Leadership theories

Leadership is a complicated and ever-growing topic of of research for both academics and practitioners. It is a phenomenon that is observed in many aspects of life, yet, it is so poorly understood. A review of academic literature will lead you to countless associated definitions, theories, styles, explanations, and classifications. Different theories suggest different means for which to become an effective leader. There is no overarching and all-encompassing theory of leadership, but, what follows is a history of prominent theories (note that theories often overlap with leadership styles).

The “Great Man” theory

At the time (19th Century), leadership (especially military) was considered a male attribute and thus the term “Great Man” (Ololube, 2013). This theory assumes that great leadership characteristics are inherent and that great leaders are therefore born, not made (Carlyle, 1847). This theory was favoured in the 19th century because leaders such as Abraham Lincoln, Julius Caesar, Mahatma Gandhi and Alexander the Great reflected such a notion. This theory was also based on leaders who were already successful and who had often inherited their leadership role through birthright (Amanchukwu, Stanley, & Ololube, 2015). A modern day issue with this theory is that many people who lack great leadership qualities, develop and grow into great leaders and as such, this theory is not commonly used to inform business practice.

Trait theory

This theory is similar to the “Great Man” theory in that it assumes that people inherit intellectual (charisma, intelligence, self-confidence), physical (height, attractiveness), and personality traits (extraversion) that make them great leaders (Ekvall & Arvonen, 1991). Trait theorists were driven to find common traits that separated leaders from non-leaders. However, researchers failed to find traits that were universal in great leaders which ultimately lead to the theory’s disfavour (Amanchukwu et al., 2015).

Contingency theory

Contingency theory stipulates that there isn't a single leadership style that is suited to all circumstances (Fiedler, 1964). The best style to use in a given situation depends on a number of variables. "There is no single right way to lead because the internal and external dimensions of the environment require the leader to adapt to that particular situation" (Greenleaf, 1977). According to this theory, a leader's effectiveness is dependent on whether their qualities and style fit the specific needs of a given environment (Lamb, 2013).

Situational theory

In line with this theory, leaders select the best course of action based on what they believe the situation requires. Different leadership styles suit different circumstances and effective leadership is considered task-relevant. In order to be an effective leader, one must adapt their style to the performance readiness (ability and willingness) of the group they intend to lead. This theory was developed by Hersey and Blanchard (1969) who categorised styles into four behaviour types: directing, coaching, supporting, delegating. The style of leadership best used depended on the performance readiness of the group. Hersey and Blanchard (1969) again categorised performance readiness into four levels: very capable and confident, capable but unwilling, unable but confident, and unable and insecure.

Behavioural Theory

Behavioural theory takes the opposite approach to "Great Man" and Trait theory and is based on the belief that effective leaders are made, not born. The focus of this theory is on the actions rather than intellectual and personal qualities of leaders. It suggests that people can become great leaders through training and observation (Amanchukwu et al., 2015). According to this theory, a leader uses three skills to influence their followers: technical, human, and conceptual. A successful leader determines goals, motivates employees to achieve set goals, interacts and communicates effectively, and builds team spirit. A limitation to this theory is that certain behaviours may be relevant and useful at a given time; however, may be irrelevant and unusual at a different time.

Participative theory

This theory suggests that the most effective leaders are ones who take into consideration the ideas, suggestions, and concerns of others. Therefore, a participative leader focuses on encouraging the participation of others particularly during any decision-making processes. A leader who actively involves others fosters commitment and collaboration which can lead to greater quality decisions and outcomes (Lamb, 2013). Examples of leadership styles that fall within this theory of leadership are democratic, autocratic, and laissez-faire. There are limitations to this theory, however. For example, participative leadership is not effective in emergencies where urgency and compliance is critical.

Transactional vs Transformational theory

The following two theories are two of the most commonly researched within academic literature (Bass, 1999; Bass, Avolio, Jung, & Berson, 2003; Howell & Avolio, 1993). The difference between these theories is particularly evident when looking at what leaders and followers offer one another. Transformational leaders offer followers a purpose beyond achieving short term goals and focus on the basic needs of their followers. Transactional leaders focus on the exchange of resources and give followers something they want in exchange for something they want (Judge & Piccolo, 2004). Both theories were developed by Bass (1985).

Transactional/Management Theory

Transactional leaders focus on supervision, organisation/group performance, and leader-follower exchanges. This theory is heavily founded on a rewards and punishments system. It is assumed that effective leadership occurs when followers understand what is expected of them and understand the consequences of meeting/not meeting expectations (Lamb, 2013). Meeting expectations result in rewards while unmet expectations result in punishment.

Transactional leadership is characterised by three components: contingent reward where leaders clarify expectations and establish rewards for meeting expectations, management by exception-active where leaders monitor follower behaviour, anticipate problems, and

take action before any destructive behaviour causes difficulties, and management by exception-passive where leaders ignore destructive behaviours until they have caused serious problems.

Transactional leadership is positively associated with follower satisfaction, follower motivation, leader job performance and leader effectiveness (Judge & Piccolo, 2004); however, the passive management by exception component of transactional leadership is negatively associated with follower satisfaction with leader, follower motivation, team performance, and leader effectiveness. Similarly, transactional leaders who overemphasise goals and rules limit opportunities for followers to try something new which reduces creativity and innovation. The contingent reward component of transactional leadership can also result in negative outcomes because there is no merit in achieving anything higher than necessary, therefore, followers can refrain from going the extra mile in their jobs. Transactional leaders are also focussed on satisfying the requirements for the exchange of resources between themselves and followers, and thus, do not focus at all on the development of their team.

Transformational/Relationship theory

This theory is heavily focussed on the relationships and connections formed between a leader and their followers. According to this theory, leadership is a process whereby a leader engages with their followers to create a connection (Amanchukwu et al., 2015). Transformational leaders motivate their followers toward a common vision by explaining how their work fits with with the work of the team or organisation. Such leaders also monitor the performance of individuals ensuring that each of their followers are fulfilling their potential. Transformational leaders often have high ethical and moral standards.

Transformational leadership consists four components: idealized influence which is the degree to which leaders act with admirable behaviour which results in followers identifying with their leader, inspirational motivation whereby leaders provide followers with meaningful and challenging work, intellectual stimulation which is the degree to which leaders challenge, strengthen, and empower follower's creativity and innovation in a blame-free environment, and individual consideration through which leaders support the development and needs of individual employees (Bass, 1985; Bass et al., 2003).

Transformational leadership has been proven to be an effective form of leadership that positively predicts follower performance (Bass et al., 2003; Dvir et al., 2002). Judge and Piccolo (2004) showed that transformational leadership is strongly positively correlated with follower job satisfaction and motivation. Moreover, Lee (2005) found that transformational leadership is positively correlated with organisational commitment. There are, however, some negative consequences to transformational leadership. For example, transformational leadership can increase follower dependency. A study by Eisenbeib & Boerner (2013) found that although transformational leadership promotes creativity, at the same time it increases followers dependency on their leader which results in reduced creativity.

Transformational leadership is most useful when an organisation is going through a major change (Nemanich & Keller, 2007). It was noted that followers showed higher job satisfaction, adaptability to change, acquisition acceptance, and job performance under a transformational leader. Transformational leadership is also useful for virtual teams (teams that use computer mediated communication). A study by Purvanova & Bono (2009) found that the effect of transformational leadership on team performance was stronger in virtual than in face-to-face teams. Therefore, transformational leadership could be useful for international teams that have to use technology to communicate. Furthermore, transformational leadership is shown to have a high correlation with performance in military and business settings (Judge and Piccolo, 2004).

Although both transformational and transactional theories can be effective leadership models, it is thought that the combination of the two theories leads to the most effective leaders (Bass, 1999). This is called the augmentation effect whereby transformational leadership adds to the effect of transactional leadership. The augmentation effect is, therefore, the degree to which transformational leadership styles contribute to the extra effort and performance of followers beyond what is accounted for by transactional leaders (Mackenzie et al., 2001). Howell and Avolio (1993) support the augmentation effect and propose that effective leaders will enhance transactional leadership with transformational leadership. Both Waldman et al. (1990) and Bass et al. (2003) found that transformational leadership augments transactional leadership in predicting performance. Similarly, Judge and Piccolo (2004) found that transformational leadership did add beyond the effects of transactional leadership; however, both leadership theories are so highly related that it was difficult to separate their unique effects.

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