MODULE

5 Transactional Leadership

"As a leader, it is important to not just see your own success, but focus on the success of others."

- *Sundar Pichai*

Time Period and Situation

Transactional Leadership was first defined by Max Weber in 1947 as, "the exercise of control on the basis of knowledge." The transactional leadership style was used extensively after World War II in the United States when the government was concentrated on rebuilding and needed a high level of structure to maintain stability. Twelve years later, social psychologists John French and Bertram defined the five bases of power, later revising them in 1965 to add a sixth power. In 1978, James McGregor was the most prominent author to argue that transactional leaders needed to be of high moral standing and act as good role models for their team. Later, in the 1980s and 1990s, Bernard M. Bass, Jane Howell, and Bruce Avolio defined the dimensions of transactional leadership. Transactional leadership today is often compared with transformational leadership and it is thought that combining both is ideal for the workforce.

Agenda

1. Theory
    a. Transactional Leadership
2. Concepts
    a. Six bases of power
3. Examples of Transactional Leadership
    a. Angelica Fuentes
        i. Six Bases of Power
    b. Sundar Pichai
    c. Gen. H. Norman Schwarzkopf

Student Objectives:

1. Students will understand the ideas behind Transactional Leadership and analyze its benefits and drawbacks.
2. Students will be able to identify the six bases of power and advantages of each.
3. Students will understand how to identify a transactional leader and where it is

appropriate.

Facilitation Notes

1. The two activities at the bottom of this document are intended to *be* the entirety of the module. You should not lecture each of the biographies on the five leaders - those are just for your own knowledge. The students should research the leaders on their own.
2. Six bases of power can be lectured through a few different ways:
    a. Facilitators write a "word bank" of the six powers on the board. They will act out one example of one power and the class can guess which kind is being imitated. Repeat for each power. In between powers, briefly go over the dictionary definition for that power.
3. A fun video to kick off transactional leadership from The Office, titled "Butt Incentive": https://www.facebook.com/officememesandquotes/videos/455102394950885?s=100 027840559174&v=e&sfns=xmwa
4. Be sure to note that workplace benefits are not the only form of transactional leadership, and it can exist in many different forms. However, in today's society, creating a work environment that people want to be in because of the benefits the company offers them is the primary instance of transactional leadership. Have smaller examples ready to go to provide further examples.
5. When discussing Schwarzkopf, don't just list out his rules. Find a way to incorporate some or all of them in an interesting way, as to engage the students in the discussion.
6. In addition, it is important to emphasize the difference between transactional leadership and reward/coercive power (if there isn't time to do the "Transactional Leaders Activity").
    a. Transactional leaders prioritize sticking to the same routine
    b. Transactional leaders let their followers use their own intuition in order to accomplish their goals
    c. Transactional leaders focus on short term groups
7. Talk about the 6 bases of power (or at least the specific bases relevant to this module) before going on to talk about transactional leadership

Theory

1. Transactional Leadership
    a. *Transactional Leadership focuses on results and functions on the exchange of rewards and punishments from leader to follower in order to motivate a team. (Northouse 162)
    b. Transactional Leadership is often thought to work best with the self-motivated people in structured and direct environment. Transactional leaders focus on short-term goals, favor rigid structure and policy, and find satisfaction in high efficiency. Transactional leaders prefer to motivate and inspire their team to produce quality results rather than instructing them on how to specifically perform the task (St. Thomas University)
    c. Transactional leaders seek to make an already existing process more efficient instead of looking for change and innovation.
    d. Pros of Transactional Leadership:
        i. Rewards those who are motivated by self-interest to follow instructions

        ii. Provides an unambiguous structure for large organizations, systems requiring repetitive tasks and infinitely reproducible environments

        iii. Achieves short-term goals quickly

        iv. Rewards and penalties are clearly defined for workers

e. Cons of Transactional Leadership:

        i. Rewards the worker on a practical level only, such as money or perks

        ii. Creativity is limited since the goals and objectives are already set

        iii. Does not reward personal initiative

f. Typical Characteristics of Transactional Leaders:

        i. Focused on short-term goals

        ii. Favor structured policies and procedures

        iii. Thrive on following rules and doing things correctly

        iv. Revel in efficiency

        v. Very left-brained

        vi. Tend to be inflexible

        vii. Opposed to change

g. In the 1980s and 1990s, transactional leadership was divided into three different dimensions. Later, Laissez-Faire would be added as a fourth dimension in some literature.

        i. Contingent Reward: Setting expectations and rewarding teammates for meeting them

        ii. Passive Management by Exception: The leader does not interfere unless an issue arises

        iii. Active Management by Exception: Leaders anticipate problems, monitor progress, and issue corrective measures

        iv. Laissez-Faire: The leader allows for their team to make decisions and exempts themselves from responsibilities and group direction (MSG). The leader expects the followers to figure it out themselves.

Concepts

1. Six Bases of Power: Different types of leaders/people will use the different bases of power depending on their audience or situation

a. Referent Power - Based on followers' identification and liking for the leader. A teacher who is adored by students has referent power.

b. Expert Power - Based on followers' perceptions of the leader's competence. A tour guide who is knowledgeable about a foreign country has expert power.

c. Legitimate Power - Associated with having status or formal job authority. A judge who administers sentences in the courtroom exhibits legitimate power.

d. Reward Power - Derived from having the capacity to provide rewards to others. A supervisor who gives rewards to employees who work hard is using reward power.

e. Coercive Power - Derived from having the capacity to penalize or punish others. A coach who sits players on the bench for being late to practice is using coercive power.

f. Information Power - Derived from possessing knowledge that others want or need. A boss who has information regarding new criteria to decide employee promotion eligibility has information power.

Examples of Transactional Leadership
Angelica Fuentes (1963 - Present Day)
Resources:
1. https://www.wilsoncenter.org/person/angelica-fuentes
2. http://changingminds.org/explanations/power/french_and_raven.htm

CORE Crash Course (CCC):
Angelica Fuentes is a Latin-American business woman and investor. Recognized by multiple media outlets as one of the most influential women in society today, Fuentes has dedicated her career to correcting gender disparity. Fuentes became the CEO of Grupo Imperial at the age of 29 in Northern Mexico and served as the CEO of Grupo Omnilife-Angelissima-Chivas for 8 years later in life, leading the company to become a top 100 corporation in Mexico. She has served on a multitude of committees advocating for gender parity and has in turn received a plethora of awards for her dedication to the cause. Following her decision to invest in girls in Latin America to change the future of the region, her company Angelissima recruits entrepreneurial saleswomen and offers tailored benefits to help them gain a chance at financial independence. Today, she also acts as a humanitarian and philanthropist for struggling women in Mexico.

Discussion Questions:
1. What kind of power does Angelica Fuentes have? Can this change over time? If so, what power did she start with and what power did she gain over her professional career?
2. What is the difference between reward power and transactional leadership? Does reward power help with transactional leadership?
3. What base of power has the greatest vantage point? The least? Can different bases of power be used to motivate certain demographics or in certain situations?
4. What does Angelica Fuentes offer her team in order to accomplish goals as a company? Why would people want to work for her?

Sundar Pichai (1972 - Present Day)
Resources:
1. https://qz.com/india/879633/let-others-succeed-google-ceo-sundar-pichais-simple-but-effective-leadership-style/
2. https://www.mapsofindia.com/who-is-who/business-economy/sundar-pichai.html
3. https://www.inc.com/business-insider/best-google-benefits.html

CORE Crash Course (CCC):
Sundar Pichai was born to a middle class family in Chennai, India in 1972. He earned a bachelor's degree in metallurgical engineering from the Indian Institute for Technology, a masters in material sciences and engineering from Stanford University, and a masters in business from the Wharton School of the University of Pennsylvania. In 2004, Pichai joined Google, leading the product team for Google Chrome, Chrome OS, and Google Drive. Progressively working his way up the company, he became the

CEO of the company in August 2015, after 11 years at Google working as a Product Manager. Sundar Pichai has been recorded on several accounts to be a boring, predictable man. However, many scholars attribute his success as a leader to this aspect of his personality. In an environment full of 60,000 incredibly intelligent and forceful minds, Pichai emerged as a soft-spoken and realistic leader focused on getting things done. Pichai said himself that part of the key to his leadership is his ability to give directions and let go. He said, "When you're trying to run something at the scale of Google, we have now over 60,000 people and…you rely on other strong leaders. A lot of what I do is… I have an outstanding leadership team. It's learning to let go and really empowering people at all levels of the organisation, and trusting them to doing the right thing." Pichai also offers his team a variety of benefits, with Google ranking #1 on Fortune's Best Places to Work. Google employees have a variety of benefits including free transportation on some campuses, free "massage credits", free gym memberships, and paid time off for passion projects among others.

Discussion Questions:
1. How is Pichai a transactional leader? Why do you think the company offers so many rewards and benefits to its employees?
2. What branch of transactional leadership does Pichai demonstrate? Although there is one more relevant branch of transactional leadership that Pichai demonstrates, are the others also present, and if so, which? Is it effective, or should it be changed? Would this style be applicable to somewhere like IMSA?
3. Are Google's benefits too much? How do you determine what rewards are appropriate for your team as a transactional leader?

General H. Norman Schwarzkopf (1934 - 2012)
Resources:
1. https://www.elephantsatwork.com/norman-schwartzkopfs-14-rules-on-leadership/
2. https://online.stu.edu/articles/education/what-is-transactional-leadership.aspx

CORE Crash Course (CCC):
Gen. Norman Schwarzkopf graduated from West Point Military Academy. During the Vietnam War, he served as an advisor to the South Vietnamese army. He was wounded and awarded three Silver Star medals, became a brigadier general in 1978, and gained a four-star ranking in 1988. Schwarzkopf was commander-in-chief of the U.S. forces in Operation Desert Storm, guiding over 10,000 troops through Iraq and Kuwait. Following his dedicated military service, Schwarzkopf returned home and wrote an autobiography titled *It Doesn't Take a Hero,* where he describes a variety of life lessons he learned over his time as well as his 14 rules to leadership.
- 14 Rules of Leadership:
    - Think of yourself as a leader
    - Character
    - Leadership must be respected, even though not loved
    - The true rewards of leadership come from leadership itself
    - No organization will get better unless you admit something is broken
    - The climate must allow people to speak up
    - Leaders establish goals for an organization

- Leaders set high standards; they don't accept low standards
- Leaders set high standards and clarify their expectations
- Recognize and reward success - it is infectious. (The same goes for failures)
- Accept a few mistakes
- Don't tell them how to do the job - simply allocate resources, set standards, and the results will exceed your expectations
- When placed in command, take charge.
- Do what is right.

Discussion Questions:
1. Which of Schwarzkopf's rules stands out to you most and why? Which do you think are more applicable to your daily life at IMSA?
2. Is Schwarzkopf a transactional leader? Why/why not?
3. If transactional leadership is based on a system of rewards and punishments, where does one draw the line between accepting a few mistakes and punishing failures?
4. Do you agree with Schwarzkopf's 14 rules? Why or why not?
5. How do Schwarzkopf's rules play into his leadership style?

Vince Lombardi
Resources:
- https://online.stu.edu/articles/education/what-is-transactional-leadership.aspx
- http://www.leadershipgeeks.com/vince-lombardi-leadership/

CORE Crash Course (CCC):
Born in 1913, Vince Lombardi is best known as the coach for the Green Bay Packers. He signed a five-year contract with Green Bay in 1959. Under his leadership, the team never had a losing session. Over the course of his career, he led the team to a 98-30-4 record and five championships. The Super Bowl trophy is named after him. He used to run the Packers through the same plays in practice over and over again. The team's opponents knew the plays Lombardi would run, but the team was so well trained that many teams had trouble defending against them.

Discussion Questions:
- How does his coaching style relate to transactional leadership? What aspects of it are different?
- What main leadership techniques did Lombardi exhibit?
- What kind of leaders should sports team coaches be? Does it differ between sports?

Howard Schultz
Resources:
- https://online.stu.edu/articles/education/what-is-transactional-leadership.aspx
- http://www.leadershipgeeks.com/vince-lombardi-leadership

CORE Crash Course (CCC):
Howard Schultz was born in 1953 and grew up in the Brooklyn housing projects. He escaped the projects with a football scholarship from Northern Michigan University.

After college, he started selling coffee makers to companies that included the Starbucks Coffee Tea and Spice Company, which originally sold coffee beans rather than made-to-order drinks. He was hired by the company in 1982. In 1984, Schultz opened the first Starbucks coffeehouse based on the concept of an Italian espresso bar.

Schultz wanted to grow Starbucks, but the owners wanted to stay small. Schultz left and opened his own company in 1985. With the help of investors in 1987, he bought Starbucks and merged the two companies. By 2006, Schultz was ranked 394 on Forbes magazine's list of the 400 richest people in America. As a transactional leader, he was responsible for the vision and implementation of the Starbucks model.

Discussion Questions:

- How do you think that Schultz may have been able to market Starbucks across the U.S?
- Do you think Schultz is a transactional leader?
- What do you think could be some common characteristics between the examples of leaders we have already given to you?

Activities

Six Bases of Power Activity (15min)

Purpose:
To help students learn the six bases of power and rank its importance according to their personal experiences. Students will then be asked to discuss the effectiveness of the powers after ranking them individually.
Materials:
Post-It Notes (enough for every person to have six)
Directions:
Put six post it notes around the room labeled with one base of power. Then When the students come into the class, explain the six bases of power according to Northouse's definition, possibly collaborating with the other facilitator as an example for each power. After explaining all the powers, give students six post-it-notes each, and ask them to rank each power by putting a post-it note with a number under each post-it note with the power. For example, if a student believes legitimate power is the most effective, they will put a post-it note with the number 1 under the post-it note labeled "legitimate power." After all students rank the powers, facilitators will look at the trends and ask students to discuss their decisions.
Discussion:
1. What are the trends in the rankings?
2. Why do you believe your power is the most effective?
3. How might leaders communicate differently when they use different powers?
4. Is an individual who uses coercive power a leader?
5. Are certain powers better to have in certain situations? Or is there a specific power that is best for a leader to have?

Transactional Leaders Activity (20 min)
Purpose:
The purpose of this activity is to give students the opportunity to learn about more

transactional leaders and understand why these leaders follow transactional leadership. In addition, this activity provides an innovative way to learn more about the connections of transactional leadership to the world today without the need for a lecture.

Materials:
- 10 Markers, Portions of Whiteboards for Approximately Five Groups

Directions (& Discussion):
Do a short lecture on the definition of transactional leadership.

Divide up the class into five groups. After groups are formed, provide two markers and a section of a whiteboard to each group. Then, ask each group to think about, or research, an example of a transactional leader in the world today.

After letting them research for 5 minutes, they will do a 1:30 minute pitch on the biography of their leader, a reasoning for why they are transactional leaders, and an analysis of the causes of their success.

After a group presents, ask the rest of the class (not the group) the specific discussion questions regarding their leader. Then, allow the group to add on to or correct the class's answer, posing them as experts/facilitators of the discussion.

After each class has presented, ask the class to have a discussion on which of the leaders is the best example of a transactional leader.

Sources

1. Northouse
2. https://online.stu.edu/articles/education/what-is-transactional-leadership.aspx
3. https://managementstudyguide.com/transactional-leadership.htm