



# Leveraging transformational and transactional leadership to cultivate the generation of organization-focused ideas



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## ARTICLE INFO

### Article history:

Received 1 August 2013

Received in revised form 23 September 2014

Accepted 8 October 2014

Handling Editor: William Gardner

### Keywords:

Transformational leadership

Transactional leadership

Leader organizational identification

Organization-focused idea generation

Multi-level

## ABSTRACT

We investigate how transformational and transactional leadership motivates employees to commit to an organizational ideation program so that they subsequently generate ideas that benefit the organization. To resolve the mixed and contradictory findings of earlier studies about these leadership styles, we propose that more attention needs to be devoted to the leader's personal beliefs. Specifically, we study the degree to which a leader identifies with an organization and how this possibly unlocks the effects of transformational or transactional leadership. Using multilevel data collected in a large multinational company, our findings reveal that both transformational and transactional leadership is effective in motivating followers to commit to the goals of an ideation program. Increased commitment, in turn, is associated with more ideas that followers generate. In contrast to the effect of transactional leadership, however, the effect of transformational leadership is contingent on how strongly leaders identify with the organization.

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## Introduction

Harnessing employee ideas and creativity is important for organizations in order to boost growth (Banbury & Mitchell, 1995) and realize much greater efficiencies and higher performance (Baer & Frese, 2003). The popularity of ideation programs such as idea-boxes testifies to the importance of leveraging ideas from employees on how to improve processes and practices within the organization. Leadership, and in particular transformational and transactional leadership, has been recognized as one of the most critical factors influencing the creativity of employees and their capacity to generate ideas for the organization (Bass, 1985; Podsakoff, MacKenzie, Moorman, & Fetter, 1990; Yukl, 1999). However, while some studies have confirmed empirically that transformational leadership has a positive effect on organization-focused idea generation or related creative behaviors (e.g., Howell & Avolio, 1993; Jung, Chow, & Wu, 2003), other studies show it to have no effect or even a negative effects (e.g., Basu & Green, 1997; Jaussi & Dionne, 2003; Krause, 2004). The position for transactional leadership is very similar, with some studies showing this to have a negative relationship with organization-focused idea generation or related creative behaviors (e.g., Nederveen Pieterse, Van Knippenberg, Schippers, & Stam, 2010; Rank, Nelson, Allen, & Xu, 2009) and others showing positive effects (e.g., Jung, 2001). A recent meta-analysis confirmed the mixed and sometimes contradictory empirical findings for both leadership styles (Rosing, Frese, & Bausch, 2011) and underscored the need for more nuanced theorizing on, for instance, the indirect processes and contingencies of each style of leadership (Jaussi & Dionne, 2003; Nederveen Pieterse et al., 2010).

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We follow calls to extend the study of leadership behaviors “by theoretically integrating other components of leadership that are important for innovation” (Krause, 2004, p. 99). First, to disentangle the mixed findings about the effects of leadership styles on organization-focused idea generation or related creative behaviors, we examine the mediating role of employee commitment to the ideation program. Commitment in general is important because it illustrates an employee's dedication to reaching a goal or accomplishing a task (Locke & Latham, 1990). Employee commitment to the ideation program is defined as the acceptance and support of, and the engagement in, an organizational program dedicated to the generation and development of ideas. While leaders who show transformational or transactional leadership might find it difficult to bring about a change in employee behavior related to the generation of organization-focused ideas, they could be more effective in influencing, motivating, and mobilizing employees to commit themselves to the goals and values of an ideation program. Thus, we argue that transformational and transactional leadership has an indirect influence on the generation of organization-focused ideas by employees by increasing the employees' commitment to an ideation program. Given that idea submissions through the ideation program are made on a completely voluntary basis, a high commitment to such programs is critical and should result in a greater enthusiasm for generating organization-focused ideas.

Second, we argue that to unlock the potential of transformational and transactional leadership, we need to better understand leaders and their personal values. The same leadership style can have very different effects on organization-focused idea generation of followers, depending on the leader's beliefs and values (Kuhnert & Lewis, 1987). Transformational and transactional leadership are *behavioral styles*. Leaders favoring those styles are likely to be perceived as motivating in general, but it is much more difficult to predict specifically *what goals* followers will be motivated to achieve. We argue that transformational and transactional leadership will only bring about specific outcomes *if leaders deem these outcomes important in the first place*, because otherwise they may not use (or may not be so effective in using) their influence to achieve them.

Thus to explain the mixed findings for transformational and transactional leadership, we examine the moderating effect of leader organizational identification. Organizational identification relates to the “perceived oneness with an organization and the experience of the organization's successes and failures as one's own” (Mael & Ashforth, 1992, p. 103). Leader organizational identification is critical as it provides transformational and transactional leadership with a sense of purpose and direction. In other words, followers have a clear picture of the leader's mindset and what he or she stands for. Accordingly, followers are motivated not only in general terms, but also know how they need to channel their motivation. We might expect leader organizational identification to be closely related to the value that a leader attaches to followers being involved in an ideation program, given that participation in an activity of this kind can result in ideas to improve the organization as a whole. The more important the organization is to the leader (the higher his/her organizational identification), the more important he or she will find it that followers should be committed to the ideation program. Therefore, we propose that leader organizational identification provides a direction to both transformational and transactional leadership and thus moderates the relationship between transformational and transactional leadership and follower commitment to the ideation program. This commitment will in turn result in employees being more strongly motivated to actually generate ideas that have the *potential* to increase organizational performance (Herscovitch & Meyer, 2002; Klein & Sorra, 1996). Specifically, we look at the volume of organization-focused ideas put forward (Frese, Teng, & Wijnen, 1999; Ohly, Sonnentag, & Pluntke, 2006; Oldham & Cummings, 1996).

To test these mediated moderation hypotheses, we conducted a multilevel field study of both followers and leaders. The study advances the leadership literature as we investigate the boundary conditions under which a transformational or transactional leadership style influences organization-focused idea generation by followers. This allows us to offer new explanations for the previous mixed findings on the effects of transformational and transactional leadership. Whereas prior literature was primarily concerned with testing the boundary conditions of leadership styles through a focus on follower-level attitudes and values, our multi-level approach offers a potential contribution to the literature on leadership and creativity by testing the effect of a leader-level moderator. It thereby distinguishes how the leader's own leadership approach is shaped by his or her sense of identification with the organization.

## Theory and hypotheses

### *Transformational and transactional leadership and organization-focused idea generation*

Leadership behavior has been recognized as one of the most critical factors influencing idea generation in a working context (George, 2007; Jung et al., 2003; Mumford, Scott, Gaddis, & Strange, 2002). Leaders play such an important role because they both set the goals for followers and motivate them—influencing the manner in which followers approach and accomplish those goals (Jung, 2001; Redmond, Mumford, & Teach, 1993). To address how leaders affect employees in generating organization-focused ideas, we focus on transformational and transactional leadership (Burns, 1978). A leader with a transformational leadership style aims to inspire and actively engage subordinates, as well as to transform them so that they are able to perform better than imagined by themselves (Bass, 1985; Podsakoff et al., 1990; Yukl, 1999). Leaders show transformational behavior when they articulate a shared vision of the future, act as role models, encourage the acceptance of collective goals, set high expectations, and when they provide intellectual stimulus and support for the individual development needs of subordinates (Bass, 1985; Podsakoff et al., 1990). Transactional leadership refers to a leadership style in which expectations of an exchange relationship between the leader and follower are clearly expressed by the leader. Hence, leaders with such a leadership style communicate specific expectations and offer rewards contingent on whether their followers accomplish the objectives agreed upon (Bass, 1985; Podsakoff et al., 1990).

Transformational and transactional leadership affect organization-focused idea generation by employees because both create commitment among employees. Commitment is characterized by a “dedication to and responsibility for a particular target” (Klein, Molloy, & Brinsfield, 2012, p. 16). In our case, the target is getting employees to accept, support, and engage in an organizational

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