An Examination of the Suitability of Transactional, Transformational and Situational Leadership Theories in Evaluating the Role of Gender in Determining the Leadership Style: a Comparison and Contrast of Three Leadership Theories

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Abstract
The purpose of this paper is to evaluate suitability of transactional, transformational and situational leadership theories in evaluating the role of gender as a determinant leadership style and organizational performance. These three theories were compared and contrasted and the research findings synthesized to ascertain the theory most appropriate for explaining leadership style within the context of gender. While these theories were posited many decades ago, the study showed that they continue to provide an important framework for leaders in the 21st century. Transformational leadership theory was however deemed most appropriate across alternate scenarios.

Keywords: Gender; leadership; leadership style; transformational leadership; transactional leadership; situational leadership

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Introduction

Leadership is a critical management function that aids in maximizing efficiency and the achievement of organization goals. Leaders who have achieved success, underscore the importance of adopting a leadership style that allows them to procure their strategic objectives in an efficient and effective manner. To some early theorists the concept of leadership was an idiosyncratic ability of exceptional individuals. However, its study and practice have been an area of renewed focus and attention in recent years, particularly because of unprecedented transformations experienced by organizations since the turn of the century. Raja and Palanichamy (2011) asserted that these changes are in part attributed to unprecedented technological advancement, globalization, and the continual alteration of the existing workforce.

Within this new context, effective leadership is fundamental in the coordination of efforts geared toward preserving the viability of organizations. Its study has been delineated along clearly demarcated lines of research and categorized according to the main focus, some of which include power-influence, leader behavior, leader traits, or situational factors (Yukl, 1989). Several models on the characteristics of effective managers and theories on leadership (Ayman & Korabik, 2010, Lewis et al., 2006) and leadership succession models (Virick & Greer, 2012; Greer & Virick, 2008) abound. However, among these diverse theories and models, transformational, transactional, and situational leadership theories, as the ensuing discussion will show, transcend the theories associated with gender, leadership and organization performance. This paper examines the suitability of these three theories as it relates to the ongoing debate on the role of gender in determining the leadership style of leaders in the financial services industry. The paper will be structured as follows; the first section will provide a brief overview of transformational, transactional and situational leadership theories. This will be followed by a comparison and contrast of these three perspectives. A synthesis of the research findings and an evaluation of the theory that is considered most appropriate will then follow. The discussion will culminate with some concluding remarks.

A Review of Leadership Theories

Transformational Leadership Theory

Whittington and Galpin (2010) asserted that transformational leadership is an enduring relationship that exceeds exchange and agreements between leader and follower. They added that this is evident when individual engagement promotes leader and follower motivation and values to levels that transcend organizational and cultural levels. According to Burns (1978), one of the first proponents of the transformational leadership paradigm, transformational leaders not only augment their followers’ level of consciousness, but also inspire and motivate them resulting in performance that surpasses the organization expectations. This view was endorsed by Bass and Avolio (1994), who asserted that leaders present a purpose that transcends short-term goals, inciting followers to align their individual interest and conduct in concert with that of the organization, accelerating employee and consequently organizational performance. Breevaart et al. (2014), added that according to transformational leadership theory, leaders activate employee intrinsic motivation, by providing a purposeful justification for their followers work. They articulate a clear vision of the future, exude confidence, and empower their associates to make a meaningful contribution toward the achievement of this vision (Seibert, Wang & Courtright, 2011). This perspective explicates a leadership phenomenon that is identified fundamentally as a shared process,
utilizing the guidance of those in positions of authority at various levels and departments of the organization (Burns, 1978).

Bass (1985), built on the work of Burns (1978), and posited four dimensions of transformational leadership: charisma, inspiration, intellectual stimulation, and individualized consideration. He suggested that these dimensions promote an enhanced follower awareness of existing problems, and simultaneously provide support, encouragement, and developmental experience to followers. Transformational leaders effect change in their followers’ core attitudes and values in order to attain congruence with the organizations’ vision (McCleskey, 2014).

**Transaction Leadership Theory**

Bass (1985) asserts that transactional leader motivation is limited to having the followers fulfill the leader’s expectations. It is viewed as an exchange process where leaders offer rewards in exchange for compliance. According to this theoretical perspective, the focus is primarily on achieving organizational goals and in exchange, follower needs and wants will be satisfied. This leadership dimension, as espoused by Burns (1978), is task-oriented with a heavy reliance on hierarchical authority, reward, and punishment.

Avolio, Bass and Jung (1999) theorized three different dimensions of transactional leadership to include contingent reward, management-by-exception, and laissez faire leadership. Contingent reward and management-by-exception, according to Bass (1985), are influenced by the level of activity and involvement of the leader with followers. It involves setting clear expectations of what is required to earn rewards or negotiated incentives, and the extent to which leaders enforce rules to preclude missteps and implement corrective measures on the basis of results of leader-follower transactions (Judge & Piccolo, 2004).

**Situational Leadership Theory**

Situational leadership theory draws on the views from contingency thinking and emphasizes the importance of contextual factors. The situational paradigm is rooted in the belief that tasks are different and each one mandates a different leadership style. According to Malos (2012) this theory supports the notion that there is no one ideal way to influence and lead people, and a good leader will be one who is able to adapt his or her leadership to achieve congruency with the required organizational goals and objectives. The proponents of this theory underscore the significance of leadership style as well as the ability and maturity of subordinates. They contend that the optimizing task and relations behavior is contingent on subordinate maturity, which determines the pattern of the task-oriented and relation-oriented behaviors (Fernandez, Vecchio, 1997; Graeff, 1983; Johansen, 1990).

McCleskey (2014) stated that according to situational leadership theorists an effective leader should not only understand, but also, be able to competently rationalize the current situation in order to devise an effective response. Since situational factors can potentially alter the effectiveness of the leadership style of any given leader, different scenarios will drive their own unique leadership behavior, which will be consistent with the characteristics of the prevailing situation (Conger, 2011).

**Comparison and Contrast of the Three Theories**

The underlying principles of transformational, transactional, and situational leadership theories, are all unique in the approach adopted by leaders to motivate subordinates. A central underpinning of transformational leadership is that it advocates for the empowerment of followers rather than the imposition of control strategies and sanctions. According to Yukl (2008), because transformational leaders empower their followers, they not only achieve the organization
goals, but do so giving precedence to organization objectives over their own self-interest. Consequently, follower response is grounded on commitment and support, compared with compliance, performance, and outcome, which are characteristics of transactional leadership. Further, according to this theoretical perspective, leaders and followers act as a system and in doing so broaden and elevate the status quo of human conduct and ethical aspiration (Burns, 1978). This is in sharp contrast with transactional leadership theory, which prescribes significant supervision and control and considers it not only relevant but also mandatory. This theory is pre-occupied with situational and positional authority, which is strikingly different from the principles of transformational leadership where the attention is centered on values, uplifting morale, and cultivating a relationship built on trust and commitment (Hay, 2007).

McCleskey (2014) wrote “a central tenet of transactional leadership theory is the focus on social and economic exchanges between the follower and the leader” (p.6). Consequently, the only source of motivation is contingent rewards that appeal to followers’ self-interest as well as the leader actions that are intended to reinforce positive behavior. According to transactional leadership theorists, follower commitment is transitory, and relationships are constantly redefined. In comparison with transformational leadership, according to Groves and LaRocca (2011) the primary focus is on organizational change, the creation of new values, and the pursuit of new alternatives to the existing organizational framework.

Burns (1978) conceptualization of transformational and transactional leadership theories suggest that the fundamental difference between these two theories is rooted in what these theories espouse that leaders and followers offer one another, and with transactional leadership, contact is initiated to facilitate an exchange of value. The parties involved are cognizant of the ensuing relationships but nonetheless pursue their individual aspirations although not constrained by the same mutual purpose. In contrast, transformational leadership theory posits that leaders’ engagement with followers drives the level of motivation and morality. The source of power within this framework because it supports a common purpose, raises the level of human conduct and ethics of the leader as well the follower (Burns, 1978).

One of the central underpinnings of transformational leadership theory relates to its appeal to social values, and the fostering of human collaboration rather than individual work and ongoing competition. Keskes (2014) suggested that transformational leadership is more of an ongoing process compared with distinct exchanges which are characteristics of the transactional leadership. Burns (1978) also contrasted transactional and transformational leadership, asserting that these leadership styles are opposite extremes. He theorized that transformational and transactional leadership were fundamentally unrelated and that a leader is able to display transformational or transactional characteristics, but never both.

Within the context of transactional theory, organization structure denotes working within the existing framework, which is typically successful in a stable organizational setting. This compares sharply with overarching structure espoused by the proponents of transformational leadership theory. Based on this leadership perspective organization structure is much more dynamic, and it is not unusual to experience job redesign in order to make them increasingly relevant and challenging (McCleskey, 2014). Moreover, job functions are representative of employee skills, inputs, and values.

Hay (2007) also asserted that transactional leadership dimension is embedded in an atomistic worldview, characterized by altruistic motives, and is firmly anchored in teleological terms legitimizing behavior on a contingency basis. Teleological emphasis focuses on ends and outcomes, which, according to Groves and LaRocca (2011) is congruent with the influence process of transactional leadership. In contrast, transformational leadership is
found to be predicated on deontological terms where duty and obligation for moral validation forms the basis for instructing behavior (Groves & LaRocca, 2011).

Situational leadership theory underscores leadership behaviors along task and relation continuum. Bass (2008) wrote that the maturity level and readiness of followers are factors mandatory to a leader’s consideration when the goal is to secure congruence between the leader and other organizational members. This differs significantly from the overarching tenet of transformational leadership theory, where leaders are expected to achieve the organization objectives by employing dignified influence, by inspiring and motivating, and by promoting individual growth and development (Larsson & Vinberg, 2010).

Bass (2008) also noted that situational theory delineates effective leadership as being dependent on follower maturity, legitimizing the appropriateness of the given leadership style. Situational theorists declare that the context or situation is the fundamental determinant of leadership effectiveness. According to this principle, there is no single best leadership style and as Bass (2008) illustrated, the effective leader utilizes the interplay of task and relation behaviors. Situational leadership theory therefore characterizes leader behavior as either task or people-centered. This is in contrast with both transactional and transformational leadership theories which are based principally on selflessness, intellectual stimulation, and individual consideration (Groves & LaRocca, 2011).

McCleskey (2014) stated that situational leadership theory posits a new perspective rooted in a behavioral imperative and the relationship to leadership. This contrasts with the underlying principles of transactional and transformational leadership theories where the focus is on the philosophy of management, attitudes, and values (Liu, Liu, & Zeng, 2011), where leaders inspire followers to adopt innovative and novel ways of bringing about change, offer followers a sense of purpose and belonging, and provide followers with a motivating mission and vision.

Finally, transactional and transformational theories embrace a comprehensive approach to leadership. Transformational leadership relates to a broad cross section of situations and predicament which suggests that transformational leadership is congruent with a variety of disparate cultural contexts (Leong, 2011; Rowold & Rohmann, 2009; Zhu, Sosik, Riggio, & Yang, 2012). In contrast, situational leadership theories advocate that the appropriate leadership style and behaviors are those that are congruent with the contextual and situational characteristics that the organization faces (Bass, 2008; Yukl, 2011).

**Synthesis of the Three Theories**

Bass (1990) asserted that in order for a theory of leadership to be effective in diagnosing, training, and development, it is imperative that such a theory be grounded in the concepts and assumptions that are acceptable to and used by managers and leaders. A review of the literature on leadership and leadership theory signal the absence of convergence toward a reasonable number of compelling models on leadership. In order to elicit the most crucial theories and models of leadership, the most decisive dimensions of the theory as well as the underlying implications must be evaluated. The ideas expressed in transactional, transformation and passive-avoidant theories suggest that there is some relationship between these divergent views on leadership styles. Furthermore, although they were established several decades ago they remain instrumental in providing an important blueprint for leaders today.

Despite some of the striking dissimilarities between transactional and transformational leadership theories and the operationalization of these concepts as two distinct leadership styles, many scholars including Bass (2008), Avolio, Bass & Jung, (1999), and Bycio Hackett & Allen (1995) viewed both theories as a continuum rather than opposites. They contended that both leadership styles are complementary and can potentially be ineffective in the absence of each other. Conger, Kanungo, and Menon (2000) reported that leaders who employ contingent rewards, a
dimension of transactional style, and charisma a dimension of transformational style achieve greater success in empowering their subordinates. Bass (1985) contends that transformational leadership enriches and accentuates the effects of transactional leadership, and that all leaders exhibit both leadership styles although in varying degrees. In essence, leaders can potentially be both transformational and transactional, and the fundamental difference is contingent on the approach the leader adopts toward motivation and the goals established (Hater & Bass, 1988). Bass (1985) illustrated that transactional leadership as predicated on material/economic exchange and transformational leadership on social exchange.

Situational leadership theory is focused on the situational nature of leadership and recognizes that effective leadership behavior must flexible. The recognition of subordinates as the most critical situational determinant of effective leader behavior is a perspective that is justified and highly congruent with a conceptual definition of leadership as an interpersonal phenomenon. It is consistent with other contingency-based leadership theories including leadership substitute theory, path-goal theory, and Vroom’s normative contingency model (Glynn & DeJordy, 2010; Bass, 2008; Yukl & Mahsud, 2010).

Arguments supporting the significance of situational theory indicate that situational factors have a decisive impact on leadership. Situational theorists contend that effective leaders emerged as a consequence of place, circumstance, and time (Bass, 1990). Furthermore, the conceptualization of situational leadership theory suggests that behaviors that are specific to tasks and relations are inextricably intertwined, and not mutually exclusive (McCleskey, 2014). Consequently, to be an effective leader one must engage in a combination of task and relation behaviors (Yukl, 2008; Yukl & Mahsud, 2010).

The spectrum of leadership theory highlights two opposing views regarding the generalization of an effective leader. The first espouses only one universal leadership style can be effective in alternate situations. Alternatively effective leadership is contingent on the characteristics of the leadership situation (Bass, 1990; Yukl, 2008). While these focal points may appear diametrically opposed, they are not mutually exclusive as leaders may possess some combination of each of these leadership styles. Therefore, a structure encapsulating task-oriented, results-oriented and situational structures could accrue greater benefit. Such a structure will enable a leader to influence outcome through empowerment and incentives and adaptation of most appropriate leadership style (Avolio, Walumbwa, & Weber, 2009).

Although models of transformational and transactional leadership incorporate numerous important leadership behaviors, not all pertinent leadership behaviors are included (Yukl, 2012). Landis, Hill and Harvey, (2014) stated that the literature of leadership suggests the existence of at least three elements are mandatory in engendering leadership effectiveness. These are a task focus, people focus, and development focus. The central focal point with a task dimension is on the accomplishing the group’s objective, while the people dimension is focused on maintaining group cohesive and functionality as a unit which is an organizational imperative for task performance. Development focus speaks to the leader ensuring organizational flexibility and fostering easy adaptation to changing situations, failing which the capacity to adopt innovative strategies could be grossly undermined.

As today's leaders are mandated to think and execute strategically, they must monitor both local and international markets, competitors, and business opportunities (Novac & Bratanov, 2014) and formulate effective strategies for their respective organizations (Yukl, 2012). According to Morgeson, DeRue, & Karam (2010) a multi-dimensional conceptualizations encompassing these different dimensions of leadership and being cognizant of
how each dimension can distinctly influence as well as have a mediating effect on organizational outcomes is more effective.

**An Evaluation of the Best Suited Theory**

Situational leadership theory proposes aligning the leader to the situation as well as congruence with leadership orientation (task versus relation) and follower maturity (Hersey & Blanchard & Johnson, 1996). Bass (2008) among other scholars highlighted the lack of internal consistency, conceptual contradictions, and ambiguities as major flaws with the situational leadership model, which undermines its suitability to current research. Furthermore, both situational and transactional leadership theories do not account for the role of leadership traits and individual differences between leaders (Bass, 2008).

Notwithstanding the significant elevation of situational leadership theories, these theories do not offer an explanation as to why one is more effective than another in influencing and engaging followers. The inclusion of only two dimensions in the leader behavior repertoire is also restricting (McCleskey, 2014). The two-factor model offers a very limited perspective to leadership behavior (Yukl, 2008), and the applicability of such models are limited, especially since organizations now face an environment that experience increasing globalization, changing customer demands, and constant restructuring.

Therefore, predisposing the traits of a leader or altering behaviors to the situation are no longer effective strategies. The framework has to be such that the leader can function efficiently, effectively, and pro-actively. Consequently, there is a call for a new leadership paradigm, one that defines and predicts effective leaders and leadership behavior (Silva, 2014). The extant leadership literature also provides little guidance on transactional leadership development, which according to McCleskey (2014) is because leaders do not need development to exhibit transactional behavior.

The new imperative of actuating human resources in organizations emphasizes transformative leadership (Burns, 1978). According to Bass (1985); Bass & Avolio (1994), the dimensions of transformative leadership is significantly correlated with leader satisfaction and effectiveness across different scenarios. In a time of increasing turbulence where leaders are required to be more effective in their leadership abilities, transformational leadership could be more suitable as it tends to adequately address the challenges facing modern leadership. McCleskey (2014) suggested that transformational leadership has a broader spectrum encapsulating leader attributes, power, behavior, and contextual variables, and represent a movement toward greater integration in the leadership literature.

A dynamic, competitively driven business environment requires participative, visionay, and inspirational leadership. According to Tourish (2008) transformational leadership has consistently measured up to the challenges of the ever-changing organizational climate. In an era of learning organizations, where organization structure is increasingly informal and so are ad-hoc collaborative networks, leadership receptiveness to flexible and unpredictable environments is mandatory (Tourish, 2008). These scenarios are profoundly consistent with the engaging elements of transformational leadership, where being a flexible, yet an exceptional performer are top priorities. This serves as a powerful vindication of the central tenets of transformational leadership theory and has huge potential for the corporate world.

Ghasabeh, Soosay, and Reaiche, (2015) asserted that transformational leadership is effective in the context of globalized markets, characterized by accelerated diffusion of goods, services, values and technologies on an international scale. Within this contextual framework geographical boundaries are eliminated creating a sense of economic, political and cultural uniformity in organizations. Transformational leadership, encompassing the
Characteristics of idealized influence, individualized consideration, intellectual stimulation, and inspirational motivation espoused by Bass (1985) has served to bolster leadership effectiveness in such market environments and production arenas. Further, it has been highlighted as an enabler of innovation in numerous studies, and demonstrated through the facilitation of knowledge and ideas generation by applying intellectual stimulation that motivates employees to approach organizational problems in a more novel manner.

Conclusion

According to Latham (2014), there is no legitimate number of compelling and comprehensible theories that leaders can pursue to predict success. This unpredictability is augmented by the fact that the role of leaders in organizations is becoming increasingly difficult, as globalization has ushered in a host of new challenges. Day (2011) proposed a shift in leadership superseding the traditional best practice adaptation of focusing on specific skills and competencies, and asserted that there should be a more scientific approach to developing leaders. The new approach suggested should incorporate an improved focus intended to enhance leadership competency (Day, 2009), a new mindset regarding the significance of leader characteristics (Day & Harrison, 2007), and the advancement of robust management dimension (De Rue & Wellman, 2009).

Transformational leaders are undoubtedly capable of enhancing organization performance within a global context through the empowerment of employees, and enabling change. In today’s business environment organization success is often inhibited in the absence of effective leadership to foster the appropriate behaviors required to achieve organization goals. Transformational leaders effect change in the organization by engendering changes in attitudes and values at the individual level and fostering a mindset consistent with that of the collective unit. Moreover, this leadership style facilitates organizational innovation and learning, and promotes a common and inspiring vision for future. While Bass (2008) anticipates that personal traits and contextual situations will continue to be of significant importance in determining leadership effectiveness, he asserted that organizations which are predominantly transactional would be superseded by transformational ones as the modern leader exhibit greater innovation, responsiveness, flexibility, and adaption (Bass, 2008).

References


