

A Systematic Review of the Transactional Leadership Literature and Future Outlook

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Abstract: The aim of this paper is to comprehensively review the current state of research on transactional leadership, synthesizing key findings and identifying future research directions. The review reveals that transactional leaders have a positive impact on organizational performance, but an excessive emphasis on transactional leadership may hinder innovation and long-term growth. By synthesizing findings from various studies, this paper offers a comprehensive understanding of transactional leadership and valuable insights for organizations seeking to optimize their leadership practices. Limitations in the current literature include a lack of research compared to other leadership styles, vague definitions of characteristics and behaviors of transactional leaders, the potential hindrance of organizational innovation, and a narrow focus on leader behavior and characteristics. The findings suggest that organizations should invest in targeted leadership development programs to enhance transactional leaders' skills, maintain a balance with other leadership styles to promote innovation and long-term growth, and consider emerging fields and cross-cultural research to advance the understanding of transactional leadership in diverse contexts.

Keywords: Transactional Leadership; Contingent Reward; Management By Exception; Laissez-faire Leadership; Leadership Style And Effectiveness.

1. Introduction

Burns (1978) first introduced the concept of "transactional leadership" in his book *Leaders*, positing that the leader-employee relationship is based on an exchange of power and benefits. This groundbreaking theory prompted scholars to investigate the ways in which leaders influence employee behavior through power and rewards, as well as the impact of this relationship on organizational performance. This paper aims to provide a comprehensive review of transactional leadership research, discuss the main challenges in the field, and propose directions for future research.

As market environments evolve and economic development accelerates, organizations face increasingly intense competition and complex, shifting landscapes. In this context, the role of leaders becomes more critical. Research indicates that transactional leadership is the most prevalent leadership style in organizations, focusing on goal achievement and performance management (Bass & Avolio, 1994). For instance, according to the China Private Enterprise Survey Report (2017) by the China Enterprise Confederation and the China Enterprise Directors Association, a survey of Chinese private sector leaders revealed that 73.3% of them exhibited transactional leadership. Consequently, studying transactional leadership is crucial for understanding leaders' roles and influence mechanisms, improving organizational performance, and enhancing organizational resilience and leadership development.

The main contributions of existing research on transactional leaders include the following: first, revealing the characteristics and influencing factors of transactional leader behavior, such as focusing on employee performance and using external incentives and punishments for management (Howell & Avolio, 1993); second, examining the relationship between transactional leaders and organizational performance and discovering that it is more effective in high-pressure, short-term goal, and austere task environments (Bass &

Riggio, 2006); third, exploring the relationship between transactional leaders and employees' emotions and behaviors and finding that it may lead to issues such as employee turnover and absenteeism (Arnold & Connelly, 2013); fourth, investigating the differences between transactional leaders and other types of leaders, with significant differences in leadership style, goal setting, and employee development (Judge & Piccolo, 2004); and finally, proposing evaluation methods and development suggestions for transactional leaders (Barling et al., 1996).

Although transactional leadership research has made progress, there is still room for improvement. Future research should focus on developing a deeper understanding of transactional leader behavior, conducting studies in cross-cultural contexts, and investigating the mechanisms of transactional leaders' influence on organizational performance. To achieve these goals, future research needs to provide comprehensive and accurate theoretical frameworks and management practice recommendations. These efforts will contribute to promoting the development and application of transactional leadership research and improve our understanding of this vital leadership style.

In conclusion, this paper presents a systematic review of transactional leadership literature, highlighting the main contributions, challenges, and areas for future research. Our thesis statement asserts that understanding transactional leadership is crucial for enhancing organizational performance, resilience, and leadership development. To achieve this, future research should provide comprehensive and accurate theoretical frameworks, conduct cross-cultural studies, and explore the mechanisms of transactional leaders' influence on organizational performance. This will contribute to promoting the development and application of transactional leadership research and improve our understanding of this vital leadership style.

2. Key factors influencing transactional leaders

Transactional leadership is a widely studied topic within the field of leadership research. As a leadership style that emphasizes achieving organizational goals through power, rewards, and punishment mechanisms, it is essential to understand the key factors influencing transactional leaders. This paper aims to analyze these factors, integrating them with the broader literature, and providing a synthesis and conclusion for each aspect.

2.1. Personal characteristics of leaders

Transactional leaders' personal traits underpin their leadership style, as they motivate employees and achieve organizational goals primarily through power and reward and punishment mechanisms (Bono & Judge, 2004). Confidence and determination are essential for transactional leaders, who must have clear goals and plans and be able to communicate these powerfully. Effective decision-making enables leaders to make quick and accurate decisions under pressure, ensuring that the organization maintains a competitive edge in the marketplace. However, an excess of these traits can lead to leaders becoming overly authoritarian, selfish, or lacking in empathy, which can affect teamwork and cohesiveness. Therefore, transactional leaders must also possess empathy and adaptability to better understand their employees' needs and emotions, and flexibly adapt their leadership style to suit different situations and needs.

2.2. Organizational culture and structure

The adaptability of transactional leaders in terms of organizational culture and structure is an important topic, as different cultures and structures can affect transactional leaders' leadership styles and traits (House et al., 2004). In a structured, stable organizational environment, transactional leaders can drive employees to achieve organizational goals, utilize available resources and rules and regulations, and operate efficiently through authority and reward and punishment mechanisms. However, transactional leaders may be limited in more innovative, flexible, and open organizational cultures and structures because their leadership style focuses on power and reward and punishment mechanisms that do not promote employee engagement and personal development.

2.3. Leader-employee relationships

The relationship between leaders and employees is critical to organizational effectiveness, and transactional leaders must build fair and equal relationships based on an exchange of benefits (Graen & Uhl-Bien, 1995). Transactional leaders focus on exchanging benefits and achieving goals, so their relationship with employees tends to be more transactional. As a result, transactional leaders can promote employee engagement and organizational effectiveness based on mutual trust, respect, and shared interests. However, the relationship can undermine employee morale and organizational stability if transactional leaders are only concerned with their interests or if employees feel exploited. Therefore, transactional leaders need to focus on the interests and needs of their employees and build a fair and equal relationship to promote employee morale and organizational stability.

2.4. External environment and market changes

The success of transactional leaders depends on their acuity and resilience to changes in the external environment and marketplace (Hrebiniak & Joyce, 1985). They need to be highly alert and closely monitor changes in market trends, competitive dynamics, consumer demand, and policies and regulations. Leaders need to be flexible and innovative, constantly innovate and seek new business models and opportunities to create more business opportunities and competitive advantages for the organization. At the same time, leaders must take stock of the situation, avoid losing direction during change, and work closely with employees to address market challenges and opportunities and create a better external environment and organizational climate. However, being slow to react or too conservative can lead to missed opportunities or being outperformed by competitors. Therefore, transactional leaders must be vigilant, sensitive, and adept at identifying and exploiting opportunities.

2.5. The leader's strategy and decision-making

Transactional leaders must be adept at formulating strategies and making decisions in response to external environmental and market changes (Chandler & Hanks, 1994). This involves closely monitoring market trends, competitive dynamics, consumer demand, and policies and regulations. By being flexible and innovative, leaders can create more business opportunities and competitive advantages for the organization. Simultaneously, transactional leaders must remain focused during periods of change, collaborating with employees to address market challenges and opportunities, and fostering a conducive external environment and organizational climate. However, slow or conservative decision-making can lead to lost opportunities and competitive disadvantage. Therefore, transactional leaders must be proactive, adaptable, and able to adjust strategies and decisions to maintain a competitive edge while mitigating risks.

In summary, key factors influencing transactional leaders include personal characteristics, organizational culture and structure, leader-employee relationships, external environment and market changes, and the leader's strategy and decision-making.

3. Management Insights from Transactional Leader Research Practices

Transactional leadership is a crucial leadership style in organizations. This review aims to synthesize key findings from transactional leadership research and integrate them with the broader literature, providing insights into the critical aspects of this leadership style.

3.1. Emphasis on performance management

Transactional leaders place a strong emphasis on performance management to drive long-term organizational development and sustained growth (Locke & Latham, 1990). By setting clear goals and key performance indicators (KPIs), these leaders can efficiently track progress and make necessary adjustments to ensure the achievement of organizational objectives. However, critics argue that an overemphasis on performance metrics may lead to short-term thinking and undermine innovation and creativity.

3.2. Emphasis on teamwork

Another vital aspect of transactional leadership is its focus on teamwork. These leaders promote collaboration and concentrate on building effective teams and organizational cultures. By fostering positive communication and interaction, trust and cooperation among team members are established, ultimately improving organizational performance (Tuckman, 1965). Nevertheless, the challenge remains to strike a balance between teamwork and individual autonomy, as overemphasis on collaboration may stifle independent thinking and decision-making.

3.3. Emphasis on organizational change

Transactional leaders recognize the importance of organizational change and are adept at driving transformation and upgrading (Kotter, 1995). They excel in identifying opportunities and challenges and taking steps to respond to change, ensuring that the organization adapts to environmental shifts and market competition. While this ability to adapt is crucial, transactional leaders must also ensure that they do not lose sight of the organization's core values and long-term vision in the pursuit of change.

3.4. Emphasis on employee development

Focusing on employee development is another key aspect of transactional leadership. These leaders enhance their employees' skills and qualities by providing training and development opportunities (Noe et al., 2017). They believe that employees are an essential resource for the organization, and only by continuously improving their capabilities and quality can they drive sustainable development. However, a critique of this approach is that it may create a dependency on the leader, limiting the employees' ability to grow and develop autonomously.

3.5. Emphasis on customer service

Transactional leaders concentrate on customer service, considering customers as essential organizational stakeholders (Zeithaml et al., 1996). By understanding customer needs and expectations, these leaders provide high-quality products and services, earning customer trust and loyalty. Although customer-centricity is vital, transactional leaders must be cautious not to prioritize customer satisfaction at the expense of employee well-being and satisfaction.

In summary, this review synthesized key findings from transactional leadership research practices and provided insights into the critical aspects of this leadership style, including performance management, teamwork, organizational change, employee development, and customer service. However, it is crucial to acknowledge and address its potential limitations to enhance its effectiveness. Future research should investigate how transactional leadership can be integrated with other leadership styles to achieve optimal organizational performance.

The implications of transactional leader research are profound, as they offer organizations a better understanding of how this leadership style can contribute to organizational success. By recognizing the factors that influence transactional leaders, organizations can make informed decisions regarding leadership development and training programs, ultimately promoting effective leadership practices.

4. Future directions for transactional leader research

The roles and responsibilities of leaders continue to evolve due to globalization and technological advancements. This highlights the need for future research to explore new directions and contexts for leadership, such as personalized leadership, technology leadership, strategic leadership, and sustainable leadership.

4.1. Research based on diverse contexts

Future research on transactional leaders should focus more on the impact of diverse backgrounds on leadership styles (Eagly & Chin, 2010). For example, researchers can take into account factors such as gender, culture, ethnicity, and geographical location, and analyze the impact of these factors on transactional leaders' leadership styles, decision-making behaviors, and interactions with their employees.

4.2. Personalised leaders

Personalized leadership is a crucial direction for future transactional leader research, helping leaders better meet their employees' needs and improve organizational performance (Ehrhart & Klein, 2001). Personalized leadership has emerged as a new paradigm emphasizing the need for leaders to tailor their leadership style to the needs and characteristics of their employees. Therefore, future research on transactional leaders could explore how personalized leadership can be achieved. Specifically, researchers could delve into the following areas: first, identifying employee needs and characteristics, such as their personality, background, and cultural differences, so that leaders can better understand their team members; second, how to tailor leadership styles to the needs and characteristics of employees; for example, leaders can adopt a more engaging and attentive leadership style when employees need support and attention. Finally, how to evaluate the effectiveness of personalized leadership and provide helpful advice to help leaders achieve better-personalized leadership.

4.3. Technology leaders

Future transactional leader research needs to focus more on the impact and influence of technology on leaders to help them better meet future challenges (Venkatesh & Davis, 2000). Future transactional leadership research could explore how technology can improve leaders' effectiveness, which includes exploring how tools such as online collaboration platforms and video conferencing can enhance team collaboration and communication (Hoch & Kozlowski, 2014) and how technologies such as artificial intelligence and data analytics can better understand employee needs and behavioral patterns so leaders can develop more personalized leadership strategies. At the same time, researchers must consider balancing the relationship between technology and human relationships to avoid the adverse effects of technology overuse. The transactional leader of the future will need to adapt to the development and application of technology to improve leadership effectiveness and organizational performance.

4.4. Strategic leaders

Strategic leadership is an essential direction for future transactional leader research, emphasizing how leaders can effectively develop strategies and enable organizations to

achieve long-term goals (Ireland & Hitt, 2005). Researchers can explore how leaders strategically plan and execute to respond effectively to complex market and competitive environments. In addition, researchers can explore how leaders use internal and external resources to support strategy implementation and organizational development. Leaders also need to focus on organizational culture and employee engagement to ensure that the organization can successfully achieve its strategic goals and continue to grow. Strategic leadership also requires leaders to have innovation and market acumen to better seize opportunities and address risks. The transactional leader of the future will need to have strategic thinking and leadership skills to deal with increasingly complex and uncertain market conditions and to help the organization achieve long-term success.

4.5. Sustainable leaders

To build businesses with a long-term competitive advantage, leaders must prioritize sustainability (Hart, 1995). This involves several key steps. Firstly, leaders must recognize the importance of sustainability to the business and promote environmental and social responsibility. Secondly, sustainability must be integrated into business strategy and decision-making, with a focus on encouraging employees to provide sustainable and innovative solutions. Thirdly, communication and collaboration with stakeholders are essential to align the common interests of businesses and society. Finally, leaders must build a culture of sustainability and encourage employees to understand its importance to the organization's long-term success. Looking ahead, transactional leaders of the future must commit to environmental and social sustainability to address the challenges of sustainability and build thriving businesses.

In conclusion, future research on transactional leadership should focus on leadership styles in various contexts, including personalized leadership, technical leadership, strategic leadership, and sustainability leadership. Exploring these research directions will enable researchers, practitioners, and leaders to better understand transactional leadership and its impact on organizational success and long-term development. Progress in these areas will not only contribute to the academic literature, but will also provide valuable insights for organizations seeking to develop effective transactional leaders.

5. Conclusion

The literature review of transactional leadership research reveals four key findings concerning the impact of transactional leaders on organizational performance. Firstly, transactional leaders can positively influence organizational performance and drive high performance. Secondly, the role of transactional leaders may be limited, potentially hindering innovation and long-term growth. Thirdly, the behavior of transactional leaders is influenced by personal and environmental factors, including personal characteristics, work experience, organizational culture, and industry environment. Finally, transactional leader behavior can be improved through training and development, including the acquisition of effective communication and decision-making skills, leading to enhanced organizational performance. These findings emphasize the importance of understanding the impact of transactional leaders and the factors influencing their behavior to drive high performance in organizations.

Therefore, future research should delve into the behavioral

patterns, decision-making processes, and personal characteristics of transactional leaders, as well as how their transactional leadership levels can be improved through training and development to achieve better organizational performance. The implications of these findings are significant for organizations aiming to foster effective leadership practices. By understanding the factors influencing transactional leaders, organizations can develop targeted leadership development programs, enhancing the skills of transactional leaders and enabling them to contribute more effectively to organizational success.

Despite progress in transactional leadership research, some limitations persist, including the following four challenges. Firstly, compared to other leadership styles, there is still relatively little research on transactional leaders, which requires further development of the relevant theoretical system. Secondly, the characteristics and behaviors of transactional leaders are vaguely defined, posing challenges to research and practice. Thirdly, over-reliance on transactional leaders may hinder organizational innovation and development. Finally, existing research has mainly focused on the behavior and characteristics of transactional leaders, and more research is needed to explore their relationship with other factors and their influencing mechanisms. Addressing these challenges will help improve our understanding of transactional leadership and enable more effective application of this leadership style in organizations.

In the future, transactional leader research needs to be further refined and deepened, including identifying the characteristics and behaviors of transactional leaders and building a more systematic theoretical system of transactional leadership. Furthermore, research on the association between transactional leaders and organizational performance and employee satisfaction should be strengthened to reveal the impact mechanisms of transactional leaders on organizations and employees. Additionally, transactional leader research should be combined with modern management concepts such as digitalization and intelligence and explore the application of transactional leaders in emerging fields. Finally, cross-cultural and cross-international research should be conducted to gain insights into the behavior and characteristics of transactional leaders in different cultures and contexts. This comprehensive approach to transactional leadership research will not only contribute to the advancement of the field but also enable organizations to better leverage the strengths of transactional leaders for improved performance, employee satisfaction, and long-term success.

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