THE COMPARATIVE INFLUENCES OF TRANSFORMATIONAL LEADERSHIP AND LEADER–MEMBER EXCHANGE ON ORGANIZATIONAL OUTCOME, PERSONAL OUTCOME AND EMPLOYEE SATISFACTION

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ABSTRACT

This paper provides a review of transformational leadership style and Leader-Member Exchange (LMX), then discusses the advantages and disadvantages. The paper also discusses the organizational outcome, personal outcome, model and employee satisfaction of the leadership styles. After a detailed research of the literature, it became apparent that both transformational leadership style and Leader-member Exchange theory boosts motivation level in employees. However, in certain aspects out-group employees in Leader-Member Exchange (LMX) style get dissatisfied which can have negative impact on an organization. Additionally, advantages and Disadvantages of transformational leadership style and Leader-Member Exchange (LMX) are discussed.

Keywords: Transformational Leadership, Leader-Member Exchange, Employee Satisfaction

1. INTRODUCTION

With the growing demands to achieve a sustainable competitive advantage, multi nationals have shifted their focus towards flattened hierarchies (Antoni C., 2009). Nowadays, the organizations are looking forwards towards the leaders those who have a vision for the future. Transformational leaders have the capability to see the necessary changes, create a new vision so as to build a successful future for the organizations (Stephen J. Zaccaro, 2001). These leaders have the power to drive the workforce to higher motivational levels and enable them in bringing new innovations for the organizations (Dvir T., 2002). Various theoretical concepts and frameworks will help us in demonstrating a wider context on
the importance of transformational leadership in present span of time. The paper also discusses on the advantages and disadvantages of transformational leadership style and Leader-Member Exchange (LMX).

2. ORGANIZATIONAL OUTCOMES OF TRANSFORMATIONAL LEADERSHIP

Bass (1987) discussed in this research that transformational leadership is the motivational effects that are being transmitted within the perceptions of the follower and the reactions of the leader. Dvir (2002) also projected the idea that transformational leadership is helpful in pushing innovative ideas within the followers. In transformational leadership, there is high importance of trust and belief among both the leader and followers (Butler, 1999). The impact of transformational leaders can be seen within the employees in the organization. Transformational leaders provide a helping hand for the subordinates so as to motivate them in achieving the organizational missions. Transformational leaders have an influence over the organizational behavior, organizational vision and organizational culture.

Transformational leadership has four integrating components such as idealized influence, inspirational motivation, intellectual simulation and individualized consideration that focusses on motivating the people towards the shared vision of organizations future plans (Tracey, 1998; Dionne, 2004). Idealized influence and inspirational motivation are essential essence that are connected with the ability of leader to articulate the shared vision with the followers. These leaders look for new possibilities and vision that are helpful for the successful future of the organization (Tucker, 2004). These leaders motivate and inspire their followers to go beyond their areas of interest to explore new innovative ideas for the organization (Krishnan, 2005). This allows the employees to be more involved in their task as well as achieve a great sense of work satisfaction within the organization. Transformational leaders show a great deal of respect and confidence among their followers so as to achieve great degree of trust and loyalty within the followers. This trust and loyalty within the employees is able to build a strong bond of commitment towards the organization.

Transformational leaders build up a corporate culture that has a participative climate and empowered conditions that permits the
employees to respond quickly to changing organizational demands. Transformational leaders encourage the employees to take more responsibility and autonomy. These allows the workforce to gain a level of satisfaction and accomplishment (Emery, 2007). Change management is the major aspect that can be seen in the organizations that have transformational leaders. Some of the major aspects of transformational leadership is providing the emotional and social support to the employees when they are facing negative consequence in their work. In this scenario, transformational leaders most often listen to the problems and try to motivate them so as to find the best solution for the problem. Most researchers have also been able to found out the fact the motivation and good relations between both leader and member allows the employees to create new innovations. (Ref Figure- 1)

2.1. Individualized Consideration

This element of transformational leadership includes the identifications of employees those have innovative ideas and abilities. These employees should have a high level of dedication towards the work so that they are able to handle challenging tasks in the organization. Transformational leaders motivate and shape the thoughts of these employees so as to bring strategies that out be successful for organization in near future.

2.2. Intellectual Simulation

Transformational leaders demand that their employees should go beyond their limits of knowledge so that there able to explore new concepts. These leaders encourage their employees to frame imagination and intuition so as to bring innovations for the organization.

2.3. Inspirational Motivation

One the attractive component of transformational leaders is the inspirational motivation that keeps the employees motivated towards their task. Transformational leaders provide emotional support and empathy in bad and good situation for the employees so as to make them focused towards the organizational goals.

Idealized Influence

Transformational have a great influence over their group members and the organizational culture. These leaders have the enthusiasm to bring the environment where all the employees are interacting among each other so as to bring new innovative ideas. These also bring cohesiveness among the employees in the organization as well as
brings a feeling of trustworthiness in the organization.

3. PERSONAL OUTCOMES OF TRANSFORMATIONAL LEADERSHIP

Most of the research have shown that transformational leadership have a positive effect on the personal outcomes of the employees (Dumdum, 2002). Transformational leaders allow the employees to have the full freedom on the implementation of innovative ideas in the organization. These leaders motivate the employees to go beyond their limits and come up with new ideas that would be successful for the organization. A high degree of employee satisfaction is being gained within the employees with these freedoms of thoughts given by the transformational leaders. A high degree of trust and loyalty is also build up between the leader and member which allows the employees to gain commitment towards the organization. This makes the employees to stay in the organization in a more satisfied manner. This leads to a reduce turnover which a positive effect of this leadership style. This is able to build good amount of cohesiveness among the employees in the group members. This interaction allows the organization to bring unique ideas that are helpful in achieving competitive success for the organization.

4. MODELS OF TRANSFORMATIONAL LEADERSHIP

Ref Figure 2 delineates a model in which we propose liberality standards and LMX connections as mediators coupling the connection between transformational leadership and learning creation. The model has linked various factors such as knowledge creation, open mindedness and leader member exchange with the transformational leadership. The model shows the various influences of diversity on the knowledge creation of employees. The arguments in this model will helps us in building a relationship between each variable with the transformational leadership. Several researchers have found out the fact that the ability to evolve new knowledge is one the important constituent that can help the organization to gain competitive advantage over its competitors (Fong, 2003). Knowledge creation and its implementations helps in improving the efficiency of the organizational procedures (Coff, 2003).
Transformational leaders express their confidence by allowing their employees to motivate them towards building new ideas that can be helpful for the organization. Generating new ideas and innovations is one the challenging tasks for the employees. Due to this most of the employees’ face frustration, disappointment and anger but transformational leaders are the ones who provide them encourage and motivate them so as to develop new ideas for organizational benefits (Jung, 2001).

One of the major transformational leader in the recent times was Steve Jobs, CEO of Apple (Marlane C. Steinwart, 2014; Bell, 2002). He was one of the transformational leaders who shaped his employees to bring innovative products that would make the life simpler for the people. He gave the employees the freedom to bring out innovative ideas and then interacted with them to bring out the innovations such as Macintosh, iPads and iPhones. Being one of famous leaders, he gave inspiration and motivation to his group member so as to come up with design and products that would be unique in the market. He focused on the in-group members and always had higher expectations from those employees. He also built good relations with the employees so as to provide the social support and motivation so keep thinking hard to derive ideas. The transformational leadership style of Steve Jobs made Apple one the biggest successful companies in the world (Elliot, 2012).

5. LEADER MEMBER EXCHANGE THEORY

Leader member exchange theory has been found to be positively related to transformational leadership (Deluga, 1992). LMX focusses on the two-way relationship that is being developed between the leaders and their employees (Truckenbrodt, 2000). The essential thought behind the Leader-Member Exchange (LMX) theory is that supervisors shape two groups, an in-group and an out-group, of supporters. In-group individuals are given more prominent obligations, more rewards, and more consideration. The supervisor permits these individuals some scope in their roles. They work inside the supervisor's internal circle of correspondence. Conversely, out-group individuals are outside the supervisor's internal circle, get less consideration and fewer rewards, and are overseen by formal standards and policies (Lunenburg, 2010). The theory explains the fact that leaders develop an exchange relationship with their peer members and employees. This affects
the expectations and the behavior between both the members in the cycle. Leader member exchange explains that relations between both the follower and leader can be one dimensional or multidimensional (Liden & Maslyn, 1998). The different dimensions of the exchange relationships consist of the loyalty, trust, interpersonal attraction and exchange of ideas among both the leader and member.

There are various stages of leader-member exchange theory which allows both the parties to develop relationship within the organization. The various stages include the role taking, role making and routinization. In the first stage of role taking, the employee and leader meet each other. In this phase, the leader is able to recognize the potential strengths and weaknesses of the employee. Further interaction and exchange of ideas brings both the members to second phase where leaders evaluate the employees and decide that whether the member should be in the in-group or out-group. Leaders prefer to keep the employees in the in-group those who are loyal and trustworthy. Most of the challenging tasks and innovative works are being given to these group of employees. This group of employees have the most number of interactions with the leaders and are able to share their ideas. These employees stand a better chance to get promotion and advancements as compared to the out-group members. Whereas the members in the out group gets less opportunities for advancement as compared to the in-group employees. Out-group people mostly get less chances to share their ideas with the leaders and this is one the main cause towards employee dissatisfaction in these groups. The next stage of exchange theory has already seen the establishment of relations among the leader and the employees. Within this stage the in-group members maintain their hard work to maintain a good relation with the leaders. A great deal of personal relations is developed in this phase which consists of trust, respect and empathy from both the parties. Whereas a sense of distrust and dislike starts to build up within the members in the out-group and this is one the negative consequences of leader member exchange process.

6. CONCLUSION

The paper describes the stages of transformational leadership and its positive and negative impacts on the organization. Transformational leaders are the ones who can drive the motivational power within its group members in an organization (Mujkić, Šehić, Rahimić, & Jusić, 2014). There are
circumstances where leader member exchange theory has been proved to have negative effect on the group effectiveness while on the other hand it furthermore helped in boosting the motivational levels of the employees present in In-group. The models of transformational leadership helps in knowing the various characteristics that these type of leaders look in their in-group members. Transformational leadership has been proved successful over the years and it also brings employee satisfaction in the organization (Barnett, 2018). Previous research has shown that in addition to employee satisfaction, transformational leadership has been beneficial to organizational as well as individual outcomes (Amin, Shah, & Tatlah, 2013). Some of disadvantages of the leader-member exchange theory was seen in the employees present in the out-group. These employees got dissatisfied as they are not given the challenging work and not given opportunities to develop. Employees in these group have a less chance of getting promotions and benefits as compared to the employees in the in-group. This was one of major aspects that might hamper the organization in a negative manner.

REFERENCES


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LIST OF FIGURES

Figure 1: Components of Transformational Leadership, Source- (Bass B. M., 1985)

Figure 2: Theoretical Model of Transformational Leadership, Source- (Boyle, 2009)