

ELSS840  
S2L2

# Leading change

Transactional & transformational  
leadership

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# Focus of transformational leadership

- A transformational leader seeks for new ways to do the work, tolerates risks, defines the vision, and inspires others.
- A transformative leader is proactive and focuses on creating the future.



# Focus of transactional leadership

- ❏ Transactional leadership is based on work in the present structures and culture; it avoids risk-taking; the focus is on schedules and efficiency.
- ❏ A good transactional leader works well in a stable environment where strategy is based on proven methods.
- ❏ Transactional leadership is needed in maintaining action, but it is not one to foster change.



# Types of transactional leadership

## 1. Contingent Reward

The leader provides rewards if, and only if, subordinates perform adequately and/or try hard enough. It contracts exchange of rewards for effort, promises rewards for good performances, recognizes accomplishments.



# Types of transactional leadership

## 2a. Management by Exception (MBE) – passive.

Interference in work only in case of mistakes or low quality.

Passive MBE leaders wait until the behaviour has created problems before taking action.



# Types of transactional leadership

## 2b. Management by Exception (MBE) – active.

Seeking for any event falling outside of established parameters.

Active MBE leaders monitor follower behaviour, anticipate problems, and take corrective actions before the behaviour creates serious difficulties.



# Types of transactional leadership

## 3. Laissez-faire leadership

*Laissez-faire* leadership is the avoidance or absence of leadership.

Leaders who score high on laissez-faire leadership avoid making decisions, hesitate to take action, and are absent when needed.



- Transformational and transactional leadership are not opposite ends on a leadership behaviour continuum.
- They complement each other.



# Dynamics of transformational leadership

- In transformational leadership managers and followers help each other to rise to a new level of motivation and to a higher level of moral thinking.
- Transformational leaders rely on strong ethical foundation emphasizing justice, equality, humanity, and freedom.
- They deny greed, envy, and fear.



# Dynamics of transformational leadership - 1

- Transformational leaders and their followers jointly help each other to raise to a higher level of motivation and to a new state in moral thinking
- They rely on strong ethical base emphasizing fairness, equality, humanity, and freedom
- They abandon greed, envy, and fear.



# Dynamics of transformational leadership - 2

- Transformational leadership can be found on any organizational level, and anyone can use it – the manager or the employees.
- Transformational leadership is a process, not a series of incidents.
- Transformational leadership is both influencing people on the micro level, and also a macro level process focusing on organizational renewal and change.



# Dynamics of transformational leadership - 3

- Transformational leaders seek for new ways to work, and they often oppose the status quo.
- They not only adapt to external changes, but also try to have an effect on them.
- They also use the means of transactional leadership when appropriate.
- They use imagination and metaphors.



# Dynamics of transformational leadership - 4

- Transformational leaders are able to raise the level of understanding on the importance of attaining goals in their teams.
- They are also capable of focusing individual needs and aspirations towards the goals of the team and the organization.

