THE RELATIONSHIP BETWEEN TRANSFORMATIONAL AND TRANSACTIONAL LEADERSHIP: EMPLOYEE PERCEPTIONS OF ORGANIZATIONAL PERFORMANCE AND WORK ENGAGEMENT

Thamarat Jangsiriwattana, Kasem Bundit University

CASE DESCRIPTION

This research aims to investigate the relationship between transformational and transactional leadership, employee perceptions of organizational performance, and work engagement. Three research questions were set: (a) what is the dominant leadership style in the Thai educational context? (b) What is the relationship between transformational and transactional leadership and employee perceptions of organizational performance? And (c) What is the relationship between transformational and transactional leadership and employee work engagement? Data was collected via questionnaire. Multiple linear regressions were used to analyze and test the hypotheses. The result reveals that transformational leadership shows a stronger influence on employee’s perceptions of organizational performance and employee work engagement than transactional leadership in the Thai educational context. Implications for future research are discussed.

Keywords: Transformational Leadership, Transactional Leadership, Perceptions of Organizational Performance, Work Engagement, Thailand.

INTRODUCTION

For many decades, leadership has been one of the key factors in social and organizational development. Leadership development is an important aspect of an organization’s human resource development (Swanson & Holton 2001) and is closely related to organizational success and performance (Kotter, 1996). Organizations seek personnel with leadership ability because they believe the organization will gain benefits and ultimately improve the bottom line (Northouse, 2016). Leadership has therefore gained the attention of researchers. There are a variety of theoretical approaches to explain the complexity of the leadership process (e.g., Bass, 1985; Day & Antonakis, 2012) and there are 65 different classifications of leadership. The trait approach views leadership from a personality perspective, the behavioral approach views leadership from the perspective of a leader’s actions that bring about change in a group, the relational approach views leadership in terms of the power relationship between leader and follower. Additionally, Bass (1985) viewed leadership as a transformational process that moves a follower to achieve more than is usually expected of them.

Transformational (TFL) and transactional leadership (TSL) has been the focus of leadership research since the early 1980s (Bryman, 1992). One third of the leadership research was about transformational and transactional leadership (Day & Antonakis, 2012; Lowe &
Gardner, 2001). The results revealed that transformational leadership (TFL) has been studied, reported on, and addressed far more than transactional leadership (TSL). The emphasis of TFL is on intrinsic motivation and follower development. It is for these reasons that this leadership style has gained popularity. TSL focuses on the exchange process between leader and follower. While there has been some research into TFL, further studies are still required to address the research gaps between TFL and TSL.

This study investigates the relationship between TFL and TSL and employee perceptions of organizational performance and work engagement. Three research questions were set, (a) what is the dominant leadership style in the Thai educational context? (b) What is the relationship between TFL and TSL and employee’s perceptions of organizational performance? And (c) What is the relationship between TFL and TSL and employee work engagement?

LITERATURE REVIEW

This section will review the related literature in four areas: (a) definitions and features of transformational leadership, (b) definitions and features of transactional leadership, (c) employee perception of organizational performance, and (d) employee work engagement. Hypotheses will be inserted into the relevant part of the literature review.

Transformational Leadership (TFL): Definitions and Features

TFL was first developed by Downton (1973). Its emergence as an important approach to leadership began with a classic work by political sociologist James MacGregor Burns entitled Leadership (1978). Burns (1978) attempted to link the role of leadership and followership. His study separated leadership from power. TFL is leadership directed not toward achieving immediate goals, but toward transforming and changing the organization and followers. According to Rowold (2011, p. 633), “Transformational leaders communicate higher order values and explicit work tasks to each team member individually (Bass, 1985). The leader assesses each team member’s background, values, and motives in order to formulate a common vision for a better future.” This definition implies that the transformational leader seeks to create agreement within the group and to develop followers’ skills and resources in order to better meet future needs.

There are different components of TFL. The most widely used classification is that of Bass & Avolio (1997) which is: (A) Idealized influence (II). Transformational leaders behave in ways that allow them to serve as role models for their followers. The leaders are admired, respected, and trusted. (Bass & Riggio, 2006). (B) Inspirational motivation (IM). Transformational leaders behave in ways that motivate and inspire those around them by providing meaning and challenges to their followers’ work. (C) Intellectual stimulation (IS). Transformational leaders stimulate their followers’ efforts to be innovative and creative by questioning assumptions, reframing problems, and approaching old situations in new ways. (D) Individualized consideration (IC). Transformational leaders pay special attention to each individual follower’s needs for achievement and growth by acting as a coach or mentor.

Transactional Leadership (TSL): Definitions and Features

The transactional leader can be defined as follows: “Typically, transactional leaders set
explicit, work-related goals and the rewards that can be expected as a result of performing successfully... the implication is that “this is not done proactively and in close cooperation with each team member” (Rowold, 2011, p. 632). TSL as a process typically involves the utilization of the leader’s power to reward or punish individuals in order to meet specific requirements and goals (Bass & Riggio, 2006). However, as Rowold (2011) points out, these goals are typically set based on the organization’s requirements rather than the individual employee’s characteristics, lacking individualized considerations or fit with the individual’s goals and preferences.

Bass & Riggio (2006) suggest that there are three components of TSL based on contingent reward, management-by-exception and laissez-faire leadership (Avolio et al., 1999). (a) Contingent reward is the first of three transactional leadership factors. It exhibits an exchange process between leaders and followers in which effort by followers is exchanged for specified rewards. With this kind of leadership, the leader tries to obtain agreement from followers on what must be done and what the payoffs will be for the people doing it. (b) Management-by-exception is a leadership that involves corrective criticism, negative feedback, and negative reinforcement. Management-by-exception takes two forms: active and passive. A leader using the active form of management-by-exception watches followers closely for mistakes or rule violations and then takes corrective action. On the other hand, a leader using passive form intervenes only after standards have not been met or problems have arisen. (c) Laissez-faire. This factor refers to a leader who shows no contribution.

Thus, although there is an apparent connection between TFL, TSL and organizational performance; the literature provides evidence for positive relationships between TFL and several different measures of organizational performance. The evidence for TSL though is somewhat weaker, mainly because it has not been included in as many studies. Furthermore, there are strong criticisms of the literature itself, including that research has in general shown poor measurement models, lacks international coverage and contains excessive dualism (conceptualization of TFL and TSL as a dichotomous model rather than a spectrum) (Muijs, 2011). This study will provide more evidence on the influence of TFL and TSL on organizational performance. Hypotheses are set as follows.

Hypothesis 1: TFL produces a stronger influence on organizational performance than TSL.

Perception of Organizational Performance (POP)

Organizational performance is an important component of management research (Richard et al., 2009). However, there is no agreement in the literature on the standards to be used in measuring organizational performance (Bolman & Deal, 2003; Scott & Davis, 2015). Assessing employees’ perceptions of their organizational performance has been used to measure the organizational performance in the existing literature (e.g., May-Chiun, et al., & Chai, 2015; Scott & Davis, 2015). The POP approach is seeking for subjective measures of organizational performance to trait-based psychometric validity (Richard et al, 2009). An employee reflects on his/her perception of how successful his/her organization was in meeting goals (Herman & Renz, 1997). The result of POP reveals and reflects the effective strategic direction of an organization.

Social exchange theory explains that the relationship between parties creates trust, loyalty and mutual commitment. If a leader supplies a benefit, either tangible and intangible, the follower will respond in kind (Cropanazano & Mitchell, 2005). The literature provides evidence for positive relationships between TFL and several different measures of organizational performance e.g., commitment to organization (Ibrahim et al., 2014), organizational trust,
organizational justice (Katou, 2015), and perceived organizational repuation (Men & Stacks, 2013). The hypothesis is set as follows:

Hypothesis 2a: There is a positive relationship between TFL and POP.
Hypothesis 2b: There is a positive relationship between TSL and POP.

**Employee Work Engagement (WE)**

Employee work engagement is defined as an engaged employee who physically, cognitively and emotionally connects with their roles at work (Kahn, 1990). There are many definitions of work engagement, but the most often used definition was proposed by Schaufeli & Bakker (2004) - “… a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption” (Bakker & Albrecht 2018). This definition covers three components: vigor–a high level of energy while working; dedication – being strongly involved in one’s work; and absorption–being concentrated and happy at work. Moreover, job fit, affective commitment, and psychological climate have been linked as antecedents of employee work engagement (Shuck et al., 2011). Additionally, the roles of the leader have been examined as one of the factors that influence employee work engagement (e.g., Altinay et al., & Liu 2019; Besieux et al., Euwema 2018).

Moreover, on a broader level, research points out the relationship between leadership in general and employee engagement. For instance, the Leadership–Member Exchange (LMX) literature established a significant link between leadership and engagement on a relational level (e.g. Altinay et al., 2019). From that perspective, Bakker et al. (2010) have suggested that TFL is a catalyst for employee engagement. From that notion, TFL could be an antecedent for engagement, as it might influence a number of resources (e.g. autonomy or constructive feedback) that are subsequently related to engagement (Besieux et al; 2018). TFL has been linked to employee work engagement because TFL transforms the mindset of the individual towards achieving team and organizational goals. Thus, the following hypothesis is formed:

Hypothesis 3a: There is a positive relationship between TFL and WE.
Hypothesis 3b: There is a positive relationship between TSL and WE.

**Methods**

The following section discusses the methods used for the study. It begins by describing the participants and procedure. It then provides the details of the instrument and then turns to discussing the data analysis and results.

**Participants and Procedure**

The data were collected in a 50-item self-administered questionnaire. Quota sampling was performed by sending 2,262 sets of questionnaires to 156 schools in Bangkok, Thailand. Of these questionnaires, 1,312 sets were returned (58% returning rate). After data cleaning, 1,212 responses remained. Each item was rated according to a 6-point Likert scale (1=strongly disagree, 6=strongly agree). Details of participants are presented in Table 1.
Table 1
DETAILS OF THE RESPONDENTS

<table>
<thead>
<tr>
<th>Variables</th>
<th>Data collection (%) (n=1,212)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>74.3</td>
</tr>
<tr>
<td>Male</td>
<td>25.7</td>
</tr>
<tr>
<td>Age (years)</td>
<td></td>
</tr>
<tr>
<td>21-40</td>
<td>73.7</td>
</tr>
<tr>
<td>&gt;40</td>
<td>26.3</td>
</tr>
<tr>
<td>Education</td>
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</tr>
<tr>
<td>Bachelor’s degree</td>
<td>65.8</td>
</tr>
<tr>
<td>Higher than bachelor’s degree</td>
<td>34.2</td>
</tr>
<tr>
<td>Work experience (years)</td>
<td></td>
</tr>
<tr>
<td>&lt;10</td>
<td>70.0</td>
</tr>
<tr>
<td>&gt;10</td>
<td>30.0</td>
</tr>
</tbody>
</table>

Measurement

Transformational leadership was measured with a 20-item multifactor leadership questionnaire (MLQ-5X) (Bass & Avolio, 1997). MLQ-5X has been used in many studies of transformational leadership (Northouse, 2016). The reliability in this study according to Cronbach’s alpha is 0.98. Sample statements are “My leader instills pride in me for being associated with him/her”, and “My leader talks optimistically about the future”.

Transactional leadership was measured with a 16-item multifactor leadership questionnaire (MLQ-5X) (Bass & Avolio, 1997). The reliability in this study according to Cronbach’s alpha is 0.84. Sample statements are “My leader provides me with assistance in exchange for my efforts”, “My leader waits for things to go wrong before taking action”, and “My leader fails to interfere until problems become serious.”

Perception of organizational performance (POP) was measured with a 5-item measurement developed from Delaney & Huselid (1996). The reliability in this study according to Cronbach’s alpha is 0.94. Sample statements are “Compared with other schools, our school has higher quality of products, service, or programs”, and “Compared with other schools, our school has a better relationship between management and other employees”.

Work engagement (WE) was measured with a 9-item employee engagement questionnaire (Schaufeli & Bakker, 2003). The reliability in this study according to Cronbach’s alpha is 0.93. Sample statements are “At my work, I feel bursting with energy”, “At my work, I feel strong and vigorous” and “I am enthusiastic about my work”.

The original version of this self-administered questionnaire was in English; it was translated into Thai by three Thai professors. The translations were performed independently, and any discrepancies were resolved by consensus. Then, a back translation was performed by a translator who is an expert in both Thai and English and had never seen the original English version. This method enhances the semantic, content, and normative equivalence of translation of the questionnaire (Harkness & Schoua-Glusberg, 1998; Willgerodt et al., 2005).
RESULTS

Correlation Analysis

Table 2 displays the mean, standard deviation, AVE, Composite reliability (CR), and Cronbach’s Alpha value of constructs from data collection (n=1,212). According to Hair et al. (2016) this result showed all values passed the threshold (AVE>0.5; CR>0.7). Cronbach’s alpha around 0.90 is considered excellent (Kline, 2011). Correlation was conducted to confirm the relationship and direction among variables. The result showed a significant relationship among TFL, TSL, POP and WE.

Table 2
MEAN, STANDARD DEVIATION, AVE, CR AND CRONBACH'S ALPHA VALUE OF CONSTRUCTS, AND INTER-CORRELATION AMONG TFL, TSL, WE, AND POP

<table>
<thead>
<tr>
<th>S.NO.</th>
<th>Variables</th>
<th>Mean</th>
<th>SD</th>
<th>AVE</th>
<th>CR</th>
<th>Cronbach’s alpha</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>TFL</td>
<td>4.30</td>
<td>20.75</td>
<td>0.60</td>
<td>0.97</td>
<td>0.98</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2</td>
<td>TSL</td>
<td>3.63</td>
<td>11.56</td>
<td>0.50</td>
<td>0.95</td>
<td>0.84</td>
<td>0.37</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3</td>
<td>POP</td>
<td>4.07</td>
<td>5.47</td>
<td>0.80</td>
<td>0.95</td>
<td>0.94</td>
<td>0.73</td>
<td>0.34</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>WE</td>
<td>4.40</td>
<td>7.97</td>
<td>0.60</td>
<td>0.94</td>
<td>0.93</td>
<td>0.59</td>
<td>0.33</td>
<td>0.64</td>
<td>-</td>
</tr>
</tbody>
</table>

Note: n=1,212; **p<0.001.

Verification of Research Hypotheses

Tables 3 & 4 display the result from multiple regression analysis predicting POP and WE from TFL, and TSL. The result showed that TFL was significantly related to POP (β=0.73; p<0.001) and, also to WE (β=0.60; p<0.001). This can explain 52% and 36% of the relationship between TFL and POP, and WE respectively. When TSL was inserted into the equation, both TFL and TSL were significantly related to POP (β=0.70, 0.10; p<0.001), and to WE (β=0.55, 0.13; p<0.01). These two variables can explain 53% and 37% of the relationship which was a slight increase from using solely TFL. However, the result revealed that TFL produced a stronger influence on the relationship between TFL and organizational performance (POP and WE). Thus, research hypothesis 1 was accepted.

Both TFL and TSL had a positive relationship with POP (β =0.70 and 0.10; p<0.001). Therefore, research hypotheses 2a and 2b were accepted. Similarly, TFL and TSL has a positive relationship with WE (β=0.55 & 0.13; p<0.001) which led to the acceptance of research hypotheses 3a and 3b.

Table 3
MULTIPLE REGRESSION ANALYSIS PREDICTING POP FROM TFL AND TSL

<table>
<thead>
<tr>
<th>Model 1</th>
<th>Model 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td>SE</td>
</tr>
<tr>
<td>Constant</td>
<td>3.88</td>
</tr>
<tr>
<td>TFL</td>
<td>0.19</td>
</tr>
<tr>
<td>TSL</td>
<td>0.04</td>
</tr>
<tr>
<td>R²</td>
<td>0.52</td>
</tr>
<tr>
<td>F</td>
<td>1344.84</td>
</tr>
<tr>
<td>ΔR²</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Note: n=1,212; **p<0.001.
Table 4  
MULTIPLE REGRESSION ANALYSIS PREDICTING WE FROM TFL AND TSL

<table>
<thead>
<tr>
<th></th>
<th>Model 1</th>
<th></th>
<th></th>
<th>Model 2</th>
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<tbody>
<tr>
<td></td>
<td>$B$</td>
<td>$SE$</td>
<td>$\beta$</td>
<td>$B$</td>
<td>$SE$</td>
<td>$\beta$</td>
</tr>
<tr>
<td>Constant</td>
<td>19.77</td>
<td>0.78</td>
<td></td>
<td>16.12</td>
<td>1.03</td>
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</tr>
<tr>
<td>TFL</td>
<td>0.23</td>
<td>0.01</td>
<td>0.60**</td>
<td>0.21</td>
<td>0.01</td>
<td>0.55**</td>
</tr>
<tr>
<td>TSL</td>
<td></td>
<td></td>
<td></td>
<td>0.09</td>
<td>0.02</td>
<td>0.13**</td>
</tr>
<tr>
<td>$R^2$</td>
<td></td>
<td>0.36</td>
<td></td>
<td></td>
<td>0.37</td>
<td></td>
</tr>
<tr>
<td>$F$</td>
<td></td>
<td>673.31</td>
<td></td>
<td></td>
<td>358.73</td>
<td></td>
</tr>
<tr>
<td>$\Delta R^2$</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
<td>0.01</td>
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</tbody>
</table>

Note: $n=1,212$; ** $p<0.001$.

DISCUSSION

The results will be discussed based on theory and previous works and according to the research questions.

**Research Question 1:** What is the dominant leadership style in the Thai educational context?

It can be stated that transformational leadership and transactional leadership were found to have a significant positive effect, with medium to high effects, on organizational performance (perception of organizational performance and employee work engagement). This result is consistent with existing work on transformational and transactional leadership Barker, (2007); Chin (2007); Hsiao & Chang (2011); Ibrahim et al. (2014); Kurland (2010); Murphy (2008); Nguni et al. (2006); Nordin (2012). Although both leadership styles play significant roles in the educational context in Thailand, the result indicated that transformational leadership is the dominant leadership style that influences perception of organizational performance and employee work engagement.

**Research Question 2:** What is the relationship between TFL and TSL and employee’s perception of organizational performance?

Employee’s perception of organizational performance is used to measure contextual performances (Wang et al; 2011). The result showed that TFL has a stronger influence on employee’s perception of organizational performance. The result of this study is in line with Wang et al. (2011). They revealed that TFL influenced several criteria of organizational performance including task, contextual and creative performance. TFL tends to produce a stronger influence on the contextual performance of followers. Although TSL shows a smaller effect size on perceived organizational performance, it is positively and significantly related. The effect of TSL on organizational performance in this study is in contrast with the studies of Pedraja et al. (2006); May-Chiun (2015). They reported that TSL demonstrated a negative relationship with organizational performance. Whereas, May-Chiun (2015) found no significant relationship between TSL and organizational performance.

**Research Question 3:** What is the relationship between TFL and TSL and employee work engagement?

This study simultaneously analyzed the relationship between TFL and TSL and employee work engagement. The result showed a stronger relationship between TFL and employee work
engagement. A TFL leader exhibits behaviors that encourage and shows recognition of the value of subordinates’ contributions. Besieux et al. (2018) revealed that TFL was significantly related to work engagement in the banking sector in Belgium which was in line with this study. The result in this study is also supported by the study of Boamah et al. (2018) & Tung (2016). Boamah et al. (2018) found a positive effect of TFL on employee job satisfaction whereas Tung (2016) revealed a significant relationship between TFL and employee creativity.

**Practical Implications**

There are some practical implications for school practice and policymaking in Thailand that result from this study. At the school level, the results validate the use of transformational and transactional leadership in organizational leadership practices for schools. This study showed that leadership can make a significant difference in perceived organizational performance and employee engagement. Transformational leadership showed a stronger influence. Thus, school leaders should consider the use of transformational leadership and should carefully consider how and when to apply transactional and transformational leadership to achieve results. Given Thailand’s high investment in leadership training, this could be part of the preferred practices promoted through these training programs, which could transfer the concept of transformational leadership more widely.

**Limitations and Future Research**

Some limitations should be noted for future research. First, the cross-sectional design of this study is vulnerable to an inflation of the correlation by common method variance (Lindell et al; 2001). Caruana et al. (2015) suggested that longitudinal design could be implemented to further analyze the long-term effects of leadership on its outcomes. Second, data collection from a single source may create a single source bias or “Halo effect” (Avolio, et al, 1991, p. 571). This comment is similar to the comment of Kruger et al. (2011) on same-source, same-method bias. Future research should use multiple sources of respondents to analyze the effects of leadership.

**CONCLUSION**

This primary research was conducted as a survey of schools in Bangkok, Thailand. The conceptual framework was developed based on existing leadership theories and utilized two different organizational performance factors - perceived organizational performance and work engagement. Based on the experience of teachers within the schools, they reflected on their perception of how well a school performed. The results confirmed that both transformational and transactional leadership have an effect and significant impact. This research has shown that employee’s positive perception toward their leaders’ transformation behaviors can drive positive attitudes toward self and organization which is shown in this study as perceived school performance and work engagement. This is evidence of the contribution of leadership to organizational performance.

The economic crisis forced organizations to make tough decisions and left many suffering in many ways. However, as the world economy starts to show signs of improvement, organizations are starting to look toward to the future. Despite this renewed hope, today’s leaders need to improve their competencies to handle the challenges organizations face in the new business environment. It is confirmed that leadership has been one of the most challenging issues for organizations worldwide, so does in the educational context in Thailand. As the evidence
from this study, transformational and transactional leadership is an effective leadership style that can be designed for leadership development in an educational setting in Thailand (Anurit 2012; Boatman et al; 2011).

REFERENCES


