Balancing transactional and transformational leadership

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Balancing transactional and transformational leadership

Saša Baškarada
Defence Science and Technology Group, Melbourne, Australia, and

Jamie Watson and Jason Cromarty
Defence Science and Technology Group, Canberra, Australia

Abstract
Purpose – This paper aims to explore how situational variables jointly affect the choice of leadership style.
Design/methodology/approach – This qualitative study is based on semi-structured interviews conducted with 11 senior leaders in the Australian Defence, including with the Chief of Defence Force.
Findings – The paper identifies four organizational factors (human capital, performance, time orientation and risk appetite) and two environmental factors (risk and stability) that are considered to have an effect on leader’s choice of transactional versus transformational styles. Furthermore, organizational human capital and leader’s training and experience are identified as prerequisites of leadership ambidexterity.
Originality/value – The findings explain how the choice of leadership style is contingent on internal and external factors, identifies several new contributing factors and explains how such factors may jointly affect the choice of leadership style.
Keywords Transformational leadership, Ambidexterity, Transactional leadership, Exploration, Exploitation
Paper type Research paper

Introduction
In contrast to transactional leadership, which focuses on leader–follower exchanges, contingent rewards and management by exception, transformational leadership emphasizes inspiration, intellectual stimulation and motivation of followers (Von Krogh et al., 2012; Bass, 1999). Although one of the most popular contemporary leadership styles, transformational leadership has been presented as both a universal as well as a contingency theory (Andersen, 2015). In other words, some scholars maintain that transformational leadership is always superior to transactional leadership (Bass, 1985; Burns, 1978; Birasnav, 2014), while others argue that different leadership styles may be required under different circumstances (Yukl, 2012). This is obviously problematic as a theory cannot be universal and contingent. The fact that transformational leadership has received approximately five times more scholarly attention than transactional leadership (Dinh et al., 2014) lends support to the view that many scholars view transformational leadership as a universal theory. Nevertheless, there have been calls for more research on “how the situational variables that define common situations for leaders jointly determine which behaviors are most relevant” (Yukl, 2012, p. 77). This paper contributes to answering such calls by addressing the following broad research question:

RQ1. How do internal and external situational variables jointly affect the choice of transactional versus transformational leadership style?
**Transactional, transformational and ambidextrous leadership styles**

A wide range of internal and external contingency factors may affect the choice of leadership style (Brandt et al., 2016). This includes the external environment, organizational performance and organizational maturity (Osborn et al., 2002; Jansen et al., 2009; Waldman et al., 2001; Vera and Crossan, 2004; Jansen et al., 2006; March and Simon, 1953). Specifically, transformational leadership has been linked to a dynamic external environment, unsatisfactory organizational performance and times of revolutionary change, while transactional leadership has been associated with stable and predictable environments, acceptable organizational performance and established organizations. In other words, transactional leadership is useful for institutionalizing, reinforcing and refining existing knowledge, whereas transformational leadership is useful for challenging the existing state of affairs (Jansen et al., 2009).

Transactional leaders generally favour closed cultures, mechanistic structures and formal systems and procedures (Vera and Crossan, 2004; Shrivastava, 1983). Transformational leaders, on the other hand, generally favour open cultures, organic structures, adaptable systems and flexible procedures. Accordingly, they seek to encourage creativity, change, experimentation and risk-taking (Berson et al., 2006; Mittal and Dhar, 2015). Although transformational and transactional leadership styles have been associated with exploratory (discontinuous) and exploitative (incremental) innovation, respectively, a number of studies have argued that the association between transformational leadership and discontinuous innovation may be more complex (Keller, 1992; Jaussi and Dionne, 2003; Jung et al., 2003; Elenkov et al., 2005; Rosing et al., 2011).

Organizations need to be able to simultaneously focus on the efficient management of immediate business demands as well as on future opportunities and challenges (Baškarada et al., 2016b, 2016a). Accordingly, organizational ambidexterity (O’Reilly and Tushman, 2004), the ability to maintain an appropriate balance between incremental innovation (exploitation) and discontinuous innovation (exploration), is critical to organizational enduring success (March, 1991; Tushman and Reilly, 1996; Yukl, 2009; Jansen et al., 2008). This is the case as too much innovation may produce a surplus of experimental technologies, whereas excessive refinement may lead to a competency trap, where existing technologies and business models may become irrelevant over time (Levitt and March, 1988). Achieving and maintaining appropriate balance can be challenging as exploration and exploitation compete for limited organizational resources (March and Simon, 1953). They also stand in a relative tension since immediate benefits may not lead to strategic advantages, and vice versa (March, 1991).

Ambidextrous leadership involves either concurrent focus on exploration as well as exploitation, or the ability to seamlessly switch between the two approaches (Rosing et al., 2011; Li et al., 2015; Torres et al., 2015). Thus, while ambidextrous leaders encourage their followers to stretch objectives, they also enforce expectations and create an environment where employees support and trust each other (Gibson and Birkinshaw, 2004; Zacher and Rosing, 2015; Baškarada et al., 2016c).

**Method**

Similar studies conducted in the past have largely been based on quantitative data collected from subordinates (Yukl, 2009). Considering the complexity of the research problem, and to obtain richer insights pertaining to internal and external factors affecting the choice of leadership styles, this study opted to collect qualitative data directly from 11 senior leaders in Australian Defence. Accordingly, semi-structured interviews were conducted with the Chief of Defence Force, Chief Joint Operations, Deputy Chief Joint Operations, Chief Defence
As this study adopts a qualitative rather than quantitative approach, there was no requirement to select a statistically representative sample (Baškarada, 2014). Instead, participants were selected based on their position (i.e. senior leaders from different parts of the organization), availability and willingness to participate in the study. Although a set of predefined questions based on Bass’s (1985, 1999) Multifactor Leadership Questionnaire was used, the semi-structured approach allowed the researchers to modify questions as required and seek more information when a novel theme emerged. Subsequent to the interviews, all interview notes were reviewed by the study participants for accuracy.

The constant comparative method of qualitative data analysis was used to identify key factors, themes and patterns (Glaser, 1965; Spradley, 1979). Qualitative data analysis, in general, and the constant comparative method, in particular, aim to add structure to unstructured text. For instance, thematic analysis, where categories are grouped into overarching themes, is one of the most frequently employed approaches to qualitative data analysis (Aronson, 1995). Such structure, which is introduced in stages, forms the basis of any resulting frameworks, theories and explanations (LeCompte, 2000). The constant comparative method was first outlined by Glaser (1965) in a seminal paper that highlighted the importance of simultaneous coding and analysis. The method initially involves the identification of as many categories of analysis as possible. According to Glaser, this data categorization directly leads to the identification of theoretical properties relating to categories. Such theoretical properties may include causes, conditions, consequences, dimensions, types and processes. Once identified, categories and their properties may then be integrated into a preliminary theory. While Glaser and Holton (2004) explain what needs to be compared, exactly how this is to be done remains relatively ambiguous. When comparing coded items, other scholars have suggested looking for equivalence, similarity and difference (LeCompte, 2000). To ensure a level of face-validity, the outcomes of the analysis were reviewed by all several subject matter experts as well as the study participants.

Results and discussion

Factors affecting the choice of leadership style

The qualitative analysis identified four organizational factors (human capital, performance, time orientation and risk appetite) and two environmental factors (risk and stability) that are considered to have an effect on leader’s choice of transactional versus transformational behaviors (Figure 1).

It was found that transactional leadership is positively associated with short-term time orientation. For instance, operational military decisions/actions that are time-sensitive (i.e. have to be made relatively quickly) are more likely to be based on lessons learned in the past (i.e. tried and tested approaches). An interviewee identified that he has a preference for transformational leadership, but his ability to use that approach depends upon the time available and the sensitivity of the issue at hand. The sheer magnitude of sensitivities associated with operational issues limits the degree of exploration and consultation that he can at times undertake. On the other hand, if there is little or no previous experience (e.g. due to a changing environment), and time is not of the essence, then transformational leadership is considered more appropriate.

Although previous research argued that transactional leadership is associated with a stable environment and transformational leadership with unstable and/or uncertain
environments (Jansen et al., 2009; Osborn et al., 2002; Jansen et al., 2006), this study suggests that any environmental effects on leadership style are further mediated by external risks and organizational (internal) risk appetite. For instance, military operations take place in highly dynamic environments, yet, due to a relatively low-risk appetite (as human lives are at stake) they may be dominated by transactional leadership approaches. In other words, transactional leadership is essential for risk mitigation and safety. An interviewee identified that in situations that are normally associated with high-risk and/or high-impact events, wherein tactical and operational actions have the potential for significant strategic outcomes, he must occasionally provide very specific and direct guidance on the use of assets to avoid any potential complications that a transformational approach might introduce. Accordingly, transactional leadership is also positively associated with a low-risk appetite, which is in turn positively associated with a relatively satisfactory organizational performance. Conversely, unsatisfactory organizational performance may lead to an increase in the risk appetite.

Transactional leadership is also positively correlated with another organizational factor: a relative scarcity in human capital. An interviewee observed that, due to the current staffing levels, there is a lack of people and experience across various functions, some of which previously had deep experience and specialist staff. Consequently, senior leaders can sometimes get too heavily involved in the work and decisions of junior leaders. In contrast, another interviewee noted that repeat postings of persons into his organization has led to greater depth of understanding (i.e. increased human capital), which, in turn, has facilitated transformational approaches to leadership.

An interviewee identified the “burning platform” (immediate and radical change due to dire circumstances) as a key driver for transformation. The interviewee suggested the realization that the size, shape and direction of an organization will result in it “going over the cliff” in five or 10 years (long-term time orientation) is a strong motivation for transformational leadership. In such circumstances one simply cannot continue to do things...
the way they have been done in the past as, due to radical changes in the environment, potentially unsatisfactory organizational performance may eventuate. The emergence of external pressures and motivations for change increases organizational risk appetite and helps to build a culture where people expect and want to be transformational. Conversely, transformation is more difficult to accomplish in good times when resources abound. As such, transformation is not generally associated with the “up cycle”, but instead “it is only when dark clouds come that you really start to think transformationally”.

Another interviewee exemplified the effect of changing environmental conditions on the requirement for transformational leadership by noting that he had the opportunity to undertake the same role at two different stages of his career. Although he thought that doing the job the second-time around meant that he would know what to do and how to do it and what would be successful and what would not work, given the changed context, this was not the case.

Similarly, changing environmental conditions (Government and operational pressures) have caused Australian Defence to be a more joint and diversified organization today than it was in the past. For instance, the Government has requested Defence to be more transparent, accountable and efficient, leading to closer working relationships with other departments. Likewise, operations have caused Navy, Army, Air Force and other departments to work together. The resulting conditions have engendered transformational approaches. Another interviewee also acknowledged that the joint, coalition and multiagency environment within which Defence is now working requires transformational leadership.

In reflecting upon when transformational leadership might not work well, an interviewee suggested that having a clear outcome in mind is necessary. In times when the outcome is less clear, or resources or relationships do not exist, transformational approaches are less successful.

**Ambidextrous leadership**

As noted previously, ambidextrous leadership involves either concurrent focus on exploration as well as exploitation or the ability to seamlessly switch between the two approaches. Most of the interviewees agreed with the thesis that effective leadership requires a balance between transactional and transformational approaches. One interviewee noted that as the leader of his organization, he likes to operate more in the transformational space. Nevertheless, limits to transformation are imposed by resource constraints, as, while attempting to develop alternative approaches, one still needs to keep “the transactional machine” in operation. In other words, any transformational approach is firmly bounded by certain transactional expectations. Another interviewee cited the recent development and roll out of his organization’s five year strategy as an example of transformational leadership. However, even when developing this strategy, and thinking about the future in the broadest sense, he was required to continue operating the business and was therefore required to be transactional on many other matters. As a general rule, he suggested he would split his focus approximately 60-65-per cent transactional and 35-40-per cent transformational. Another interviewee noted that he spends 80 per cent of his time in the transactional mode, and while he would very much like to move toward 40-per cent transformational, he would still need to maintain 80-per cent transactional to meet the ongoing decision demands of his role and keep Government informed. Another interviewee noted that he usually spends 60 per cent of his time doing the business of the day and the remaining 40 per cent of the time exploring how to make things better. Nevertheless, he was quick to suggest that it is “never one or the other” and that effective leadership requires both approaches.
A number of interviewees explained how they delegate transactional responsibilities to relevant deputies. For instance, an interviewee observed that, by design, he has focused his efforts on transactional aspects, leveraging the strong emphasis of his superior on transformational processes. As such, he ensures that while his superior remains transformational, the transactional issues continue to be progressed. These two senior leaders form a comprehensive team that exhibits leadership ambidexterity across two different levels (Li, 2013). Another interviewee provided a similar example by noting that to create an environment for his deputy to be more transformational, he established a Chief-of-Staff position within his organization to deal with much of the process and mundane corporate governance responsibilities. Another interviewee agreed that, in a well-functioning headquarters, it will be the Deputy Commander or the Chief-of-Staff who will oversee the transactional process, allowing the Commander to be more transformational.

**Prerequisites.** Ambidextrous leadership, by definition, requires competence in both transactional and transformational approaches. As such, appropriate training and experience (personal factors) are prerequisites for ambidexterity and do not affect the balance between transactional and transformational styles. Similarly, sufficient human capital (organizational factor) is also a prerequisite for ambidexterity (Lee and Huang, 2012). In addition to being prerequisites, training, experience and human capital are also relatively stable compared with other factors, which affect the balance between transactional and transformational leadership styles (Figure 2).

Many of the interviewees noted that their military training has prepared them well for transactional leadership. However, a leader requires a broad experience-base to be transformational. Exploring the development of his approach to transformational leadership:

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**Figure 2.** Factors affecting leadership ambidexterity

**Notes:** 1Personal factor; 2organizational factor; 3environmental factor
leadership, one of the interviewees noted that he received little training on the topic during his formal education, but that his learning on the subject has instead been experiential. Another interviewee agreed that the way leaders view things is shaped by their background and life experience, and explained that his transformational approach to leadership has been shaped by a mainstream career with command experience, operational deployments, staff roles, formal education and a number of opportunities to “step outside the organization”.

In addition to a varied career, early exposure to transformational leadership is also a critical prerequisite; if one does not get exposed to big leadership and strategic issues until late in the career, one is more likely to view things as one dimensional. As such, transformational leadership should be part of a leader’s career development from early stages. An interviewee noted that transformational approaches did not play a strong part in his early career. It was only upon exposure to the commercial world, that his eyes were opened to another way of doing business. Industry provided a “sink or swim” environment with great opportunities to be transformational. Another interviewee noted that although he has always had a preference for transformational approaches, as a junior leader, he might not have had the skills and experience to apply the transformational approaches that he is now able to utilize as a senior leader. If a leader does not have that experience-base, then access to people who do have it is very important. Another interviewee noted that “at 25 everything was black and white, but with maturity I have now accepted that ambiguity is certain”. As he matured and progressed through the organization, he became more transformational in his approach. He also suggested a potential linkage between emotional intelligence and leadership approaches. Another interviewee agreed by noting that his ability to see an issue from another person’s perspective has enabled him to have empathy for how transformational leadership decisions might be received by those that work for him.

However, one of the interviewees suggested the choice of leadership style may be dependent on a leader’s personality; if a leader is predisposed to one type of leadership, he or she may have to consciously work on the other. Another interviewee agreed that choosing between transformational and transactional approaches was not an active mindset, but “one of those things” that after 30 years of experience in the job is “almost automatic”. It was also suggested that leaders are likely to interpret situations in relation to similar situations experienced in the past, and, as a result, may instinctively apply a transactional approach before considering anything transformational.

The moderating role of risk and urgency. Several of the interviewees explained that they balance transactional and transformational leadership approaches by consciously thinking through risk and urgency. For instance, as Defence undergoes reform processes, some of the decisions are so large that potential mistakes will have long-lasting implications, and therefore, being mindful of this is an encouragement to not rush in and do things under the transactional paradigm. However, this can be a difficult issue to manage in the face of Government and leadership pressures to provide information and demonstrate progress.

This argument is consistent with our earlier discussion, for the rationale for balancing between transactional and transformational leadership styles is dependent upon two aggregate factors: risk (a function of environmental risk and organizational risk appetite) and urgency (a function of organizational performance, time orientation and environmental stability). While transactional leadership is generally employed when the risk associated with making a poor decision is relatively high and transformational leadership when the risk is relatively low, these conditions are further mediated by the urgency factor. As such, unsatisfactory organizational performance, unstable environment or long-term time orientation may require transformational leadership even when the risk associated with making poor decisions is relatively high. Assuming acceptable organizational performance,
an interviewee noted that an overestimation of environmental risk is often correlated with a tendency for transactional over transformational leadership.

**Conclusion**

This study explored how a number of organizational and environmental factors may jointly affect a leader’s choice of transactional and transformational behaviors. It was highlighted that transformational approaches are firmly bounded by transactional expectations, and that effective leadership requires a balance between the two leadership styles. The leader’s training and experience as well as sufficient organizational human capital were identified as prerequisites of leadership ambidexterity.

The paper makes several theoretical and practical contributions. Theoretical contributions include:

- providing support for the thesis that the choice of leadership style is contingent on internal and external factors;
- identifying several new contributing factors; and
- explaining how such factor may jointly affect the choice of leadership style.

From a practical perspective, the findings may be used by senior leadership development professionals to promote and facilitate leadership ambidexterity by ensuring that relevant prerequisites are addressed and that risk and urgency are adequately considered. Finally, simply raising senior leadership awareness of relevant factors may stimulate self-reflection and facilitate identification and correction of any imbalances in leadership style.

Future work may investigate the extent to which this paper’s findings are transferable to other organizations as well as to lower echelons of leadership in Australian Defence. For instance, less senior leaders without significant ownership and control of resources and policy may not be able to facilitate organizational transformation to the same extent as more senior leaders can. Future work may also explore a potential paradox that is implicit in the discussion section, namely, that unsatisfactory organizational performance (and the resulting resource-constrained environment) is at the same time a driver for, as well as a barrier to, transformation.

Finally, while unsatisfactory organizational performance increases organizational risk appetite and helps to build a culture where people expect and want to be transformational, the resulting resource-constrained environment limits any transformative potential. This is because while attempting to develop alternative approaches, one still needs to keep “the transactional machine” in operation.

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**Corresponding author**
Sasa Baškarada can be contacted at: sasa.baskarada@defence.gov.au

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