new effective approach to employee and organization management as a whole.

The traditional concept of personnel management has gradually been replaced by human resources management.

This gives importance to the strategic integration of new leadership styles in effective employee management and improving employee performance.

Different leadership styles that suit employees are used based on the amount of direction, empowerment, and decision-making. This administrative phenomenon reflects leadership emergencies, and standards of style, status and performance have been left to suffocate on their own. As a result, the employee's performance was affected by the lack of appropriate guidance and the application of the strategic method in managing daily tasks.

In today's competitive environment, organizations expand globally and face a lot of challenges in meeting their objectives and chase to be more successful from others. Leaders play essential role in accomplishment of these goals and boost employee performance by satisfying them with their jobs. The challenges of coping with today's uncertain business environment have put organizations on their toes to struggle for survival in the heat of competitions. The driver of such strategic approach towards surviving competition is the leadership provided by managers

who are expected to influence others in achieving organizational goals and also boost employee's performance.

1.1 Background of the study

Leadership is increasingly understood to persuade and explain as well as the ability to define, confirm and renew values from the group represented by the leader. Administrative and technical expertise Skills, cultural literacy and other related knowledge and skills are not Sufficient virtues for leaders who will devote their lives to public services. An effective leader is responsible for providing direction and knowledge sharing to the employee to lead them to perform better and make them experts to maintain quality. It becomes the head of all team members a great responsibility. The introduction of clear leadership standards enhances core values and maturity in its role and responsibility.

Leadership has become the crux of issues in the corporate world of today. This is because it is responsible for the harmonization and integration of both human and material resources to produce the output or services for which the body is created. According to Ngambi et al (2010) and Ngambi (2011), leadership is a process of influencing others commitment towards realizing their full potentials in achieving a value added, shared vision with passion and integrity. An important factor in the leadership process is the relationship that a leader has with individual followers. In a competitive business environment, organizations rely on their leaders in order to facilitate the changes and innovations required to maintain competitive advantage. Effective leadership is helpful in ensuring organizational performance (Cummings and Schwab, 1973; Hellriegel, Jackson, Slocum, Staude, Amos, Kloppe, Louw and Oosthuizen, 2004). As a result, many leadership theories have been proposed in the last fifty years which are claimed

to have influenced effectiveness of organizations where they have been employed through employee performance.

1.2 Problem Statement

Staff performance includes performing assigned duties, meeting deadlines, staff competency, and effective and efficient work. Different organizations need strong leadership styles that motivate employee performance. Some enterprises, such as the tractor plant, face problems: weak innovation, low productivity, and an inability to achieve performance targets. This problem occurs because of the lack of strategic interventions from specific driving styles for specific situations that were predicted as the problem at hand. This problem constantly affects employee performance. This is why the study looks at the best single driving style that motivates employee performance.

It is believed that an effective organization is drawn from fans or business leaders. The idea of effective leadership has been adopted in the world of technology. The staff also realized that a leader is needed who must not only lead people, but also be effective. Therefore, they need an effective leader who can lead people towards changes and better performance

1.3 Purpose of the study

The purpose of the study was to investigate the effect of leadership styles on the employees' performance, and to explore the leadership styles that contributes to employee performance.

1.4 Research Questions

What is the relationship between leadership styles (transformational leadership – transactional leadership) and employee performance in an organization?

1.5 Significance of the Study

This research will provide understanding of the concept of how leadership styles will affect the employee behavior in an organization and this will direct leaders on best ways to achieve the highest employee performance and to generate data and information that every planner could use in order to come up with strategies, plans and designs that will strategically position them in the highly competitive, diverse, and complex business environment that is experienced at present.

This study will be helpful for other researchers who may be focusing on understanding the concept of leadership styles. The notable significance of this study is the possibility that other researchers may be able to use the findings in this study for future studies that will create a huge impact on society. This study findings can be used for other findings that might prove to be helpful in introducing changes to the business.

1.6 Definition of key terms

Employee performance

The employee's performance is basically the results achieved and the accomplishments achieved in the work. Performance refers to keeping pace with plans while achieving results. Although performance assessment is the core of performance management (Cardy, 2004)

Transformational leadership

Bass and Avolio (1994) defined transformational leadership as leadership that occurs when a leader stimulates interest among colleagues and followers to present their work from a new perspective. The transformational leader generates awareness of the organization's mission or vision, and develops colleagues and followers to greater levels of capacity and capabilities. In addition, the transformational leader motivates colleagues and followers to look beyond their own interests towards those that will benefit the group.

Transactional leadership

The transaction literally means "exchange", and therefore the transactional leadership deal with the exchange between the leader and his followers. Kuhnert & Lewis, (1987) noted that transactional leadership is an exchange of followers and leaders with desired outcomes by satisfying the leader's interest and followers' expectations, which incorporate promises or obligations combined with respect and trust.

Transaction literally means "exchange" therefore, transactional leadership deals with the exchange between leader and his followers. Kuhnert & Lewis, (1987) Stated that transactional leadership is an exchange between followers and leaders desired outcomes by fulfilling the leader's interest and followers' expectations, which involves promises or commitments embedded by respect and trust

Chapter 2

Literature review

2.0 Introduction

Various authors such as Stogdill (1974), Yukl (2009), Schilbach (1983), and others agree that leadership is a critical factor in an organization's success or failure; excellent organizations begin with excellent leadership and successful organizations reflect their leadership (PAS, 1994; 1997).

Three main driving theories developed over time are personality theories, behavioral theories, and situational / emergency theories. Each of these methods describes the different dimensions of leadership and its effects on the relationship between leaders and their followers. The following literature focuses on transformational leadership and transactional in particular.

2.1 Employee Performance

From the beginning of globalization, the manager's first confrontation is to try different strategies to enhance the company's performance (Habib, Khurram and Idris, 2010). The strength of the organization's job satisfaction plays a vital role that has a major impact on employee performance. The word performance we used to pass individual competence to inspire, stir, lead and set to achieve goals in an organization (Walumbwa & Hartnell, 2011). The previous study examined the existence of a positive relationship between satisfied employees and the organization, as the performance of satisfied employees is more productive for the organization and then the less satisfied employees (Ostrov, 1992). Leadership is related to employee performance (Ogbonna & Harris 2000). The relationship between leadership and performance was established with a great interest (Gadot, 2006). The main theme of each organization is enhancing employee performance. Howell, Miranda (1999) suggested that transformational leadership will play a necessary role in increasing job satisfaction as well as playing roles to achieve the goal of the organization and employee work (Goodwin, 2001). Walumbwa, Avolio & Zhu (2008), has expressed transformational leadership associated with secondary skills with work worth assessing employee performance. They trained their workers, arranged the meeting with their subordinates, took notes from their subordinates and ultimately added employee productivity. The company mostly works to increase employee performance by granting delegation to their team members (Ozaralli, 2002). The researchers also studied employee performance with unfamiliar leadership and gave very interesting results, as employee performance under inverted leadership increased when employees were passive. If employees are proactive, the result will be opposite (Grant, Gino & Hofmann, 2011).

2.2 Leadership

Leadership is a process by which the executive can direct, direct, and influence the behavior and work of others in order to achieve specific goals in a particular situation. Leadership is the manager's ability to motivate subordinates to act with confidence and enthusiasm. Leadership

can be defined as the ability to influence a group's achievement of a goal. Leaders are required to develop a future vision, motivate members of the organization to want to achieve visions and improve performance. According to Adair, "Leadership is the ability to persuade others to pursue specific goals with enthusiasm. It is the human factor that binds the group together to improve its performance and guide it toward goals." Adair J (2002), Corduroy suggests that leadership is dealing and dealing with change, with an emphasis on the extent Long and big picture, he doesn't always actually protect himself to take risks, focus on people and their values, not just the bottom line Kourdi J (1999), Jim Collins published an article in the Harvard Business Review on Leadership Good to Great. "The strongest converting CEOs have a contradictory mix From personal humility and professional will ... They are shy and violent. They focus on empowering rather than controlling employee performance development, Collins J (1995).

According to Njambi and others. (2010) Longhambi (2011), mentioned in Jeremy et al. (2011), Leadership is a process to influence the commitment of others towards achieving their full potential in achieving a shared shared value with passion and integrity. The nature of this effect is such that team members voluntarily cooperate with each other in order to achieve the goals set by the leader for each member, as well as for the group. Relationships between the leader and employee, as well as the quality of employee performance, are greatly influenced by the approved leadership style(Jeremy et al., 2011).

2.3 Leadership and leadership style

According to Dainty and Anderson (1996, p. 116) who quoted Burns (1978), "Leadership is one of the most visible and least understood phenomena on Earth." There is no universal leadership definition or style because of "countless contextual and contextual factors" (Lord et

al., 2001, p. 311). The topic is presented and researched from many perspectives and continues to attract the interest of scholars and specialists in management training. Yammarino et al. (2001) discussed leadership as a multi-level process that may include many perspectives, all of which must be viewed in an attempt to understand the complex nature of leadership. Traditionally, leadership research is based primarily on classic two-factor models such as leadership and relationship-oriented mission (Gill et al., 2005) but in the past three decades “new paradigms” such as charismatic leadership (House, 1977), transactional leadership (Bass and Avolio, 1993) Transformational leadership emerged (Bass and Avolio, 1993), visionary leadership (Westley and Mintzberg, 1989) and new leadership (Bryman et al., 1996). This study is based on a modern leadership model with two leadership styles described as reciprocal and transformational leadership that can be measured objectively and consistently

2.4 Transformational leadership

Transformational Leadership arose with James McGregor Burns in 1978 (Burns, 1978) and is characterized by positive, optimistic, reliable, and emotionally intelligent leaders who encourage teamwork, set high expectations and foster innovations. Transformational leaders change their corporate culture by inspiring a sense of mission and purpose about the importance of group work and stimulating new ways of thinking and problem solving. They inspire individuals within the organization to achieve high performance. Bass and Reggio (2006) and Dever, Kass and Shamir (2004) consider transformational leadership to include motivational concept, mutually beneficial goals, emotional bonds, values, and a shared vision. According to Bass and Riggio (2006), transformational leadership consists of four main parts: charisma, inspiration, intellectual stimulation, and individual consideration

2.5 Transactional leadership

In order to promise the success of the organization, it is important to adopt the appropriate leadership style. Leader's examination, praise, and evaluation do not really guarantee the sincerity of followers in which case transformational leadership becomes unworkable (Parry & Thomson, 2002). Leaders can practice leadership style. And the letter literally means "exchange", and therefore the leadership deals with the exchange between the leader and his followers. Kuhnert & Lewis, (1987) noted that transactional leadership is an exchange of followers and leaders of desired outcomes by satisfying the leader's interest and followers' expectations, which incorporate promises or obligations combined with respect and trust. Young (2000-2001) also identifies leadership in transactions as a leading skill in identifying followers 'needs and aspirations and clearly demonstrating ways to meet these needs versus followers' performance. Pace (2000) stated that effective leaders understand the interests of their subordinates by granting emergency incentives, honor, and promises to those who have successfully fulfilled the obligations of leaders or the organization. Many methods with different variables. (Howell & Merenda, 1999) researched the association between leadership-to-leadership and transaction exchanges and a shift in employee performance prediction and concluded that leadership style in transactions is a positive indication of followers 'performance. (Bass, Avolio, Jong, and Pearson, 2003) are researching an organized military platoon, operating in an unstable environment and proving that transaction leadership increases performance among soldiers. Leadership in transactions is relatively poorly associated with performance and optimistically linked to perceived organizational policy (Gadot, 2007). Rejas, Ponce, Almonte, & Ponce (2006) indicated a dominance of leadership style in transactions over transformation and transformation patterns. Personality, contentment and conscience factors are positively associated with leading transactions that are supervised through a dynamic, perceived work environment (Hoogh, Hartog, & Koopman, 2005). While investigating the impact of leadership on organizational performance in Russian companies, he noted (Elenkov, 2002) that managers in Russia who embrace leadership

behavior in transactions are positively associated with organizational performance and innovation.

2.6 Relationship between Leadership styles and employee performance

The organization's success depends on the leader's ability to improve human resources. A good leader understands the importance of employees in achieving the goals of the organization, and that motivating employees is of utmost importance in achieving these goals. It is widely accepted that effective organizations require effective leadership and that organizational performance will suffer directly with neglect (Fiedler and House, 1988). Moreover, it is generally accepted that the effectiveness of any group of people depends to a large extent on the quality of their leadership - the behavior of an effective leader facilitates the fulfillment of the desires of the followers, leading to effective performance (Fiedler and House, 1988; Maritz, 1995; Ristow, et al., 1999).). Leadership is perhaps the most investigated organizational variable that has a potential impact on employee performance (Cummings and Schwab, 1973). A large body of empirical evidence has demonstrated that leadership behaviors affect the organizational performance in which strong leaders outperform weak leaders, and that transformational leadership generates higher performance than reciprocal leadership (Burns 1978; Bass 1990; Hater and Bass 1988; Howell and Avolio 1993). Kirkpatrick & Locke (1996) identified over 35 studies reporting positive relationships between leadership and performance. Transformational leadership or its components have been associated with increases in individual, sole, and / or organizational performance in a variety of meta-analyzes - (Lowe et al. 1996), Historical Archives Studies (House et al. 1991), laboratory experiments (Howell and Frost 1989; Kirkpatrick and Locke 1996), Field trials (Barling et al. 1996), and field studies (Baum et al. 1998; Curphy 1992; Hater and Bass 1988; Howell and Avolio 1993; Keller 1992). Recent leadership studies have continued to confirm the positive relationship between transformational leadership and performance at various levels (for example, Dumdum et al.

2002; Dvir et al. 2002; Howell et al. 2005). Thus the researchers aim to discuss whether transformational leadership motivates employees to higher performance or not.

2.7 Research hypothesis

H1 a :There is a relationship between transformational leadership and employee performance

H1 b: There is a relationship between transactional leadership and employee performance

2.8 Research Model

Independent variable

dependent variable:



References:

Adair J (2002) Effective strategic leadership. Macmillan Publishers Limited, London.

Avolio, B. J., & Bass, B. M. (1997). *The full range of leadership development: Manual*, Redwood City, CA: Mind Garden

Bass, B.M. and Avolio, B.J. (1993), *Transformational leadership: A response to critiques*, Free Press, New York, NY.

Bass, B. M., & Riggio, R. E. (2006). *Transformational leadership* (2nd ed.). Mahwah, NJ: Lawrence Erlbaum Associates.

Bryman, A., Stephens, M. and Campo, C. (1996), *"The importance of context: qualitative research and the study of leadership"*, *Leadership Quarterly*, Vol. 7 No. 3, pp. 353-70.

Burns, J.M. (1978). *Leadership*. New York: Harper & Row

Dainty, P. and Anderson, M. (1996), *The Capable Executive – Effective Performance in Senior Management*, Macmillan Press Ltd, London.

Collins J (1995) *Grains airing and power: Lessons from six Scanlon plans*. Cornell University Press, New York.

Dvir, T., Kass, N., & Shamir, B. (2004). The emotional bond: Vision and organizational commitment among high-tech employees. *Journal of Organizational Change Management*, 17(2), 126-143

Gadot, E. (2006). Leadership style, organizational politics, and employees' performance An empirical examination of two competing models, *Leadership style*, 36(5), 661-683

Gil, F., Rico, R., Alcover, M.C. and Barrasa, A. (2005), *"Change-oriented leadership, satisfaction and performance in work groups: effects of team climate and group potency"*, *Journal of Managerial Psychology*, Vol. 20 Nos 3/4, pp. 312-28.

Howell, J. M., & Merenda, K. E. (1999). The Ties That Bind: The Impact of Leader-Member Exchange, Transformational and Transactional Leadership, and Distance on Predicting Follower Performance. *Journal of Applied Psychology*, 84(5), 680-694.

House, R.J. (1977), *"A 1976 theory of charismatic leadership"*, in Hunt, J.G. and Larson, L.L. (Eds), *Leadership: The Cutting Edge*, Southern Illinois University Press, Carbondale, IL, pp. 189-207

Jeremy .M, Melinde .C & Ciller V. (2012). Perceived leadership style and employee participation in a manufacturing company in the democratic republic of Congo, *African journal of business management*, .6(15), 5389-5398

Kuhnert, K. W., & Lewis, P. (1987). Transactional and Transformational Leadership: A Constructive/ Developmental Analysis. *Academy of Management Review*, 12(4), 648-657

Kourdi J (1999) One stop leadership. ICSA Publishing Limited, London.

Lord, R.G., Brown, D.J., Harvey, J.L. and Hall, R.J. (2001), "*Contextual constraints on prototype generation and their multilevel consequences for leadership perceptions*", *Leadership Quarterly*, Vol. 12 No. 3, pp. 311-38.

Ngambi H.C, Cant M.C, Van Heerden C. H. (2010). *Marketing management: A South African perspective*, Juta, Cape Town

Ostroff, C.(1992) the relationship between satisfaction, attitudes,and performance: An organizational Level Analysis. *Journal of Applied Psychology*, 77(6), 963-974.

Ozaralli, N. (2002). Effects of transformational leadership on empowerment and team effectiveness. *Leadership and organization development Journal*, 24(6), 335-344

Yammarino, F.J., Spangler, W.D. and Bass, B.M. (1993), "*Transformational leadership and performance: a longitudinal investigation*", *The Leadership Quarterly*, Vol. 4 No. 1, pp. 81-102.