



## Does Transactional Leadership Style Predict Performance of Development Officers?

<sup>1</sup>Thaneswary Raveendran

*Department of Human Resource Management, University of Jaffna*

### Abstract

#### *Article Information*

Article history:

Received: 18 February 2021

Reviewed: 20 September 2021

Accepted: 29 September 2021

*JEL Classification:*

M1, M10, M12

Sri Lanka Journal of Business  
Studies and Finance

Volume I Issue I, 2021

PP 1- 15

ISSN 2756-9381

© Faculty of Business Studies  
and Finance,

Wayamaba University of Sri  
Lanka

The literature on leadership and employee outcomes is scattered across countries and across industries, the evidence of the effects of leadership styles on employee performance is varied. The current study attempted to examine the influence of transactional leadership style on job performance of Development Officers working in the District and Divisional Secretariats in the Northern Province of Sri Lanka. A sample of 378 Development Officers were selected for the study based on random sampling method. The transactional leadership was measured using Multifactor Leadership Questionnaire and employee performance was measured using Individual Work Performance Questionnaire. The results revealed that, out of the three dimensions of transactional leadership, active management by exception significantly and positively influences task and contextual performance of employees. On the other hand, among the other two dimensions of transactional leadership, neither contingent reward nor passive management by exception significantly influences the task performance or contextual performance. The findings of the current study gives an insight that leaders in the District and Divisional Secretariats must re-examine their leadership style employed so as to enhance employee performance through active management by exception. Future research could be directed towards other public sector as well as private sector organizations and in various regions of Sri Lanka to confirm the association among the study variables.

**Keywords:** *Transactional leadership; task performance; contextual performance; Development Officers*

---

<sup>1</sup> rthanes@univ.jfn.ac.lk

ORCID number - <https://orcid.org/0000-0003-4407-0492>

## **1. Background**

Leadership is one of the key factor of employees work performance and behaviour. However, not all leadership styles are equally effective. There are studies reporting conflicting finding, especially on the effects of transactional leadership on employee behaviour. For example, Kehinde and Bajo (2014) and Tsigu and Rao (2015) have reported positive influence of transactional leadership on employee performance while some other researchers argued that transactional leadership is negatively related to employee performance (e.g. Evans, 2005; Erkutlu, 2008). Little research has been conducted to investigate the association between transactional leadership and employee performance in Sri Lanka, Northern Province in particular. Therefore this study aims to fill the gap in the literature by examining the association among the variables. There are various styles of leading, such as autocratic, democratic, people oriented, task oriented, transformational, transactional, laissez-faire styles, etc. Understanding the effects of these styles is vital for anyone playing leadership role. In this manner, this study is an effort to explore the transactional style of leadership and understand its impact on the performance of operative level employees in the District Secretariats and Divisional Secretariats in the Northern Province, Sri Lanka.

The transactional leadership style has been reported to have a positive influence on employees' behaviors. Studies have shown that the transactional leadership style contributes to job satisfaction (Howell & Avolio, 1993; Ismail, Mohamad, Mohamed, Rafiuddin, & Zhen, 2010; Yukl, 1994), stress reduction (Rowold & Schlotz, 2009), organizational performance (Aziz, Mahmood & Abdullah, 2012) and employee commitment (Lo, Ramayah & Min, 2009).

Jaeger (1986) has shown that transactional leadership is more effective in various countries including Japan, Nigeria, Pakistan and India. Thus the main purpose of the current research is to identify the impact of transactional leadership on performance of the employee in Sri Lankan culture where the cultural aspects are almost similar as of India.

Effective leadership can make a difference in individual, team and organizational outcomes. Thus, effective corporate leaders are crucial for any organization for its survival and success. Currently most of the published researches are from developed western cultures and there is very little evidence available from developing countries with regard to transformational and transactional leadership. Therefore, the researcher has an intrinsic motivation to investigate the influence of these leadership styles on employee performance. Most of the literature reviewed is somehow consistent in suggesting that transactional leadership style is positively related to performance of employees (Rasool, Arfeen, Mothi & Aslam, 2015; Kehinde & Bajo, 2014; Tsigu & Rao, 2015). However, neither all industries nor countries are covered in the literature. Even though empirical research has been done on the phenomenon in various contexts, sectors and industries, no study to date has directly attempted to empirically evaluate the influence of particular leadership styles on employee performance in the Sri Lankan context. Sri Lankan culture has been characterized by high level of power distance and uncertainty avoidance while individualism and masculinity are lower for Sri Lanka (Dissanayake & Semasinghe, 2015). Hence, the leadership styles which work best in western cultures (e.g. US, United Kingdom, Sweden, Canada, Netherland, etc.) characterized by low power distance, low uncertainty avoidance and high individualism (Ghemawat & Reiche, 2011) would not bring the same effect in the Sri Lankan culture. Therefore, there is a need for investigating the applicability of western theories in the Sri Lankan context. In addition, though previous studies have shown that the transactional leadership style contributes to employee performance (for example, Kehinde & Bajo, 2014; Tsigu & Rao, 2015), there is little evidence of which component of transactional style contributes to job performance. Hence, examining the effect of dimensions of transactional leadership (contingent reward, active management by exception and passive management by exception) on employee performance becomes a need of the time in order to determine the suitability of the style in promoting a performance culture in the public sector.

## **2. Research Problem**

Many attempts to address the unsatisfactory performance of state-owned enterprises could be observed in literature (Athukorala, 2008), due to internal procedural reforms, management structural reforms, and employee performance problems. Gunaruwan (2016) reported that inefficiency is a common feature in all Sri Lankan state-owned enterprises, across all organisational categories. He mentioned that the inefficiency is partially caused by the employees' performance problems. Rubatheesan (2019) mentioned that the Auditor-General's Department, in its special audit report made available recently, pointed out the public service had ballooned with the employment of graduates as Development Officers (DOs) and the efficiency of the recruits was an issue of much concern. He further mentioned that, although DO service is field work, one fifth of DOs are stationed officers. In the Sri Lankan public sector, a considerable percentage of the employees under combined services category are Dos. Thus there is a need for taking an initiative for promoting performance of combined services category employees i.e. DOs in the public sector.

## **3. Objective**

The main objective of the current study is to investigate the impact of perceived transactional leadership style on job performance of Development Officers (DOs) working in the Divisional Secretariats in the Northern Province of Sri Lanka. Particularly the impact of dimensions of transactional leadership namely contingent reward, management by exception-active and management by exception-passive on employee performance is examined in this study.

## **4. Research question**

This research has been designed to address the following question.

*“Does transactional leadership style enhance performance of Development Officers working in the Divisional Secretariats in the Northern Province?”*

## **5. Review of the Literature**

### **5.1 Leadership**

The concept of leadership has been studied widely in the last few decades. Leadership plays an important role in determining success and development of any organization. Leadership is defined as the process whereby one individual influences others to direct their efforts towards accomplishing defined organizational or group goals (Nel et al., 2004). Cole (2005) defines leadership as a dynamic process in which a person influences others to willingly contribute to the achievement of goals. There are various styles of leadership, however, in the present study, transactional leadership style was focused. According to Bass & Avolio (1997), leadership behaviors can be categorized into two main styles: transformational leadership and transactional leadership. Transformational leadership is concerned with inspiring and motivating followers by creating a vision for them whereas transactional leadership is concerned with influencing the followers by exchanging rewards for their task accomplishments and desired performance outcomes (Bass & Avolio, 1997).

### **5.2 Transactional Leadership**

Transactional leadership is an exchange process. In this style, simply, the leader encourages the followers to work hard through providing some rewards or punishments. In transactional style, reinforcement of employees is contingent on performance of employees. Transactional leadership motivates subordinates by alluring to their personal desires, based on economic transactions. Transactional leaders use organizational power and authority to maintain control and this style is sometimes referred to as authoritative (Bennet, 2009). In addition, transactional leadership is also characterized by reward and punishment oriented leaders (Bass & Avolio, 1994; Behery, 2008).

Researchers (Bass, 1985; Avolio, Bass, & Jung, 1999; Bass & Avolio, 1990; Hater & Bass, 1988) hypothesized three behavior dimensions of transactional leadership: contingent reward, management by exception-active and management by exception-passive. Contingent rewards can be classified into two types: contingent positive reinforcement and contingent negative reinforcement (Odumeru & Ogbonna, 2013). When the employees achieve the defined goals or complete the task assigned, positive reinforcement is given by the transactional leader in the form of praise or rewards. Contingent negative reinforcement is given when the set goals are not met by the employees or when the performance is not up to the standards. Active management by exception means that the leader observes followers' performance, monitor the deviations from the standards or rules, anticipate problems and issues and take corrective actions (Odumeru & Ogbonna, 2013). In passive management by exception style, the leader doesn't attempt to fix the problems unless they are severe and intervenes only if the problem becomes more worse (Odumeru & Ogbonna, 2013).

### **5.3 Employee job performance**

Employee performance is the capacity of individuals to accomplish the goals set for them (Kreitner & Kinicki, 2007). The employees who are highly engaged in their organization and show high level of commitment towards the organization generate great outcomes and give maximum performance for the organization (Luthans & Peterson, 2002). According to Kreitner and Kinicki (2007), employees who are happy and satisfied perform well and contribute for achieving objectives of the organization.

Befort and Hatstrup (2003) view employee performance as a multidimensional construct. Researchers attempts to identify the indicators or dimensions of employee performance in various jobs for the purpose of assessing and managing performance of employees in organizations (for example, Kats & Khan, 1978; Borman & Motowidlo, 1997). Kats and Khan (1978) categorized job performance into two: task performance and contextual performance. Task performance refers to the effectiveness of activities of employees to contribute for the functioning of the organization whereas contextual performance is defined as the extent to which employees contribute for the organizational development and for promoting organizational culture (Kats & Khan, 1978). In the similar way, Borman & Motowidlo (1997) also categorized job performance as task performance and contextual performance. Task performance is referred to as "in-role prescribed behavior" (Koopmans, et al., 2011) and it describes the core job responsibilities of an employee. It is reflected in quality and quantity of the work assigned to the employees. Contextual performance is referred to as "discretionary extra-role behavior" (Koopmans et al., 2011). It is reflected in activities of employees such as coaching peers, strengthening social relationships at work and going the extra mile for the organization. Motowidlo and Van Scotter (1994) showed that both task performance and contextual performance of employees contribute to their overall performance. According to them, employees' experience is highly associated with task performance than with contextual performance, and personality characteristics of employees are highly correlated with contextual performance than with task performance.

### **5.4 Empirical evidence on the effect of transactional leadership on employee job performance**

Seibert, Wang and Courtright (2011) have reported that leaders play a significant role in enhancing employee performance and motivation. Previous researchers have compared the effectiveness of transformational and transactional leadership and showed that in some instances transactional leadership has contributed to organizational performance more than transformational leadership (Deluga, 1988; Gill, 1998; Suryanarayana, 2011; Ahmad & Gelaidan, 2011; Arham & Muenjohn, 2012). Ahmad and Gelaidan (2011) suggested that employees in public companies in Yemen preferred working with transactional leaders over transformational leaders. Most prominent leadership researchers claim that transactional leadership is as necessary in an organization as transformational leadership style (Bass, 1985).

In transactional leadership, the exchange relationship can affect the employee performance positively or negatively based on the trust on the leader. If the leader fails to provide the agreed rewards for employees who demonstrate better performance, their future performance may suffer as the people develop distrust on their leader. Thus, keeping promises of rewards by the leader would determine the effectiveness of the transactional style. Researchers have reported significant positive relationship

between transactional leadership styles and employee performance (Pradeep & Prabhu, 2011; Kehinde & Banjo, 2014; Tsigu & Rao, 2012; Gimuguni et al., 2014; Obiwuru, Okwu, Akpa & Nwankere, 2011; Muterera, 2012; Paracha, Qamar, Mirza, Hassan, & Waqas, 2012).

Pradeep and Prabhu (2011) found that contingent reward behaviors of transactional style are positively related to employee performance. Jilani and Juma (2015) investigated the influence of contingent reward on employee engagement in a manufacturing company in Kenya and reported positive relationship between the variables. Surveying employees in the FMCG industry of Pakistan, Kalsoom, Khan and Zubir (2018) concluded that transactional leadership style has strong positive correlation with employee performance. Chaudhry and Javed (2012) found that employees under transactional leaders are highly motivated than the employees under transformational leaders in banking sector of Pakistan. From this evidence, motivation level is high under transactional leadership and thus employees perform well under this leadership. However, Hoxha (2019) found that transactional leadership doesn't have significant effect on employee performance. Howell & Avolio (1993) reported that contingent reward has a negative impact on the followers' performance. As contingent reward is an exchange between leaders and followers, the followers are rewarded for achieving the goals set for them. An organization driving towards change might suffer from a transactional leadership style. According to Jayasingam, Ansari & Jantan (2010), coercive power has been linked with ineffective leadership. Through a literature search, Judge and Piccolo (2004) found contingent reward was positively related with motivation whereas management by exception was negatively related with motivation of employees. Thus, the dimensions of transactional leadership have contrasting effects on motivation and thereby on performance.

Bass (1985) reported that transactional leadership is important for achieving positive organizational outcomes and yet some researchers argue that transactional leadership is negatively related to employee performance (Rejas, Ponce, Almonte & Ponce, 2006; Evans, 2005; Erkutlu, 2008). A recent research by Torlak and Kuzey (2019) revealed that among the transactional leadership components, management by exception positively impacts employee performance and contingent rewards have a weak positive association with employee performance. In contrast, Hoxha (2019) has reported that contingent rewards, active management by exception and passive management by exception found to have no significant influence on employee performance.

The review of literature reveals that the evidence of the effects of transactional leadership style on employee performance is varied. In addition, there is a gap in identifying the association between the variables in the Sri Lankan context, particularly in the Northern Province. By reviewing the existing literature, Raveendran and Gamage (2018) have mentioned that there is inadequate research in the Sri Lankan context to understand the association between leadership styles and employee performance. Particularly there is no evidence in the literature regarding the effects of transactional leadership dimensions namely contingent rewards, active management by exception and passive management by exception on employee performance in the Sri Lankan context. Hence, there is a need for research in this phenomenon.

**To direct the current study, the following hypotheses were formulated.**

- H1: Contingent reward has a positive impact on task performance of employees
- H2: Active Management by exception has a positive impact on task performance of employees
- H3: Passive management by exception has a positive impact on task performance of employees
- H4: Contingent reward has a positive impact on contextual performance of employees
- H5: Active Management by exception has a positive impact on contextual performance of employees
- H6: Passive management by exception has a positive impact on contextual performance of employees

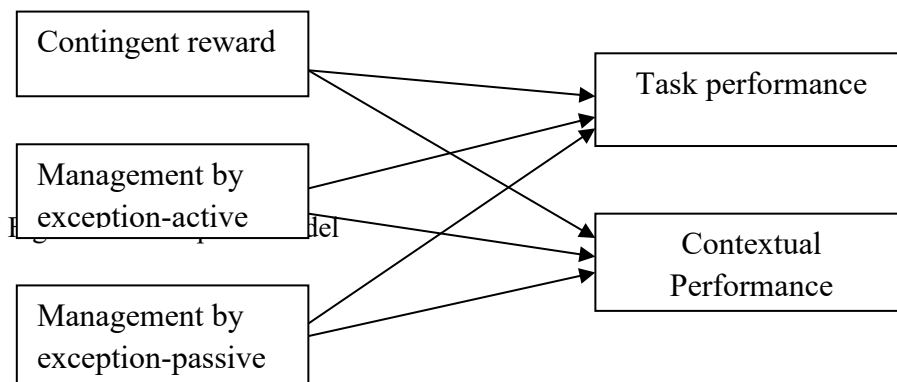
## **6. Methodology**

The study employed a quantitative survey method to determine the answers to the research questions. Development Officers (DOs) employed in the Divisional Secretariats in the Northern

Province of Sri Lanka were considered for the current study. A sample of 378 DOs was selected from the District and Divisional Secretariats operating in the region and random sampling method was used. Established questionnaires were used to collect data from the research participants. Transactional leadership style was measured using Multifactor Leadership Questionnaire (MLQ) Form 5X - rater form, developed by Bass and Avolio (2000). It is a 45 item scale and the items measuring transactional style were extracted from the scale. The items have 5 point rating scale (0=never to 4=always). Employee performance was measured using Individual Work Performance Questionnaire (IWQP) developed by Koopmans (2015). It is an 18-item scale to measure the three main dimensions of job performance: task performance, contextual performance, and counterproductive work behavior. In the current study, employees' performance involves the self-rating of their own performance which includes task performance and contextual performance. Hence, only 12 items which measure the task and contextual performance were extracted from the performance questionnaire for this study. The items have a 5-point rating scale (0= seldom to 4= always). The instruments were pretested before administering.

Data analysis was conducted using SPSS 20.0 for Windows and AMOS 20.0. Confirmatory Factor Analysis (CFA) was performed to ensure validity and reliability of the study constructs. Subsequently, the validated measurement models were integrated in the Structural Equation Model (SEM) to determine the association between the constructs.

**Conceptualization**



**7. Analysis and Results**

The data of the current study was analyzed using the software SPSS 22.0 and AMOS 20.0. The reliability of the data was examined by estimating the Cronbach's alpha. The Table 1 shows the reliability alpha of the variables studied. The alpha of the items for the subscale ranges from 0.723 to 0.899 indicating inter-item consistency. As the alpha coefficient complies with the minimum requirement of 0.7 (Nunnally, 1978), the data are reliable.

Table 1: Reliability

	No. of items	Cronbach's alpha
Contingent rewards	4	.723
Management by exception-active	4	.855
Management by exception-passive	4	.830
Task performance	6	.659
Contextual performance	6	.801

The sample includes different demographic groups. As can be seen in Table 2, half of the participants are in the age group 26-35 years. Majority of the participants are females (66%) and are married (77%). Out of five districts of Northern Province, 46% of participants are from the Divisional Secretariats of Jaffna District.

Table 2: Sample profile

		Percent	Cumulative Percent
<b>Age group</b>	Below 25	3.3	3.3
	26-35	50.5	53.8
	36-45	39.0	92.9
	46 and above	7.1	100.0
<b>Civil status</b>	Married	76.5	76.5
	Unmarried	23.5	100.0
<b>Gender</b>	Male	34.3	34.3
	Female	65.7	100.0
<b>District</b>	Jaffna	45.6	45.6
	Kilinochchi	13.7	59.2
	Mullaithevu	12.9	72.1
	Vavuniya	12.4	84.4
	Mannar	15.6	100.0

Established questionnaires were used to measure the constructs in the current study. Confirmatory Factor Analysis (CFA) was performed to confirm validity and reliability of study constructs. The measurement models of study construct were pooled together in AMOS graphics and the low factor loading items were removed to ensure construct validity. The refined measurement model of study constructs is shown in Figure 2.

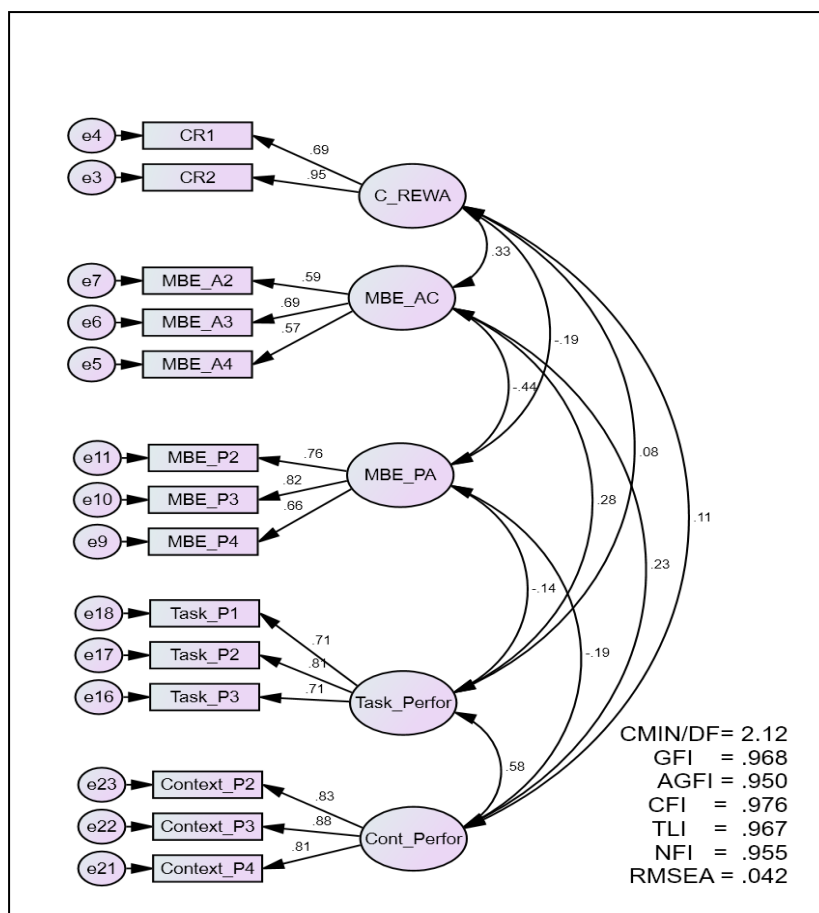


Figure 2: Measurement model

Table 3: CFA results, AVE, CR and Cronbach's alpha

			Std. Estimate	P	AVE	CR	Cronbach's alpha
CR2	<---	C_REWA	.954		.692	.801	.796
CR1	<---	C_REWA	.689	***			
MBE_A4	<---	MBE_AC	.569		.381	.688	.820
MBE_A3	<---	MBE_AC	.690	***			
MBE_A2	<---	MBE_AC	.587	***			
MBE_P4	<---	MBE_PA	.660		.562	.765	.880
MBE_P3	<---	MBE_PA	.818	***			
MBE_P2	<---	MBE_PA	.762	***			
Task_P3	<---	Task_Perfor	.714		.556	.764	.671
Task_P2	<---	Task_Perfor	.806	***			
Task_P1	<---	Task_Perfor	.714	***			
Context_P4	<---	Cont_Perfor	.811		.706	.804	.781
Context_P3	<---	Cont_Perfor	.876	***			
Context_P2	<---	Cont_Perfor	.833	***			

**Note:** C\_REWA: Contingent reward; MBE\_AC: Management by exception-active; MBE\_PA: Management by exception-passive; Task\_Perfor: Task Performance ; Cont\_Perfor: Contextual Performance

Source: Survey Data

The Table 3 depicts the results of CFA for the constructs transactional leadership and employee performance using MLE method. Based on the results, the validity and reliability of the subscales of study constructs were assessed. Cronbach's alpha also was measured with the retained items for examining inter-item consistency. The results of CFA of study constructs show that the factor loadings for all the items measuring the subscales are above 0.6 except for few items measuring management by exception-active (MBE\_A2 & MBE\_A4) as shown in Table 3. Therefore unidimensionality is achieved for the subscales of transactional leadership and employee performance (Awang, 2015).

### Reliability

The Cronbach's alpha values reported in Table 3 show that the internal reliability of the subscales was achieved as the alpha values exceed the cut-off level of 0.7 (Nunnally, 1978). At the same time, the alpha coefficients for the subscale named task performance is 0.671 and is deemed to be acceptable as the alpha coefficients of other constructs are well above the required level (Godard, Ehlinger & Grenier 2001; Hair, Black, Babin & Anderson, 2010; Malhotra & Peterson, 2006). As per the results reported in Table 3, the values of AVE for the most of the subscales are well above the cut-off value of 0.5 (Hair, Black, Babin & Anderson, 2014) and the AVE for the subscale named management by exception active is very closer to 0.4 which can be considered adequate (Fornell & Larcker, 1981).. This proves the reliability of the scales. In addition, Composite Reliability (CR) was achieved as the values of CR exceeded the minimum required value of 0.6 (Hair et al., 2014) for the subscales of transactional leadership and employee performance. From the results, reliability of the study constructs was confirmed.

### Validity

As reported in Table 3, the standardized factor loadings of items measuring subscales are significant at 0.001 level. At the same time, the AVE for the subscales of transactional leadership namely contingent reward and passive management by exception are .692 and .562 respectively and thus the AVE exceeded the minimum requirement of 0.5 (Hair et al., 2014). Even though the value of AVE for the subscale named active management by exception is .381, the AVE higher than 0.4 is also adequate if CR is higher than 0.6 for the construct (Fornell & Larcker, 1981). In the current study, as the CR is higher than 0.6 for the subscale named active management by exception and the AVE is very closer to 0.4, the AVE of the subscale is deemed to be adequate and thus convergent validity is achieved



for all the constructs. Construct validity is achieved for the subscales as the fitness indexes achieved the required level. As portrayed in Figure 2, Chi-square-p=.101, CMIN/DF=2.12, GFI=.97, AGFI=.95, CFI=.98, TLI=.97, NFI=.96 and RMSEA=.042. Therefore, the model fit is excellent.

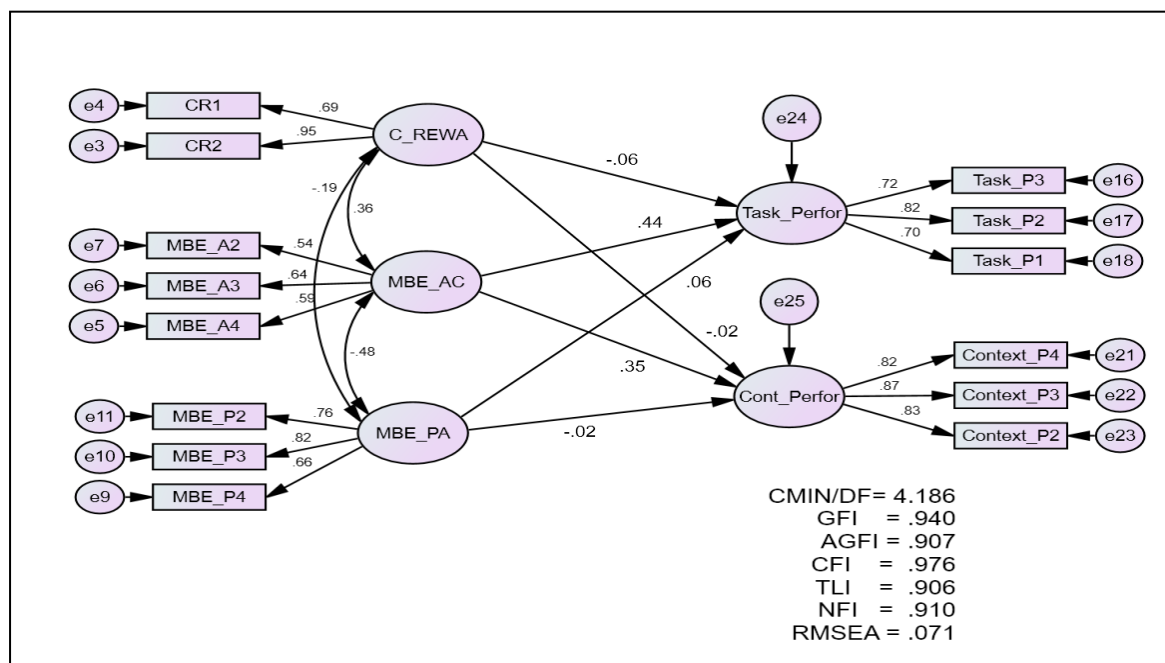
Discriminant validity is achieved for the subscales as the measurement models are free from redundant items. The discriminant validity also was confirmed based on the AVE of each subscale and the squared correlations between the respective pairs of subscales. As can be seen in Table 4, the diagonal values are the AVE of each subscale and the off-diagonal values are the squared correlations between the subscales. As the values of AVE are higher than the squared correlation values in the respective row and column, discriminant validity is achieved (Hair et al., 2014).

Table 4: Discriminant validity

	Contingent reward	Mgt by exception-active	Mgt by exception-passive	Task Performance	Contextual Performance
Contingent reward	<b>0.692</b>				
Mgt by exception-active	0.321	<b>0.381</b>			
Mgt by exception-passive	0.421	0.331	<b>0.562</b>		
Task Performance	0.231	0.431	0.201	<b>0.556</b>	
Contextual Performance	0.512	0.212	0.418	0.339	<b>0.706</b>

Source: Survey data

After ensuring validity and reliability of the study variables through CFA, the validated measurement models were integrated in the Structural Equation Model (SEM) to identify the association between the variables. The SEM is portrayed in Figure 3 shows the standardized regression weights between the respective variables and the relevant fitness indexes.



Note: C\_REWA: Contingent reward; MBE\_AC: Management by exception-active; MBE\_PA: Management by exception-passive; Task\_Perfor: Task Performance ; Cont\_Perfor: Contextual Performance

Figure 3: Structural Equation Model

The results of SEM reported in Table 5 portrays that contingent reward doesn't have significant impact on task performance or contextual performance. As per the results, active management by exception significantly and positively impacts task performance and contextual performance. Passive management by exception doesn't have significant impact on task performance or contextual performance. Based on the results, H2 and H5 are supported while H1, H3, H4 and H6 are not supported.

Table 5: Results of Structural Equation Model

Relationship		Std. Estimate	S.E.	C.R.	P	Hypothesis	Status
Contingent reward	→ Task Performance	-.061	.035	-1.169	.243	H1	Not supported
Management by exception-active	→ Task Performance	.437	.090	5.336	***	H2	<b>Supported</b>
Management by exception-passive	→ Task Performance	.061	.059	.981	.327	H3	Not supported
Contingent reward	→ Contextual Performance	-.023	.051	-.475	.635	H4	Not supported
Management by exception-active	→ Contextual Performance	.349	.124	4.756	***	H5	<b>Supported</b>
Management by exception-passive	→ Contextual Performance	-.020	.085	-.339	.735	H6	Not supported

Source: Survey data

## 8. Discussion

The study revealed that the influence of contingent reward on task performance and on contextual performance is not significant and the finding is not congruent with previous studies which reported contrasting findings on the effect of contingent reward on employee performance. For example, Howell and Avolio (1993) reported that contingent reward negatively impacts employee performance whereas Pradeep and Prabhu (2011) reported that contingent reward positively impacts employee performance. In the current study, possible reason for the insignificant effect of contingent reward on employee performance (both task and contextual performance) could be that the excessive worry about rewards or punishment associated with contingent reward may cause stress that interferes with performance. In addition, contingent rewards-performance relationship is based on what rewards do the staff value. The rewards that cannot satisfy their needs do not motivate them for higher performance. In addition, everyone cannot be motivated for higher performance by the same kind of reward. In the current study, the participants were DOs attached to public sector and most of them are field workers. In addition, the recruitment of graduates by government has ballooned the workforce size in the government sector and there are overstaff in many Divisional Secretariats. Hence, their superiors (leaders) cannot motivate the DOs through rewards and punishments for increased performance.

The significant influence of active management by exception on task performance and contextual performance is consistent with the previous studies. For example, Torlak and Kuzey (2019) found that management by exception positively impacts employee performance. However, in their study, overall management by exception (both active and passive) was considered in investigating the effect of the style on employee performance. Thus, the results of the current study on the association between management by exception (active) and employee performance cannot be compared with the previous studies. In active management by exception, the problems and issues are identified immediately and the leaders use their time and energy on matters that count, rather than for less important issues. Hence, the followers consider their tasks as serious and maximize their performance in order to meet the expectations of the leader.

The current study revealed insignificant influence of passive management by exception on task performance and contextual performance. The researcher couldn't compare this finding with previous

studies as there is no empirical evidence available in the literature regarding the influence of passive management by exception on employee performance. The passive management by exception style involves ignoring the problems until they become more serious. A leader who waits until problems or mistakes occur and then taking corrective action is said to be ‘putting-out-fires’ approach or a reactive management approach (Bass & Avolio, 1994). This leadership style could be ineffective in most of the situations as the followers receive feedback only when mistakes are present (Barbuto & Brown, 2000). Thus employees might ignore their responsibilities and put less effort due to the leader’s ignorance in performance deficiencies and deviations from standards. As a result, the style cannot lead to employee performance.

## **9. Implications of the study**

The current study aimed at understanding the effect of transactional leadership style on employee performance. The study uniquely investigated the three dimensions of transactional leadership and their effect on performance of DOs. The findings showed that, out of the three dimensions, active management by exception has a significant positive impact on task and contextual performance whereas contingent reward and passive management by exception do not impact task or contextual performance. The study contributes to the existing body of knowledge of the nexus between the transactional leadership dimensions and employee performance. Previous researchers have reported that transactional leadership is positively associated with employee performance (e.g. Tsigu & Rao, 2015; Raveendran & Gamage, 2018; Podsakoff et al., 2000; Suliman & Obaidly, 2013). However, the current study gives an insight that transactional leadership, as a whole, cannot result in performance enhancement. Instead, among the transactional leadership dimensions, the leaders should practice active management by exception in order to promote employees task performance and contextual performance.

The findings of this study will help leaders to focus on adopting the right leadership style for their organization or section. The results of this study have several implications for managerial practice and future research. First, since most of the evidences on the effects of transactional leadership have been confined to the other parts of world, this study extends this line of query by examining the effects of the transactional leadership on performance of Dos in the Sri Lankan context. The findings add knowledge about the effects of the dimensions of transactional leadership on task and contextual performance of employees.

## **10. Conclusion and recommendation for future research**

The paper focused mainly on assessing the effect of subscales of transactional leadership on employees’ job performance among the Dos. The study revealed that the components of transactional leadership namely contingent reward and passive management by exception do not significantly impact employees’ task performance as well as contextual performance whereas active management by exception has a significant positive impact on task and contextual performance. The evidence from literature shows mixed results on the relationship between transactional leadership and employee performance. In addition, there is lack of adequate evidence in the literature regarding the effect of transactional leadership components on the employee performance.

The findings of the current study gives an insight that leaders in the District and Divisional Secretariats must re-examine the leadership style employed so as to enhance employee performance through active management by exception. They have to identify the problems and deviations from the standards immediately rather than waiting until the problems become worse. In other words, passive management by exception would not result in performance improvement among employees. Moreover, contingent reward style also doesn’t have expected effect on employee performance. Therefore, attention should be given to ascertain the subscale of transactional leadership namely active management by exception that has accounted for the performance of employees.

The study gives a new knowledge that being purely transactional cannot lead to performance of employees. Hence, one of its subscales (active management by exception) could be adopted together with the other styles such as transformational and participative leadership. There is need for further enquiry to identify the effect of transactional leadership components in other public sector as well as private sector organizations to generalize the findings of the current study. In addition, other styles such as participative, authentic and transformational leadership could be considered by future researchers.

### **Declaration**

*I declare that I didn't get any fund for conducting this study and there is no conflict of interest in submitting the present research.*

### **References**

- Ahmad, H., & Gelaidan, H. M. (2011). Organisational Culture, Leadership Styles and Employee's Affective Commitment to Change: A Case of Yemen Public Sector. *Journal of Organizational Management Studies*, 2, 1-10.
- Arham, A. F., & Muenjohn, N. (2012). Leadership and organisational performance in Malaysian SMEs: The mediating role of entrepreneurial orientation. *Business and Information*, 2012, 31-41.
- Athukorala, C., Perera, I., & Meedeniya, D. (2016). The impact of transformational and transactional leadership styles on knowledge creation in Sri Lankan software industry. In *Moratuwa Engineering Research Conference (MERCOn)*, 2016, 309-314. IEEE.
- Avolio, B. J., & Bass, B. M. (2004). *Multifactor leadership questionnaire* (3rd ed.). Redwood, CA: Mind Garden.
- Avolio, B.J., Bass, B.M., & Jung, D.I. (1999). Re-examining the components of transformational and transactional leadership using the Multifactor Leadership Questionnaire. *Journal of Occupational and Organizational Psychology*, 72(4), 441-462. <http://dx.doi.org/10.1348/096317999166789>
- Awang, Z. (2015). *A Handbook on SEM*. (2<sup>nd</sup> Ed.), Kaula Lumpur: Univerity of Sultan Zainal Abidin.
- Aziz, R., Abdullah, M., Tajudin, A., & Mahmood, R. (2013). The effect of leadership styles on the business performance of SMEs in Malaysia. *International Journal of Economics Business and Management Studies*, 2(2), 45-52.
- Barbuto, J. E. (2005). Motivation and transactional, charismatic, and transformational leadership: A test of antecedents. *Journal of Leadership & Organizational Studies*, 11(4), 26-40.
- Bass, B. M. (1985). *Leadership and performance beyond expectations*. New York: Free Press.
- Bass, B. M., & Avolio, B. J. (1997). *Full range leadership development: Manual for multifactor leadership questionnaire*. California: Mind Gorden, Inc.
- Bass, B. M., & Avolio, B. J. (2000). *MLQ Multifactor Leadership Questionnaire sample set: Technical report, leaders form, rater form, and scoring key for MLQ From 5x-Short*. (2nd ed.). Redwood City, CA: Mind Garden.
- Bass, B.M. (1997). Does the transactional-transformational leadership paradigm transcend organisational and national boundaries? *American Psychologist*, 52 (2), 30-139
- Bass, B.M., & Avolio, B.J. (1994). *Improving organizational effectiveness through transformational leadership*. Thousand Oaks: Sage Publications.
- Befort, N., & Hattrup, K. (2003). Valuing task and contextual performance: Experience, job roles, and ratings of the importance of job behaviors. *Applied HRM Research*, 8(1), 17-32.
- Borman, W. C., & Motowidlo, S. J. (1997). Task performance and contextual performance: The meaning for personnel selection research. *Human performance*, 10(2), 99-109.

- Chaudhry, A. Q., & Javed, H. (2012). Impact of Transactional and Laissez Faire Leadership Style on Motivation. *International Journal of Business and Social Science*, 3(7), 258-264
- Deluga, R. J. (1998) Relationship of Transformational and Transactional Leadership with Employee Influencing Strategies. *Group and Organization Studies*, 13(4), 456-467.
- Dissanayake, D. M. N. S. W., & Semasinghe, D. M. (2015). Is culture a restraining or a driving force for entrepreneurship in Sri Lanka?. *African Journal of History and Culture*, 7(1), 8-15
- Erkutlu, H. (2008). The impact of transformational leadership on organizational and leadership effectiveness. *Journal of Management Development*, 27(7), 708-726
- Evans, J. (2005). A test of transformational and transactional leadership styles on employees' satisfaction in the UAE banking. *Journal of Comparative International Management*, 8(1), 3-20.
- Fornell, C., & Larcker, D.F. (1981). Structural equation models with unobservable variables and measurement error: Algebra and Statistics. *Journal of Marketing Research*, 18(3), 382-388. <https://doi.org/10.1177/002224378101800313>
- Ghemawat, P. & Reiche, S. (2011). National Cultural Differences and Multinational Business. *Globalization note series*, 1-18
- Gill, R., (1998). Cross-cultural comparison of the leadership styles and behavior of managers in the UK, USA and Southeast Asia. *Asian Academy of Management Journal*, 3, 19–32
- Gimuguni, L., Nandutu, J., & Magolo, A. (2014). Effect of leadership styles on performance of local governments in Uganda, A case of Mbale District. Retrieved from <http://ir.mu.ac.ke:8080/xmlui/handle/123456789/2141>
- Godard, C. D., Ehlinger, S., & Grenier, C. (2001). Validity and reliability. In R. A. Thietart (Ed.), *Doing Management Research: A Comprehensive Guide*. London: SAGE Publications.
- Gunaruwan, T. L. (2016). Unsatisfactory Performance of Sri Lanka's State-Owned Enterprises: Causality Diagnostics in Management Autonomy and Accountability. *Sri Lanka Forum of University Economists (SLFUE), Department of Economics, University of Kelaniya*.
- Hair Jr., J.F., Black, W.C., Babin, B.J., & Anderson, R.E. (2010). *Multivariate Data Analysis: A Global Perspective*. (7<sup>th</sup> ed.). Upper Saddle River: Pearson Education
- Hair, Jr. J.F., Black, W. C., Babin, B. J., & Anderson, R. E. (2014). *Multivariate data analysis: A global perspective*. Pearson Education.
- Hater, J.J., & Bass, B.M. (1988). Superiors' evaluations and subordinates' perceptions of transformational and transactional leadership. *Journal of Applied Psychology*, 73(4), 695-702
- Howell, J. M. & Avolio, B. J. (1993). Transformational leadership, transactional leadership, locus of control, and support for innovation: Key predictors of consolidated business-unit performance. *Journal of Applied Psychology*, 78, 891-902.
- Hoxha, A. (2019). Transformational and Transactional Leadership Styles on Employee Performance. *International Journal of Humanities and Social Science Invention*, 8(11), 46-58.
- Ismail, A., Mohamad, M. H., Mohamed, H. A. B., Rafiuddin, N. M., & Zhen, K. W. P. (2010). Transformational and Transactional Leadership Styles as a Predictor of Individual Outcomes. *Theoretical & Applied Economics*, 17(6), 89-104.
- Jaeger, A. M. (1986). Organization development and national culture: Where's the fit?. *Academy of Management Review*, 11(1), 178-190.
- Jayasingam, S., Ansari, M. A., & Jantan, M. (2010). Influencing knowledge workers: the power of top management. *Industrial Management & Data Systems*, 110(1), 134-151.

- Jilani, E. M., & Juma, M. D. (2015). Contingent rewards as a strategy for influencing employee engagement in manufacturing companies: Case study of Williamson Tea Kenya Limited. *International Journal of Business and Commerce*, 4(5), 20-59.
- Judge, T. A. & Piccolo, R. F. (2004). Transformational and transactional leadership: A meta analytic test of their relative validity. *Journal of Applied Psychology*, 89(5), 755-768.
- Kalsoom, Z., Khan, M. A., Zubair, S. S. (2018). Impact of Transactional Leadership and Transformational Leadership on Employee Performance: A Case of FMCG Industry of Pakistan. *Industrial engineering letters*, 8(3), 23-30
- Katz, D., & Kahn, R.L. (1978). *The social psychology of organizations*. New York: Wiley.
- Kehinde, O.A., & Banjo, H.A. (2014). A test of the impact of leadership styles on employee performance: A study of department of petroleum resources. *International Journal of Management Sciences*, 2(3), 149-160.
- Koopmans, L. (2015). *Individual work performance questionnaire instruction manual*. Amsterdam, NL: TNO Innovation for Life–VU University Medical Center.
- Koopmans, L., Bernaards, C. M., Hildebrandt, V. H., Schaufeli, W. B., de Vet Henrica, C. W., & van der Beek, A. J. (2011). Conceptual frameworks of individual work performance: A systematic review. *Journal of occupational and environmental medicine*, 53(8), 856-866.
- Kreitner, R. & Kinicki, A. (2007). *Organizational Behavior*. (7<sup>th</sup> ed), N.Y., McGraw-Hill Irwin.
- Lo, M-C., Ramayah, T. & Min, R. H. W. (2009). Leadership styles and organizational commitment: a test on Malaysia manufacturing industry. *African Journal of Marketing Management*, 1(6), 133-139
- Luthans, F. & Peterson, S. J. (2002). Employee engagement and manager self-efficacy. *Journal of Management Development*, 21(5), 376-387.
- Malhotra, N., & Peterson, M. (2006). *Basic marketing research: A decision making approach*. (2<sup>nd</sup> ed.). New Jersey: Prentice Hall.
- Motowidlo, S. J., & Van Scotter, J. R. (1994). Evidence that task performance should be distinguished from contextual performance. *Journal of Applied Psychology*, 79(4), 475–480. <https://doi.org/10.1037/0021-9010.79.4.475>
- Muterera, J. (2012). Leadership Behaviours and Their Impact on Organizational Performance in Governmental Entities, *International Journal of Sustainable Development*, 3(8), 19-24
- Nel, P.S., Van Dyk, P.S., Haasbroek, G.D., Schultz, H.B., Sono, T.J., & Werner, A. (2004). *Human Resources Management* (6th ed.). New York: Oxford University Press.
- Nunnally, J.C. (1978). *Psychometric theory* (2nd ed.). New York: McGraw-Hill.
- Obiwuru, T. C., Okwu, A. T, Akpa, V. O. & Nwankwere, I. A. (2011). Effects of Leadership Style on Organizational Performance: A Survey of Selected Small Scale Enterprises in Ikosi-Ketu Council Development Area of Lagos State, Nigeria. *Australian Journal of Business and Management Research*, 1(7), 100- 111
- Odumeru, J. A., & Ogbonna, I. G. (2013). Transformational vs. transactional leadership theories: Evidence in literature. *International review of management and business research*, 2(2), 355-361.
- Paracha, M. U., Qamar, A., Mirza, A., Hassan, I. & Waqas, H. (2012). Impact of leadership style (transformational & transactional leadership) on employee performance & mediating role of job satisfaction: Study of private school (educator) in Pakistan. *Global Journal of Management and Business Research*, 12(4), 55-64.
- Pradeep, D. D., & Prabhu, N. R. V. (2011). The relationship between effective leadership and employee performance. *Journal of Advancements in Information Technology*, 20, 198-207.

- Rasool, H. F., Arfeen, I. U., Mothi, W., & Aslam, U. (2015). Leadership styles and its impact on employee's performance in health sector of Pakistan. *City University Research Journal*, 5(1), 97-109.
- Raveendran, T., & Gamage, A. S. (2018). Impact of leadership styles on employee performance: a review of literature. *Journal of Business Studies* 5(2), 60-80.
- Rejas, L. P., Ponce, E. R., Almonte, M. D. & Ponce, J. R. (2006). Transformational and Transactional Leadership: A Study of Their Influence in Small Companies. *Ingeniare Revista Chilena De Ingeria*. 14(2), 156-166.
- Rowold, J. & Schlotz, W. (2009). Transformational and Transactional Leadership and Followers' Chronic Stress. *Leadership Review*, 9(1), 35-48.
- Rubatheesan, S., 2019 August 4. Aimless recruitment stuffs public sector with under-performers, *The Sunday Times*. Retrieved from <http://www.sundaytimes.lk/190804/news/aimless-recruitment-stuffs-public-sector-with-under-performers-361310.html> (accessed 5 August 2019)
- Seibert, S. E., Wang, G., & Courtright, S. H. (2011). Antecedents and consequences of psychological and team empowerment in organizations: a meta-analytic review. *Journal of applied psychology*, 96(5), 981.
- Suryanarayana, A. (2011, January). An empirical study into transactional and transformational leadership. In *International Conference on Human Resource Management and Professional Development for the Digital Age (HRM & PD)*. Proceedings (p. 58).
- Torlak, N. G., & Kuzey, C. (2019). Leadership, job satisfaction and performance links in private education institutes of Pakistan. *International Journal of Productivity and Performance Management*. 68 (2), 276-295. <https://doi.org/10.1108/IJPPM-05-2018-0182>
- Tsigu, G. T., & Rao, D. P. (2015). Leadership styles: their impact on job outcomes in Ethiopian banking industry. *ZENITH International Journal of Business Economics & Management Research*, 5(2), 41-52.
- Yukl, G. (1994). *Leadership in Organizations*. (3rd ed.). Englewood Cliffs, NJ: Prentice- Hall.