

# **A study on the effects of Transactional Leadership and Transformational Leadership on Employee Performance with reference to the Automobile Industries of the Pune Region**

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## **Abstract:**

Leadership plays a very important role in any organization. Transformational leadership and Transactional Leadership styles have gained a lot of importance in recent times as far as improving the performance of the employees in the team. This study tries to find out the importance of these two leadership styles and how it impacts the performance of the employees in the Automobile Industry. For this study, the data was collected from 250 employees working in the automobile industry of the Pune district. The findings of this study conclude that both the leadership styles have a positive impact on the performance of the employee.

**Keywords: Transactional Leadership Style, Transformational Leadership Style, Employee Performance, Automobile Industry, Pune Region**

## **Introduction**

Leadership has become a major component as a part of management in recent times. Many Industries today are facing severe competition in the market and to achieve their goals and Targets. Latest studies have proved that Leaders have a significant role to play in the organizations in helping the employees to achieve their goals and objectives. In any Organization if a team or group wants to accomplish any goals Leadership has the ability to motivate them to do it. Leadership is an important process where the leader or an individual interacts with his subordinates and motivates them to achieve the aims, objectives, and targets of the organization. The leader in the organization act as a catalyst in enhancing the performance of the employees and giving them the feeling of contentment with their jobs. Styles of leadership has always been a controversial issue for many decades. With so many contradictions about leadership and their role in the past leaders' presence cannot be neglected in order to expect good results from the employees. The performance of the team in

any organization depends upon the role of the leader, and the leaders set an example by setting standards and maintaining them through their supervision in the group.

In the past especially the last two decades a lot has been written about the relationship between leadership style and employee performance as well as job satisfaction, it is also suggested in many studies that effective leadership is significant to employee performance and job satisfaction. As leaders have begun to consider the subordinates as an essential asset, also involve them in the process of decision-making, and be considerate upon identifying their needs, this has proven to be very significant in improving employee performance and improving their job satisfaction.

Leaders adapt their style of managing people and organizations according to the situation and need of time. Considering this, various researchers in the field of behavioral science have focussed on different leadership styles: transformational leadership style and transactional leadership styles deal with the leadership where the leader tries to motivate his followers by way of inspiring them to be creative, innovative, problem solvers and use new ideas, technique, methods to do a certain task this then builds confidence in them and helps them to perform better for better results.

Transactional leadership is when the leader recognizes the work and performance of his followers and rewards them if the objective is achieved and also punishes them if they are not able to meet the objectives efficiently. The literature survey shows that both transformational leadership styles and transactional leadership styles have been said to have a very significant relationship with performance. The studies in the past have indicated that there is a positive and significant relationship between both leadership styles (transformational and transactional) and the performance.

Researchers have also stated that transformational leadership style has less impact on performance when it is compared with transactional leadership style. Management experts are also of the opinion that the transformational leadership style has a greater impact on employee performance as compared to transactional leadership. The aim of this research is to discover effective leadership style in the Automobile sectors of the Pune Region.

### **Literature Review**

According to Kim Leadership plays a vital role in bringing changes necessary for effective management (Kim, 2012). Bass describes leadership as a common action and is obvious in humans and animals (Bass, 2008). According to Kim (2012), leadership is a process and the ability of individuals to inspire a group of people through their vision towards the accomplishment of their goals. Nahavandi (2002) stated that leadership is one of the managerial qualities of an organization that is effective to influence organizational performance and success. Various theories explain the effectiveness of leadership. Among different types of leadership, transformational leadership and transactional leadership have been seen as strongly related to employee performance (Avolio, Bass, & Jung, 1999;

### **Objectives of the study**

1. To explore the relationship between transformational leadership style and employee Performance
2. To find out how the transactional leadership style enhances employee performance.

**Hypotheses**

Following hypotheses have been developed in order to answer the research objectives of this study

H1: Higher Employee performance is directly related to Implementation of Transformational Leadership

H2: Higher Employee performance is directly related to Implementation of Transactional Leadership

**Conceptual Framework****Research Methodology**

For this research study, transformational leadership and transactional leadership were used as independent variables whereas employee performance was used as the dependent variable. Quantitative study along with inferential statistics have been used for testing the hypotheses. For this study, a structured questionnaire was developed consisting of a transformational leadership variable, transactional leadership variable, and employee performance variable. The samples identified were employees from the automobile industry in Pune region. These employees were taken from the managerial level and administrative level of three automobile companies a total sample of 300 automobile employees using a random sampling technique. Out of total questionnaires, 5% were not returned and 7% were not responded fully.

**Testing of the Hypotheses**

Correlation Analysis Pearson Correlation test has been used in order to check the relationship between independent and dependent variables. The result shows that there exists a highly positive correlation between Transactional Leadership and Employee performance.

The result shows that there exists a weak positive correlation between Transformational Leadership and Employee Performance also there exists a positive relationship between both leadership styles and employee performance as per the Regression Analysis.

**Findings of the Study**

- The followers feel motivated and perform beyond expectations due to Transformational leadership

- Transformational leadership is related to the development and performance of followers.
- This form of leaders has a strong connection between themselves and the followers which helps the group members to increase their motivation and morality
- Transformational leadership helps the organizations to inspire, motivate and empower their team members to achieve organizational success
- This kind of leadership helps in inculcating confidence and motivation in the followers in a way that followers admire
- Transformational leaders have the ability to inspire their followers by arousing enthusiasm, pointing out positive outcomes, and stimulating them
- A characteristic in which leaders try to encourage the followers towards creativity and innovation. A transformational leader has the ability to motivate their followers to use creative and new ideas to rectify the issues
- Transformational leaders act as a coach and mentors and pay attention to their followers' needs and feelings
- Along with transformational leadership, transactional leadership has also gained importance in the past few decades. Researchers argue that transactional leadership is a subset of transformational leadership and both are related to organizational performance
- Transactional leadership is a style of leadership in which leaders manage the followers through rewards and punishment. It is a managerial leadership in which the leader's prime responsibility is to focus on clarifying roles and tasks
- Transactional leaders clarify roles and tasks to the followers and tell them what they need to do to reach their objectives
- Transactional leaders emphasize extrinsic rewards for good work and give punishment for negative outcomes
- Leaders play an important role in increasing employees' performance and motivation. The findings of this study show that transformational leadership is positively associated with employee performance and job attitudes of employees
- Leaders with transformational leadership style have been associated with enhancing Satisfaction, performance, and organizational productivity



**Practical Implications of the Study** This study tries to demonstrate the benefits of leadership because these leadership styles play an important role in enhancing the performance and motivation of the followers in the group. Findings of this study also show that these leadership styles are positively associated with employee performance and job attitudes of employees, this study will help the organizations to understand the leadership styles followed in their organizations and implement these styles for enhancing the performance of the employees and also for organizational productivity.

**Conclusion and Discussion**

In today’s competitive world there is a huge pressure on the organization to meet the deadline and targets the work culture plays a very important role and so transactional leadership style and transformational leadership are being widely used in various organizations. Pune’s automobile sector has also inhibited both these leadership styles as this may play a vital role in enhancing the performance of the employees.

A leader’s role is important in shaping the performance of the employee; therefore, leaders should possess qualities of transactional and transformational roles. Paying attention to such leadership styles eventually increases organizational effectiveness and efficiency as well.

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