




UNIVERSITY OF THE
COMMONWEALTH
CARIBBEAN (UCC)

Fostering Leadership & Innovation

A blurred background image showing a diverse group of people, including men and women of various ethnicities, smiling and clapping their hands. They are dressed in professional attire, suggesting a celebratory or successful event.

The Relationship Between Transactional and Transformational Leadership Attributes and Organizational Performance in the Caribbean

Purpose of the Study

The purpose of this quantitative, correlational study was to increase knowledge of characteristics associated with CEO success by studying leadership characteristics of those organizations identified by an independent source as “most profitable organizations in the Caribbean”.

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Specifically, this study examined to what extent there was a correlation between attributes associated with the transformational and transactional leadership attributes and corporate rank on the most profitable Caribbean organizations List published by the Businessuite Magazine for 2015.

Significance of Study

Wood and Vilkinas (2005) stated that the literature to date appears to focus on a narrow range of executive attributes without much consideration of different levels of management. For instance, it is normal for leadership research to focus on a blend of middle and senior level managers rather than solely on CEOs as the research population.

Significance of Study Cont'd

However, a CEO operates in a different organizational context from either a middle level manager or a senior level manager, and there may be important differences in findings from a study sample of solely CEOs.

Significance of Study Cont'd

Wood and Vilkinas (2005) argued that CEOs as an executive group remains under-investigated and this is a mystery as to how this could have happened, since the few studies on CEO samples found that there is indeed a positive relationship between CEO performance and organizational performance.

Significance of Study Cont'd

The findings of this study may well contribute direction and support for the training and development of successful CEOs in the Caribbean.

Literature Review

Ravazadeh and Ravazadeh (2013) posited that when one compares the transformational leadership model with the transactional leadership model. It usually goes beyond the what is described as the exchange of a certain resource for productivity, rather a particular transformational leader develops and empowers a particular follower to actualize his/her fullest potential.

Literature Review

Burns (1978) defined leadership as a type of relationship that encourages a particular follower to engage in what is described as a joint purpose that usually signifies the motivation of a particular leader and a follower. In addition, this type of motivation of both leader and follower might be classified as either transactional or transformational (Krishnan, 2004).

Literature Review

More importantly, although Burns was the theorist who coined the concepts transformational leadership and transactional leadership (Jyoti & Dev, 2015). Notwithstanding this, Bass (1985) was the theorist who introduced these concepts of leadership in an organizational setting.

Transformational Leadership

According to Krishnan (2004), the transformational leadership model tends to consist of four factors. These factors are: inspirational motivation, intellectual stimulation, individualized consideration, and charisma (idealized influence).

Inspirational Motivation

The inspirational motivation factor is when a particular organizational leader tends to provide meaning to a particular follower's/ employee's job task, and that particular organizational leader also tends to support that employee to envisage an attractive future state for his/her organization.

Intellectual Stimulation

The intellectual stimulation factor is when a particular organizational leader tends to support a particular employee to be innovative. This is achieved when a leader allows a particular employee to criticize one's own belief, reframing a particular difficulty, and approaching that difficulty in a novel way (Bacha & Walker, 2011).

Individualized Consideration

The individualized consideration factor is when a particular organizational leader tends to pay careful attention to a particular employee/follower's personal need to accomplish and develop, and tends to create a novel learning opportunity for the particular employee.

Charisma (Idealized Influence)

The charismatic factor tends to refer to what is described as the charismatic action of a particular organizational leader, which usually has implications for one's beliefs and principles (Jyoti & Dev, 2015). Bass (1985) stated that idealized influence tends to relate to charisma. This is because a leader who exhibits idealized influence considers a particular follower's need over his/her own need. A particular follower admires and wants to identify with one's leader and mission.

Transactional Leadership

According to Northouse (2012), there are two main transactional leadership factors: contingency reward and management-by-exception. Firstly, the contingency reward tends to be an exchange process, which relates an employee's effort to a particular external reward.

Transactional Leadership Cont'd

This means that an organizational leader clarifies an employee's expectation and offers recognition and reward when a particular goal is accomplished (Groves & Larocca, 2011).

Transactional Leadership

Northouse (2012) stated there are two types of management-by-exception: active and passive. For instance, an active type of management-by-exception occurs when an organizational leader observes an employee closely for a mistake and then takes the necessary corrective action. Meanwhile, the passive type of management is when an organizational leader tends to intervene only after certain standards have not been realized or met (Northouse, 2012).

Transformational/ Transactional Leadership

The leadership literature on transactional and transformational leadership appear to suggest that there is what is considered as a divergent set of ethical values, which serve as critical groundwork to each leadership influence process (Groves & Larocca, 2011). Therefore, though one might consider the exchange relationship of transactional leadership between an organizational leader and an employee to be mainly task-related.

Transformational/ Transactional Leadership

Some theorists believed that transactional leadership tends to be essential and complements the transformational leadership (Laohavichien, Fredendall, & Cantrell, 2009), and that the combination of both types of leadership tends to produce above average performance among employees in a particular organization (Kreitner & Kinicki, 2007).

Transformational/ Transactional Leadership

This is because one might argue that both types of leadership might establish trust between an employee and an organizational leader even though there is a divergence in ethical values (Groves & Larocca, 2011).

Transformational/ Transactional Leadership

For example, Gillespie and Mann (2004) explained that transformational leader might communicate one's willingness to comprehend a particular employee's need and ability, and then puts effort into the development of that person's strengths and serving the person's needs.

Transformational/ Transactional Leadership

This usually demonstrates that the particular leader values and cares for the particular employee, and therefore, eventually trusted by the employee. In addition, studies found that when an organizational leader exhibits concern for others in an organization, it usually leads to lower attrition rates and higher level of job satisfaction (Karakas, 2010).

Transformational/ Transactional Leadership

Meanwhile, a transactional leader might build trust through a contingent reward. This means that an organizational leader uses contingent reward when one clarifies a particular role responsibility for meeting an objective and provides a reward when that objective is met. In essence, the transactional leader tends to facilitate the person's accomplishment of the particular goal, and therefore will be observed as capable.

Transformational/ Transactional Leadership

This behavior also shows the transactional leader's commitment to provide a reward as agreed upon, when one's expectation is met and treats the particular employee in a consistent and equitable manner (Gillespie & Mann, 2004).

Research Questions/Hypotheses

The main research question relates to the question of a possible relationship between the transactional/transformational leadership behaviors and organizational performance in terms of an organization being listed as one of the most profitable organization (i.e., profit after tax in United States dollars) in the Caribbean for 2015.

Research Questions/Hypotheses

In the research, the independent variables consisted of the transactional/transformational leadership attributes. Meanwhile, the dependent variable consisted of the numerical rankings given to the most profitable Caribbean organizations for a particular year (2015), which is published in the Businessuite Magazine (an electronic Caribbean magazine). This ranking for most profitable organizations might be considered as a discrete variable because it is not continuous (Bluman, 2011).

Research Questions/Hypotheses

The Businessuite Magazine tends to rank an organization as one of the most profitable organizations in the Caribbean based on similar standardized and reliable methodologies applied by other research organizations, notably the Fortune Magazine. Businessuite Magazine measured rankings of most profitable Caribbean organizations in terms of United States dollar revenues coupled with profit after tax and capital, which is used to further indicate the top Caribbean performing organizations.

Research Questions/Hypotheses

In addition, this online Magazine has been publishing rankings of different Caribbean organizations and organizational leaders (i.e., CEOs) over the years.

Research Questions/Hypotheses

The following research question and hypotheses guiding this research study are as follow:

- ▶ R1: Is there a positive correlation between rankings of most profitable organizations in Jamaica published by Businessuite Magazine and CEO transactional/transformational leadership attributes?

Research Questions/Hypotheses

- ▶ H_1 : There is a positive correlation between rankings of most profitable organizations in Jamaica published by Businessuite Magazine and CEO transactional/transformational leadership attributes?
- ▶ H_0 : There is no positive correlation between rankings of most profitable organizations in Jamaica published by Businessuite Magazine and CEO transactional/transformational leadership attributes?

Methodology

This study uses a quantitative approach, in that, it is an applicable methodology to conduct leadership studies such as to build knowledge by validating an existing theory (Borland, 2001). Furthermore, a quantitative methodology is where the research study uses what is described as deductive / post positivistic form of inquiry to examine the relationship among independent and dependent variables as in the case of the current research (Creswell, 2013).

Methodology

The data collection process consisted of an established self –report survey called the adapted Multifactor Leadership Questionnaire (MLQ). This survey was mailed and requested CEOs to manually fill out the hard copy of the survey and returns it via postage paid mail to the current researcher.

Methodology

According to American Psychological Association (2010), a researcher should maintain confidentiality and anonymity in the data collection process. One of the reasons for a mailed survey is that it gives the time and convenience to a particular respondent to complete the survey. In essence, it gives a rapid turnaround time in data collection (Creswell, 2013).

Methodology

The adapted version of the MLQ scale also uses a 5-point Likert response format, which ranges from 1 = "*almost never*" to 5 = "*almost always*". This scale tends to have four subscales concerning the four factors of transformational leadership: idealized influence, inspirational motivation, individualized consideration, and intellectual stimulation.

Methodology

In addition, it tends to have two subscales concerning the transactional leadership: management-by-exception and contingent reward. However, the adapted, MLQ scale tends to have subscales only based on the following transactional and transformational leadership factors: intellectual stimulation, charisma, contingent reward, individual consideration, and management-by-exception.

Methodology

I used the adapted Multifactor Leadership Questionnaire (MLQ) Likert scale to measure 26- items based only on the transactional and transformational leadership behavior subscales (charisma, intellectual stimulation, individual consideration, contingent reward, and management-by-exception).

Methodology

In addition, questions 1-6 (measure charisma behaviors); questions 7-10 (measure individual consideration); questions 11-17 measure (contingent reward behaviors); questions 18-20 (measure intellectual stimulation behaviors); and questions 21-26 (measure management-by-exception behaviors).

Methodology

The Adapted MLQ instrument has the needed internal reliability. The reliability coefficients or scores obtained on the instrument are as follows: charismatic (idealized influence), 0.78; individual consideration, 0.62; contingent reward, 0.73; intellectual stimulation, 0.84; and management-by-exception, 0.76.

Results and Findings

I obtained a response rate nearing 55 percent (20 completed mailed surveys out of 37 mailed surveys) from using Dillman's (2007) techniques for mail survey. The finding of this study indicated that there was no significant result between the interaction of transformational and transactional behaviors and rank on the most profitable Caribbean organizations published by the Businessuite magazine.

Results and Findings

The data collected were statistically processed and analyzed using SPSS. Spearman correlation analysis was used to determine the relationship among the dependent and independent variables. This is because the dependent variable is discrete and the independent variables are continuous (Bluman, 2011).

Results and Findings

I used the Spearman's rank correlation coefficient statistic to determine the magnitude and direction of the relationship between the transactional /transformational leadership behaviors and the rank on most profitable organizations in the Caribbean.

Results and Findings

The finding of this study indicated that there was no significant result between the interaction of transformational and transactional behaviors and rank on the most profitable Caribbean organizations published by the Businessuite magazine.

Results and Findings

However, there appears to be a positive correlation between the interaction of transformational and transactional behaviors and rank on the most profitable Caribbean organizations published by the Businessuite magazine,

$$r_s(15) = .433, p > .05$$

Discussion

Waldman appeared to agree with the interactive relationship between transactional and transformational styles, claiming that leadership characteristics such as transactional and transformational leadership behaviors (e.g., charisma behaviors) might affect the financial performance of an organization.

Discussion

However, for the most part these results were inconclusive and did not reach the level of statistical significance (Waldman, Ramirez, House, & Puranam, 2001). Similarly, with this study, there appears to be a positive interactive relationship between transactional and transformational leadership and above average organizational performance in terms of ranking on most profitable organizations in the Caribbean.

Discussion

Nonetheless, this relationship does not appear to be significant as in the case of Waldman et al's (2001) previous study. This study is done because one might argue that there appears to be still little known about defining behaviors of effective leadership, especially in the Caribbean.

Conclusion

The objective of the findings in this study is an attempt to assist in the development of certain leadership behaviors in future CEOs to achieve success in terms of an organization-based award such as being among the most profitable organizations in the Caribbean. This is because there is still little known about the defining behaviors of effective leadership worldwide, especially in developing countries.

Conclusion

This study also has some limitations. The sample size in this study deserves some comment. The CEOs selection process was difficult. I am aware that studies involving responses from CEOs tend to have low response rates (Hood, 2003). However, Babbie (2009) commented that the lack of response bias may be more significant than response rates.

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