Assign-1-EM-transnational leadership theory

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Transactional Leadership Theory

The leaders perform an important role in an organization. Transaction leadership is a managerial leadership which promotes compliance by follower through reward and punishments. Companies benefit from teaching leaders to use the right leadership style as this is a relatively cheap procedure of making a company profitable or successful. Good leadership can bring about higher productivity. When the work in an organization mainly involves routine work with observable and measurable end results, Transactional Leadership provides clear added value. (Mulder, P. 2016)

Introduction

Name(s): Transactional Leadership Theories
Author: Many throughout History, more recently: Max Weber, Bernard M. Bass, James McGregor Burns
Classification: Theories based on transactions
Year: 1970s

Max Weber, a 20th-century German sociologist, made an extensive study of leadership styles and divided them into three categories: traditional, charismatic and rational-legal, or bureaucratic. In 1947, Weber was the first to describe rational-legal leadership — the style that would come to be known as transactional leadership — as "the exercise of control on the basis of knowledge." Transactional leadership theory is based on the idea that managers give employees something they want in exchange for getting something they want. It posits that workers are not self-motivated and require structure, instruction and monitoring in order to complete tasks correctly and on time. The transactional leadership style was widely used after World War II in the United States. This was a time when the government concentrated on rebuilding and required a high level of structure to maintain national stability.

Political scientist James McGregor Burns was one of the most prominent authors to advance Weber's theories. In his 1978 book "Leadership," Burns argued that both transactional and transformational leaders must be moral and have a higher purpose. In Burns's model, transactional leaders espouse honesty, fairness, responsibility, and honoring commitments. In the 1980s and 90s, researchers including Bernard M. Bass, Jane Howell and Bruce Avolio defined the dimensions of transactional leadership:

- Contingent reward, the process of setting expectations and rewarding workers for meeting them.
- Passive management by exception, where a manager does not interfere with workflow unless an issue arises.
- Active management by exception, in which managers anticipate problems, monitor progress and issue corrective measures.

Many current leadership theorists agree that principals of transactional and transformational leadership can be combined for ideal outcomes for both management and the workforce. (St. Thomas Uni, 2014). The transactional leadership behavior constructs the foundation for specifying expectations, negotiating contracts, clarifying responsibilities and providing the rewards and recognitions to achieve the set objectives and expected performance between leaders and followers (Bass, 1985). The transactional leadership style satisfies the need of followers in the form of recognition or exchange or rewards after reaching the agreed task objectives and goals achieving the expectations of leaders (Bass, 1997, Podsakoff, MacKenzie, Moorman, & Fetter, 1990).

The most important principles

Following of the most common and important principles identified so far in transactional leadership theory.

- People are motivated by reward and punishment.
- Social systems work best with a clear chain of command.
- When people have agreed to do a job, a part of the deal is that they agree all authority to their manager.
- The prime purpose of a subordinate is to do what their manager tells them to do. (Changing W, 2018)

Why this theory is important?

Transactional leadership theory is very important in context to achieve the maximum results in a specific time. Clear instructions and reward & punishment are the basic valuable characteristics of this theory that makes significance. The main goal of transactional leadership is to make the employees work in order to get good compensation. Transactional leaders enhance the motivation of the workers by giving contingent rewards. If the work is not done properly, there can be negative consequences too. A transactional leader sets the goals and makes clear the relationship between performance and rewards to employees. Employees know what they are required to do in order to receive rewards. Feedback is given to subordinates in terms of their progress towards or if they are away from the rewards. If the performance of the subordinates is not according to the pre-determined standard then punishment is also given to the subordinates. The subordinates are given clear instructions in order to get the desired results. The employees have little chance to affect decision making of the leader (Fareena & Azhar, 2016).

Why this theory must be used in the real management?

The transactional leadership style played an active role in strategic leadership for organizational effectiveness. In today's organizations, the transactional leadership is universal than any other supportive leadership behavior (Waldman, Rammirez, House, & Puranam, 2001).

What is the main criticism against this theory?

Burns (1978) argued that transactional leadership practices lead followers to short-term relationships of exchange with the leader. These relationships tend toward shallow, temporary exchanges of gratification and often create resentments between the participants. Additionally, a number of scholars criticize transactional leadership theory because it utilizes a one-size-fits-all universal approach to leadership theory construction that disregards situational and contextual factors related organizational challenges (Beyer, 1999).

Transactional Leadership Limitations

Transactional leadership operates work as a transaction whereby an employee performs a task for a reward. That reward can be monetary or psychological. Managers who adopt this approach set out well-defined tasks for employees who fit into strict job descriptions. The manager determines if objectives have been met and then doles out rewards and punishments.

1. Exceptions to Rules

Transactional leadership does not work well in environments where rules must be evaluated on a regular basis and changed to fit the situation. That sort of judgment on the part of an employee requires freedom to choose methods. This freedom is not part of transactional leadership, which utilizes clearly-defined rules and parameters that each employee must follow.

2. Creative Tasks

Any task that requires creativity will frustrate the transactional leader. Because the leader does not know exactly what the employee must create, objectives and guidelines may be difficult to set. Time constraints may be equally frustrating. Transactional managers may find it impossible to set a deadline for coming up with a creative idea to solve a problem.

3. Fluidity of Roles

When employees must move from role to role according to the demands of a task, transactional leaders will find limits on their effectiveness. Well-defined roles make up the foundation of transactional leadership, and situations that call for fluid roles lie outside the boundaries of this type of leadership approach.

4. High-Performance Attributes

High-performance employees tend to be self-motivated rather than externally motivated. Transactional leadership, with its focus on external motivations of reward and punishment, seldom results in extraordinary work. In fact, it aims for minimum standards that everyone can meet. High-performance work requires people who aspire to be better at what they do, not peopling who aspire to merely live up to their bosses' expectations.

5. On-the-Job Learning

When a company needs a skill its workers do not have, a transactional approach may not work. Offering rewards and punishments for tasks that are above an employee's abilities simply cannot create instant competence. Employees who are intrinsically motivated to learn, grow and improve do so because of their own desires, not the desires of their managers. (Kevin J, 2018)

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