Effect of Leadership Styles on Organizational Effectiveness

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Abstract
Leadership has existed for as long as people have interacted, and it is present in all cultures. This study aimed at to know the effect of transformational and transactional leadership style on organizational effectiveness. The researcher used multifactor leadership questionnaire for evaluating leadership style of managers, who are working in public sector organization, Tamil Nadu, India. 300 managers are approached to collect the information. This research addresses, how important is transformational leadership compared to transactional leadership in public sector organization. The researchers analysed the data with help of descriptive statistics and multiple regression analysis. The managers have perceived both transformational and transactional leadership style as important in the public sector organizations, although transformational leadership is considered slightly more important in organizational effectiveness.

Keywords: Transformational style, Transactional style, Organizational effectiveness, Multiple regression

1. Introduction
Today leader face the challenge of recruiting and holding on to competent employees in organizations. A leader’s ability to inspire, motivate and create commitment to common goal is crucial (Bass, 1997). Traditional leadership theories focused mainly on rational process. But theories of transformational and charismatic leadership emphasize emotions and values (Yukl, 1994) and imply that leader and followers raise one another to higher levels of morality and motivation (Burns, 1978). Transformational leaders have been described as broadening and elevating the interest of followers, generating awareness and acceptance among followers, and motivating followers to go beyond self interest for the good of the groups (Bass, 1997). The main components of transformational leadership are; idealized influence and inspirational motivation, which serving as a charismatic role model and articulating a vision of the future that can be shared. Individualized consideration involves the leader paying attention to individual differences. Intellectual stimulation defined as questioning old assumptions and the status Quo (Avolio and Bass, 1995).

Transformational leadership has been contrasted with transactional behaviour, in which cooperation is obtained by establishing exchange of rewards. Transactional leaders motivate subordinates to perform as expected (Burns, 1978). The main components of transactional leadership are defined as;
contingent reward, which the leader provides rewards contingent on performance, management by exception (Active), which imply leader takes corrective action in anticipation of problem, and management by exception (Passive) defined as the leader takes corrective action when problem arise.

2. Research Problem
How much of an impact do leadership competencies have on organizational effectiveness? The researcher examines this research question in this study.

3. Methodology
The aim of the present study was to gain knowledge of leadership characteristics and organizational effectiveness. To answer the research question in this study, the data has been collected from the managers of public sector organization at Tamil Nadu, India. The samples of 300 managers are selected for this study for convenience sampling technique. All subjects were fully informed as to the nature of the investigation. Managers are assured that all data collected on them were completely confidential. The questionnaire is distributed to the respondents and given two weeks time for fills the questions.

4. Instruments
The Multifactor Leadership Questionnaire (self-rated) is used to get evaluation of leadership behaviour and organizational effectiveness (Bass and Avolio, 2000). The MLQ is a questionnaire containing 45 items describing behaviour and organizational effectiveness, each rated on 5 point scale. It measure transformational, transactional and lazy fairness leadership and organizational effectiveness, include satisfaction, effectiveness and extra effort.

5. Results and Discussion
Leadership style is an individual choice. Understanding self-perception of leadership is an important to development of current and future leaders for any successful organizations. Leadership characteristics, skills and approaches of effective and efficient performance are centered in the leader’s style. Therefore, leadership self-perception is crucial for success at any level of the organization.

Table 1: Leadership behaviour and organizational effectiveness

<table>
<thead>
<tr>
<th>Leadership behaviour</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Idealized Influence (Attributed)</td>
<td>3.2342</td>
<td>0.78</td>
</tr>
<tr>
<td>Idealized Influence (Behaviour)</td>
<td>3.2500</td>
<td>0.85</td>
</tr>
<tr>
<td>Inspirational Motivation</td>
<td>2.8523</td>
<td>0.93</td>
</tr>
<tr>
<td>Intellectual Stimulation</td>
<td>2.7859</td>
<td>0.52</td>
</tr>
<tr>
<td>Individualized consideration</td>
<td>2.6593</td>
<td>0.98</td>
</tr>
<tr>
<td>Contingent Reward</td>
<td>2.7139</td>
<td>0.93</td>
</tr>
<tr>
<td>MBE – Active</td>
<td>2.4681</td>
<td>0.30</td>
</tr>
<tr>
<td>MBE – Passive</td>
<td>2.6074</td>
<td>0.78</td>
</tr>
<tr>
<td>Lazy – fairness</td>
<td>2.3942</td>
<td>1.13</td>
</tr>
<tr>
<td>Extra Effort</td>
<td>2.6596</td>
<td>0.60</td>
</tr>
<tr>
<td>Effectiveness</td>
<td>2.4357</td>
<td>0.52</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>2.6287</td>
<td>0.41</td>
</tr>
</tbody>
</table>

The Multifactor Leadership Questionnaire provides an assessment of leadership based on nine leadership behaviours and three leadership outcomes. Through the components of transformational leadership, five leadership behaviours, assess the leader’s transformational dimensions. It describes
leadership behaviours that inspire, motivate, stimulate and are considerate of others’ higher potential. Table-1 shows the self-perception of managers on leadership styles and organizational effectiveness. The mean and standard deviation values indicate that the managers are often using transformational leadership style. Further, the range of transformational leadership profile of managers were Idealized Influence - Behaviour (3.25), Idealized Influence - Attributed (3.23), Inspirational Motivation (2.85), Intellectual Stimulation (2.78) and Individualized Consideration (2.65).

It is understand that the leaders are more charismatic actions, centered on values, beliefs and sense of mission. They are all confident and powerful, focusing on higher order ideals and ethics. They also considered their follower’s opinions and communicating to followers that the vision is achievable. Intellectual stimulation and Individualized Consideration behaviours of leaders are moderate one.

Active transformational leadership is employed when the individual chooses leadership behaviour designed to raise follower’s consciousness about goals and values (Bass, 1996). Idealized influence behaviour and inspirational motivation emphasize motivating followers to go beyond personal or individual interests for the good of the group (Burns, 1978). This is consistent with the findings of this study. More specifically, idealized influence is charismatic and seeks to inspire followers into action (Bass, 1996).

The mean value of overall transactional leadership behaviours of the managers is 2.83 and standard deviation is 0.59. It shows that they are also using transactional style frequently. The leaders are monitoring and controlling outcomes at the mean time they are given the chance to follower’s independent growth. Further, transactional leadership describes Contingent Reward, Management-by-Exception (Active) and Management-by-Exception (Passive). The mean values of these dimensions are 2.61, 2.36 and 2.50 respectively.

The leaders are having considerable level of Contingent Reward behaviour and Passive. The leaders are classifying role of followers and they also provide material and psychological reward contingent on the fulfillment of objective. They also helped to solve the problem when compliance has occurred. The leaders are occasionally involved with the followers work to correct them.

Contingent reward, although transactional, seem to suggest a leadership behaviour associated with motivating others to achieve higher level of development and performance. Leader assigns or gets agreements on what need to be done, the leader set reward for the exchange of transaction like awards, medals, respect, team recognition (Bass, 1996).

The calculated mean score of lazy fairness behaviour is 2.39 and a standard deviation value is 1.13. It clearly indicates that the leaders avoid making decisions, abdicates responsibility and power. They were very occasionally using their power and involve in decision making.

The mean score of overall organizational effectiveness is 2.57 and standard deviation is 0.49. It shows that the leaders have fairly done their task. They are all having work ethics and performed their duty well. Leadership effectiveness, describes, Extra Effort, Effectiveness and Satisfaction. Here, the Extra Effort of leader is more with the mean value of 2.65. It shows that the leaders have a heightened motivation to succeed. They attempt to support their own and the group’s performance expectation. Leaders Effectiveness is at moderate level with the mean value of 2.43. The Satisfaction of the leader with their work is fair. The mean value is 2.62 and standard deviation is 0.41.

The leaders of a group, occasionally meets, motivate and surpass the goal. Individuals are content with the leaders and the leader’s methods and feel increased pride in individual contribution to goal accomplishment. They feel that their work-related needs are well represented and satisfactorily met.

Leaders are having both transformational and transactional behaviours, with the mean values of 2.92 and 2.83. The leaders are expected to show similar transformational and transactional leadership style. The present study result is consistent with others studies such as Bass (1985), and Avolio and Bass (1991). They found that the leaders exhibit both transformational and transactional behaviours that differentiate leadership style. The leader then relates differently to colleagues, followers and supervisors. These differences encompass different behaviour that is likely to emerge in different
circumstances. Furthermore, as evident from the empirical data, the findings indicate that the managers of public sectors organizations exhibited both transformational and transactional behaviour. These are compelling findings since the literature (Avolio, Bass and Jung, 1999; Avolio and Locke, 2002; Bass, Avolio, Jung and Benson, 2003) indicates that the leaders exhibit transformational and transactional behaviors. These scholars examined the relationship of the transformational and transactional dimensions and found that leaders display the both leadership behaviour. Bass (1996) established that the leaders possessed both transformational and transactional leadership behaviours. Avolio and Bass (2004) have shown that leaders have both transformational and transactional leadership behaviours, regardless of their ethnic culture.

Further, the leaders have more Idealized influence, Motivation, Intellectual stimulation and Contingent reward. It shows that the managers exhibit more charismatic behaviours of the transformational dimensions. The result is also similar to Bass (2003) and others found that the leaders were rated more transformational dimensions. Begun (2000) found that the charismatic behaviours of the transformational dimensions were higher among the leaders. They allow the followers and coach them for their development. They also help the followers to achieve extraordinary goals.

In order to identify the predictors of organizational effectiveness, multiple regression is employed. The result is explained by the figure-1. It is observed that organizational effectiveness is influenced by the transformational and transactional behaviour about 71.2 percent. Transformational leadership behaviour is influenced to the organizational effectiveness at 70.6 percent. Transactional leadership behaviour is influenced to the organizational effectiveness at 69.2 percent level. The standardized co-efficient beta value indicates the relative importance to the predictors’ level of organizational effectiveness. Idealized influence (Attributed) is ranked first, idealized influence (behaviour) is second, intellectual stimulation is third, individual consideration is fourth, inspirational motivation is fifth and contingent reward is sixth. The low beta value and ranking of management by expectation passive is eighth place.

**Figure 1: Leadership behaviour and perceived organizational effectiveness**
The result is also consistent with others researchers who have found that charismatic behaviours were more predictor of leadership effectiveness (Javidian and Waldmam, 2003). Hennessey (1998) found that transformational element must be included in a comprehensive operational definition of leadership in public sector settings.

Respondents are ranked transformational leadership variables as slightly more important to leadership effectiveness. Transformational variables together accounted for 70.6 percent of the variance of perceived leadership effectiveness, which transactional variables accounted for 69.2 percents. Effective public sector management has always depended to some degree on transformational leadership behaviour.

6. Conclusion
This study investigated transformational and transactional leadership behaviour of managers of public sectors organization, Tamil Nadu, India. The result of this research shows that leaders typically show themselves, transformational leadership is highly related to effectiveness. It is important to remember that the transactional – transformational model of leadership is based on a continuum. In this continuum leaders may reward followers when they achieved objectives. Motivation and inspiration of followers leads to work for transcendental goals where rewards are internal. While research has shown that transformational leadership related to organizational effectiveness. But, both approaches are needed. Transactional and transformational styles can represent active, passive forms of leadership. Transactional leadership behaviour is needed for effective department management, identifying performance, standards and classification of job expectation. Transformational behaviour is provide a vision and to motivate and inspire their followers during this era of environmental and professional change.

References