

THE EFFECT OF LEADERSHIP STYLE ON THE PROCESS OF ORGANIZATIONAL CHANGE IN A DEVELOPING COUNTRY

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Abstract: *This paper aims to highlight processes that enhance positive reactions to change in organizations. The authors investigate the effect of leadership style (transformational and transactional) on employees' readiness for and appraisal of change. This is a cross-sectional study. The authors used a self-administrated questionnaire on the basis of random sampling of seven large business companies in Amman, Jordan. Data obtained from 259 followers were analyzed using multiple and simple regression. Results revealed that transformational and transactional leadership styles were positively associated with employees' readiness for and appraisal of change. Readiness for change was positively related to appraisal of change. Transformational, compared to transactional, leadership had the stronger positive effect on employees' readiness for and appraisal of change in the companies researched. The results have practical implications for change management in business companies, improving employees' readiness for and appraisal of change by developing the leadership styles of managers in these companies.*

Key words: *Change, Transformational Leadership, Transactional Leadership, Change Process*

INTRODUCTION

The dramatic forces affecting organizations, such as developments in technology, competition and social trends, have made change unavoidable (Shah, 2011) and ubiquitous (Holten and Brenner, 2015). Organizations must respond to changes in their environment to be successful and effective.

Organizational change is the process by which organizations move from their current state to a better state to increase their effectiveness (Jones, 2013). Organizational change is the transformation between two points which offer a

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comparison between the organization before and after change is implemented (Barnett and Carroll, 1995). Since change means transforming from a known to an unknown situation, it is considered chaotic and dramatic (Abrahamson, 2000; Gleick, 1987). This study deals with change as a process that has pre-change phases and consequences (Oreg *et al.*, 2011).

Change is found to be negatively related to attitudes, behaviors and productivity in organizations (Mack *et al.*, 1998; Martin *et al.*, 2005; Oreg, 2006). Organizational change is associated with a series of potentially unconstructive outcomes for both organizations and individuals (Holten and Brenner, 2015). During organizational change, management behavior influences the well-being of followers (Skakon *et al.*, 2010). Furthermore, it has been shown that reactions towards change are more likely to be positive when management of change takes a participative and informative approach and is perceived as fair (Oreg *et al.*, 2011). Helms Mills and Mills (2009) state that change is the adjustment of core facets of an organization's business.

Since change is often associated with negative outcomes at the individual and organizational levels, researchers focus on factors that may minimize negative outcomes and contribute to positive ones (Bernerth *et al.*, 2007; Rafferty and Simons, 2006).

In accordance with this stream of research, the aim of the current study is to investigate the role of leadership styles, in the form of transformational and transactional leadership, as determinants of the change process, in the form of readiness for change and change appraisal. It also aims to investigate the effect of change readiness in the pre-change phase on change appraisal in the consequence phase. Much of our knowledge of change and leadership comes from Western settings; this study helps to fill a gap in this knowledge by investigating these relationships in a developing country, Jordan.

LEADERSHIP STYLES

Dartey-Baah (2015) reviews the literature on three leadership theories: resilient, transformational and transactional. The author observes that qualities such as strategic thinking, emotional intelligence, adaptation/change orientation, performance orientation and collective leadership are captured under resilient theory, but that they are also covered by the transformational and transactional leadership styles. He argues that searching for the best leadership style is unnecessarily repetitive. The conceptual model emerging from his literature review indicates that an effective transformational and transactional mix constitutes the resilient leadership style.

From a knowledge acquisition perspective, Politis (2002) investigates the relationship between the elements of leadership dimensions associated with Bass's model, concluding that some of the leadership dimensions that enable subordinates' knowledge acquisition and transformational leadership are not pre-existing conditions for achieving desirable performance. His study also shows that when managers transact with followers' knowledge acquisition, these transactions will be viewed as contingent rewards by leaders who are less effective, a finding consistent with that of Tusi (1982). Moreover, Politis argues that in a high-technology environment where knowledge sharing is a social obligation, transactional leadership is counterproductive and obsolete.

Jabeen *et al.* (2015) carried out a 24-week longitudinal study in the USA, using a self-administered structured questionnaire, and found a positive relation between transactional leadership and the psychological contract. They also found that transactional leadership has little effect on transactional and psychological contracts or on organizational commitment. Finally, the study showed that the impact of psychological contracts on organizational commitment is the same for both contingent and permanent staff. Thus, to encourage commitment, psychological contracts within the workplace should be considered when setting up HR.

Liu *et al.* (2011) surveyed Chinese work teams and report that transactional leadership was negatively related to team effectiveness. This negative association existed when emotional labor was high, whereas there was a positive association when emotional labor was low. The study also found that group efficacy mediated the interactive effect of transactional leadership and emotional labor on team innovativeness.

In order to investigate facets of both transformational and transactional leadership, Sarros and Santora (2001) surveyed and interviewed 500 Australian executives. They provide lists of many leadership strategies and approaches, of which the following are examples: People do not need management, but systems and procedures need management. Followers need leadership. Ultimately, feelings, ideas and teams need leadership. Leadership will be in the best state when leaders and followers agree about the mechanisms and strategies needed to achieve goals. Successful executives in today's business environment are active with their people; they inspire and reward them, making corrections when needed; and if followers do not perform well, they replace them.

In Canada, Ivey and Kline (2010) measured the expectations that members of the navy and air force had of their leaders, in the contexts of both transformational and transactional leadership styles. A total of 704 military officers in the provinces of Alberta, Ontario and Nova Scotia were made available to rate their leaders' behavior and the behavior they expect of their leaders. The researchers measured

four factors of transformational leadership style and three transactional leadership factors, concluding that transformational leadership behaviors were more frequent than transactional behaviors.

Barth-Farkas and Vera (2014) examined the relationship between perceived power and transformational leadership in the German public sector, using an online questionnaire which was answered by 120 master's students at the German Police University. They found that police officers with high perceptions of power had lower scores on transformational leadership, whereas their low-power counterparts scored highly on perceptions of transformational leadership.

The vast majority of studies in the field of leadership styles, whether transactional or transformational, have been conducted in the West. Therefore, the literature on leadership styles is mainly concerned with styles that suit Western society (Boyne, 2010; Meyer and Allen, 1991), where individualism is dominant. Therefore, this research makes a contribution to the literature by investigating these dimensions in an Arab country, where collectivism is dominant.

TRANSFORMATIONAL LEADERSHIP

Researchers have been studying transformational leadership for more than a quarter of a century. The pioneering piece of research was done by Burns (1978), followed by many other scholars who studied and defined transformational leadership (e.g. Tichy and Devanna, 1990; Kouzes and Posner, 1988; Bennis and Nanus, 1985; Bass, 1985). Some scholars have identified visioning, challenging, consideration and being an example as components of transformational leadership (Bass, 1985; Bennis and Nanus, 1985; Kouzes and Posner, 1988; Tichy and Devanna, 1990). The importance of investigating transformational leadership is said to arise from its positive impact (Brandt and Laiho, 2013) as reflected in improved productivity, reduced turnover, high job satisfaction and well motivated staff (Clover, 1990; Marshall *et al.*, 1992; Masi and Cooke, 2000; Sparks and Schenk, 2001). Arnold *et al.* (2007) go further, focusing on other areas such as well-being and physiological capital.

Good leaders are those who can enhance followers' trust (Chiang and Jang, 2008; Patiar and Mia, 2009), loyalty and respect, and who can motivate them to behave in a way that is beneficial to the organization and to perform beyond expectations (Bass, 1985). Transformational leadership has been characterized as influencing employees' attributes/behavior, inspiring motivation and encouraging intellectual and individual stimulation (Avolio and Bass, 2004; Bass and Avolio, 1990). Consequently, once followers are motivated they will demonstrate admiration and respect for managers and become loyal to the organization (Rust *et al.*, 2000; Dai *et al.*, 2013; Brown and Arendt, 2011). Transformational leaders

with a vision and clear sense of organizational mission are always confident and self-esteemed (Dai *et al.*, 2013). As a result, they earn respect, trust and commitment from their followers (Bass and Avolio, 1994). Guay (2013) found that transformational leadership was also associated with leaders' effectiveness.

There is a strong link between transformational leadership and team performance (Dionne *et al.*, 2004). The three most conceptualized teamwork processes are cohesion, communication and conflict management (Dyer, 1995; Oser *et al.*, 1989; Stevens and Campion, 1994; Swezey and Salas, 1992; Zander, 1994).

Bass and Avolio (1994), Avolio *et al.* (1999) and Bycio *et al.* (1995) refer to four factors as the 'four Is of transformational leadership', i.e. idealized influence, inspirational motivation, intellectual stimulation and individualized consideration.

Transformational leadership is defined by Avolio *et al.* (2009, p.423) as "leader behaviors that transform and inspire followers to perform beyond expectations while transcending self-interest for the good of the organization".

TRANSACTIONAL LEADERSHIP

Bass (1985, cited by Dartey-Baah, 2015, p.7) describes transactional leadership as a transaction in which followers' needs are met if their performance measures up to their explicit or implicit contracts with their leader. Alternatively, Penn (2015) defines transactional leadership as an approach founded on contractually agreed terms of transaction between a leader and his subordinates, where each expects the other to fulfill the contract drawn up between them in terms of transaction.

Transactional leadership explains leaders' behavior from three perspectives: contingency, reward and management by exceptions (passive and active) (Bass, 1997; 1981; 1985). It has been argued that transactional leaders are generally passive and take action only when a problem arises (Judge and Piccolo, 2004). Transactional leaders motivate their followers to meet the established goals by clarifying the role and task requirements as appropriate (Politis, 2002); they emphasize subordinates' roles and what they must do to achieve the set goals.

The three transactional leadership factors are: contingent reward, active management by exception and passive management by exception (Bass *et al.*, 2003). Bass (1997) states that transactional leadership is a traditional model with its origin in the organizational or business perspective of the bottom line. Therefore, to ensure higher performance, leaders first have to establish specific parameters, guidelines, rules and performance standards, then operate a system of reward and punishment to enforce positive work behaviors and discourage negative ones. This situation represents transactional leadership as more task- or goal-oriented than people-oriented (Dartey-Baah, 2015).

LEADERSHIP STYLES AND CHANGE

Transformational leadership has been widely investigated within the context of innovation and change research (e.g. Bommer *et al.*, 2005; Mumford and Licuanan, 2004; Jung *et al.*, 2003; Krause, 2004; Detert and Burris, 2007).

Commitment to change is one of the most important ingredients of the behavioral intention to support change (Fedor *et al.*, 2006; Herscovitch and Meyer, 2002). The same authors report that commitment to change can foster the predication of change-relevant behavior. Accordingly, subordinates with higher commitment to change are more likely to show 'innovation implementation' behavior. Thus, transformational leadership is positively linked to followers' implementation of innovation, because it can increase commitment to change. Transformational leadership arouses organizational members' commitment to a new vision and inspires a new way of thinking (Huang *et al.*, 2014), both of which are necessary for organizational change.

Dvir *et al.*, (2002. p. 735) also link transformational leadership to change by defining it as "influencing followers by broadening and elevating followers' goals and providing them with confidence to perform beyond the expectations specified in the implicit or explicit change agreement".

Both transformational and transactional leaderships are important for successful change in organizations (Nadler and Tushman, 1989; Simon, 1999; 2002). Managers' behavior, as represented in their leadership style, is found to affect their followers' reactions and behavior toward change, as these managers represent models for their followers (Skakon *et al.*, 2010). Therefore, managers are seen as facilitators of the change process, which affects the degree to which followers accept change (Armenakis *et al.*, 2007; Oreg *et al.*, 2011).

While transformational leadership is an appropriate style for dealing with change (Eisenbach *et al.*, 1999), the transformational and transactional styles are separate yet complementary (Bass, 1985). In a successful change process, both transactional and transformational styles would align with more specific manager change engagement, according to Holten and Brenner (2015), who also found that during the later stages of change, leadership styles do not play an important role in directly determining the change appraisal of followers.

Research findings indicate that the transformational and transactional leadership styles are both appropriate for dealing with change in organizations (Bass and Riggio, 2006; Holten and Brenner, 2015). Many studies report that followers are not only receivers of change but also affect the change itself (Mack *et al.*, 1998; Whelan-Berry *et al.*, 2003). It is critical to make followers ready not only to accept change but also to participate in it (Jones, 2013), as their readiness in the early phases of change ensure their appraisal and support for the final stages

(Robbins and Judge, 2013). It seems that employees' readiness for change affects their (negative or positive) appraisal of the change process.

Accordingly, we propose the following hypotheses:

H1: Transformational and transactional leadership styles are positively related to change readiness.

H2: Transformational and transactional leadership styles are positively related to change appraisal.

H3: Change readiness is positively related to change appraisal.

SAMPLE AND PROCEDURES

Participants in the current study were full-time employees of seven large business companies operating in Amman, the capital of Jordan. The companies, engaged in telecommunications, banking, manufacturing and health services, had all applied changes to their processes and operations. A random sampling technique was used to choose participants, to whom the researcher delivered questionnaire forms in person. Respondents were assured that all information provided would be treated with confidentiality. Of the 350 questionnaires distributed, 276 were returned. Seventeen of these were excluded from statistical analysis due to missing data, leaving a total of 259 usable questionnaires, which represents a final response rate of 74%. Of the respondents, 61.8% were male and 38.2% were female. A clear majority (70.2%) held bachelor's degrees and most (82.7%) were aged under 45 years. More than three-quarters (78.8%) held non-supervisory positions and more than half (56%) had more than 10 years tenure with their present companies.

MEASUREMENT

Transformational leadership was measured using a seven-item scale developed by Careless *et al.* (2000), transactional leadership was measured using a nine-item scale developed on the basis of previous research by Sosik and Godshalk (2000), readiness for change was measured using a fourteen-item scale developed by Madsen *et al.* (2005) and change appraisal was measured using a seven-item scale developed by Randall *et al.* (2009). The respective Cronbach's α values for these scales were 0.90, 0.84, 0.84 and 0.84.

On all measurements, respondents were asked to tick one of five numbers on a Likert scale from 1 (strongly disagree) to 5 (strongly agree).

RESULTS

Table 1 below shows mean, standard deviation, correlation and Cronbach's alpha values for the research variables. All the means of the variables included in this

study were around the mid-point, except for transformational leadership ($M = 3.91$). The reliability of all scales used in this research was found to be satisfactory.

Table 1
Mean, Standard Deviation, Correlation and Cronbach's Alpha for Research Variables

Variables	Mean	SD	1	2	3	4
1- Transformational leadership	3.91	0.77	(.90)			
2- Transactional leadership	3.43	0.68	.27**	(.82)		
3- Change readiness	3.32	0.59	.72**	.28**	(.94)	
4- Change appraisal	3.52	0.81	.75**	.29**	.66**	(.75)

**correlation is significant at the 0.01 level

The Pearson correlation shows strong positive correlations between transformational leadership style and change readiness and change appraisal. Transactional leadership was also significantly correlated with change readiness and change appraisal, while change readiness was positively correlated with change appraisal.

TESTING OF HYPOTHESES

Table 2
Results of Multiple Regression Analysis for leadership style on change readiness

Independent Variables Leadership style	Dependent Variable (change readiness)		
	β	t-value	Sig.
1-Transformational leadership	0.720	16.743	.000
1-Transactional leadership	0.095	2.218	.027
R. 0. 751			
R ² 0. 560			
F. Value		164.124	.000

Hypotheses H1 and H2 were tested using multiple regression. The results in Table 2 show that both transformational and transactional leadership styles positively affected change readiness. The test of regression weights reveals that the transformational leadership style had the strongest impact on employees' readiness for organizational change ($\beta = 0.720$, $p < 0.001$, $t = 16.743$). The transactional leadership style was also found to have a significant and positive effect on employees' readiness for change ($\beta = 0.095$, $p < 0.05$, $t = 2.218$). Thus, H1 is accepted.

Table 3
Results of Multiple Regression Analysis for leadership style on change appraisal

Independent Variables Leadership style	Dependent Variable (change readiness)		
	β	t-value	Sig.
1-Transformational leadership	0.699	15.783	.000
1 – Transactional leadership	0.102	2.301	0.022
R. 0.733			
R ² 0.533			
F. Value		147.300	0.000

Hypothesis H2 predicts that transformational and transactional leadership styles will positively affect change appraisal. The results in Table 3 support this hypothesis. The results of multiple regression reveal a significant and positive effect of transformational ($t = 15.783, p = 0.001$) and transactional leadership ($t = 2.301, p = 0.05$) on change appraisal. Thus, H2 is accepted. The test of regression weights reveals that the transformational leadership style had the strongest impact on employees' appraisal of organizational change ($\beta = 0.699, p < 0.001, t = 15.387$).

Table 4
Results of Simple Regression Analysis for change readiness on change appraisal

R	R ²	F. Value	Sig.	t-value	Sig.
0.633	0.437	201.297	0.000	14.188	0.000

H3 predicts that change readiness positively affects change appraisal. This hypothesis was tested using simple regression. Table 4 reveals the positive and significant effect of change readiness on change appraisal ($t = 14.188, p < 0.001$), which supports H3.

DISCUSSION

This study investigated the effects of leadership style, in the form of transformational and transactional leadership, on both change readiness and change appraisal. It also examined the effects of employees' change readiness on their change appraisal. The major results indicate that transformational and transactional leadership styles were related to change readiness and change appraisal, supporting our hypotheses. Both transformational and transactional leadership were positively related to change readiness and change appraisal. Change readiness and change appraisal were both strongly influenced by transformational leadership, while employees' readiness to change was positively related to change appraisal. Therefore, employees' change appraisal seems to be

influenced directly by leadership style at the end phase of the change process and indirectly at the initial phase, through the impact of leadership style on employees' change readiness. These results are consistent with those reported in the literature (Bass and Riggio, 2006; Holten and Brenner, 2015; Armenakis *et al.*, 2007; Oreg *et al.*, 2011), which show leadership style to be related to change management.

The findings provide additional evidence that leadership style influences employees' readiness for and appraisal of change. They imply that when organizations plan to change, the role played by style of leadership should be considered. The results suggest that managers can influence change in the initial phase (change readiness) and the final phase (change appraisal). Leadership style, particularly transformational leadership, can enhance and support successful change in organizations. Thus, managers in organizations involved in change should focus on providing vision and a sense of mission for change, giving personal attention to their followers and gaining their respect and trust, rather than focusing on offering rewards for effort or performance.

This study makes a contribution by developing a theoretical framework to explain the role of leadership style in change and examining it empirically in large business companies that have undergone planned changes in a developing country, Jordan. Secondly, while the focus of previous research has been on either the first or the last stage of change management, this study has examined both of these (change readiness and change appraisal) in one study, which is the first time that this has been done, to the best knowledge of the authors. Furthermore, it is among the first studies to examine the effects of change readiness on change appraisal.

This study, as with all social science research, has limitations. For example, the data were obtained at a single point in time, which limits the validity of inferring cause-effect relationships among our variables. The data were also self-reported, making it difficult to evaluate the honesty and accuracy of the questionnaire responses.

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