

## **INVESTIGATING THE CORRELATION BETWEEN THE TRANSFORMATIONAL AND TRANSACTIONAL LEADERSHIP STYLES WITH STAFF ENTREPRENEURSHIP**

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### **ABSTRACT**

The main aim of this study is to investigate the correlation between the transformational and transactional leadership styles with staff entrepreneurship in Environmental Protection Agency of Tehran. The statistical population of this research consists of all 800 staff in Environmental Protection Agency of Tehran in 2013. 333 subjects are extracted and analyzed as the sample size according to simple cluster sampling and through Kerjcie and Morgan Table (1970). The measurement tool consists of two questionnaires, transformational and transactional leadership styles, implemented on staff and managers. The reliability of these questionnaires is measured by Cronbach's alpha coefficient and equal to 0.90 for transformational and transactional leadership styles and 0.86 for entrepreneurship. The data is analyzed at both descriptive and inferential levels and the research findings are as follows: 1- There is a significant correlation between the transformational and transactional leadership styles with staff entrepreneurship in Environmental Protection Agency. 2- There is a significant correlation between the dimensions of transformational leadership style and staff entrepreneurship in Environmental Protection Agency. 3- There is a significant correlation between the dimensions of transactional leadership style and staff entrepreneurship in Environmental Protection Agency.

**Keywords:** *Transformational and Transactional Leadership Styles, Staff Entrepreneurship*

### **INTRODUCTION**

The management is considered as one of the most important human activities. The importance and necessity of management is clarified since the human realized that he cannot do most of the actions alone. The more the community utilizes more groups to do the activities, the more the activities of groups becomes complex and their guidance to reach the goal becomes more difficult. Therefore, the management topic as a science is studied at different dimensions and scopes by experts. The process of changes and diversity of applied tools in life are increasing every day. The rapid changes have been unpredictable by humans during the last century. The global competition and growing business in the East and West and developed and developing countries has created the extremely unstable space for all businesses. To deal with this uncertain environment and constant changes, there is a need for leaders. Obviously, the traditional leadership will not survive in the third millennium and the world requires the transformational leaders. The first views about the leadership can be found in a Chinese text called "big plan" which was probably written in 1120 BC.

According to this text, the good leadership requires the clear rules which are based on the environment and are implemented according to the circumstances, with kindness or power. Furthermore, it is explained that the leaders should be perfect in practice (Violina and Starbuck, 1997). The transformational leadership measures enable the companies to promote their performance while competing in a turbulent and unpredictable environment.

When the components of transformational leadership are utilized as the complements to other leadership measures, they can become as the sources of competitive advantage for company and the use of this competitive advantage can be a considerable help for strategic competition and gaining the higher efficiency in the short and long terms. In fact, there is a low possibility of achieving the superior and even

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satisfactory performance while facing with the challenges of global economy without effective transformational leadership. (Ibid)

The leaders need the behavioral abilities to select the proper role for their position in order to be successful. Therefore, the leaders need the cognitive and behavioral flexibility. A leader also needs the ability to understand the individual needs and goals and also the ability to adapt his personal view to activities of group. The importance of leadership is emphasized by successful authors in order to maintain and develop the organizational culture. The leadership has the implicit and clear effect on the culture through language, structure, values and behavior at the group and personal levels (Duckett and Macfarlane, 2003).

Ayzen and Bachtal (1987) suggest that the leadership relations are important and critical for changing the followers' values, beliefs and attitudes. Furthermore, their research emphasizes on the importance of transformational leadership in environments with severe changes due to the long-term psychological impact on the followers' behavior and attitudes which lead to the creation of culture that accept the change.

During the past twenty years, the severe interest is paid on the new paradigms of leadership. Most of the initial definitions of leadership seem to focus on the rational and cognitive processes. Furthermore, the previous leadership styles are criticized since they have been unable to explain the full range of leadership styles and behaviors.

The concepts of transformational and transactional leadership styles are created in response to such these criticisms.

The determination of leaders' high performance and transformational characteristics will be important as the organizations are faced with the development of traditional management measures.

The new leadership views, called the transformational and transactional leadership styles, are created after these efforts.

Nowadays, these two leadership styles have rapidly attracted the management theorists', scientists, researchers and practitioners and various centers and groups are created to explain and determine the various aspects of these theories and we are trying to implement the concepts of these ideas widely in the organizations (Duckett and Macfarlane, 2003).

The organizational entrepreneurship is a process in which the products and processes are developed through creating the entrepreneurial culture within an active organization (Farhangi and Safarzadeh, 2007) The creation of firm entrepreneurial activities is the most obvious characteristic of entrepreneurial organization.

Therefore, according to the importance of these issues, this study aims at investigating the correlation between the transformational and transactional leadership styles with staff entrepreneurship in Environmental Protection Agency of Tehran.

### **MATERIALS AND METHODS**

This research is descriptive and has the correlative type. The statistical population of this research consists of all 800 employees in Environmental Protection Agency of Tehran with formal, treaty, contract and company employment status in different administrative and research units in 2013. 333 subjects are extracted and analyzed as the sample size through simple cluster sampling and according to Kerjcie and Morgan table (1970).

The measurement tool consists of two researcher-made questionnaires, transformational and transactional leadership styles and entrepreneurship, and they are implemented on staff and managers. The reliability of these questionnaires is obtained by Cronbach's alpha coefficient equal to 0.90 for transformational and transactional leadership and 0.86 for entrepreneurship. The data analysis is done by SPSS software at both descriptive and inferential statistics levels.

The descriptive statistics level uses the statistical features such as the frequency, mean, percentage, variance, and standard deviation, and the inferential statistics uses the correlation coefficient and Multiple Regression.

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**RESULTS AND DISCUSSION**

**Results**

*First Question:* Is there a significant correlation between the transformational and transactional leadership styles with entrepreneurship?

The regression is used to answer the research question whether there is a correlation between the transformational and transactional leadership styles with entrepreneurship? The regression model and its equation are presented in the following table

**Table 1: Summary of regression model for leadership styles (transformational and transactional) and entrepreneurship**

Multiple correlation coefficient	Square of multiple correlation coefficient	Square of adjusted multiple correlation coefficient	Standard error of approximation
0.370	0.137	0.131	24.148

Table 1 indicates the multiple-correlation coefficient, multiple adjusted correlation coefficient or coefficient of determination, so that the multiple-correlation coefficient between the mentioned variables is equal to 0.37 and at the low level.

Furthermore, the coefficient of determination indicates that 13% of variance in entrepreneurship as the dependent variable can be explained by the leadership styles (transformational and transactional) as the independent variables.

**Table 2: ANOVA**

	Sum of squares	Degrees of freedom	Mean square	F	Significance level
Regression	30447.806	2	15223.903	26.108	0.000
Residual	192429.005	330	583.118		
Sum	222876.811	332			

According to the significance level equal to 0.01, presented in the table above, and the f-statistic equal to 26.1, the regression model is confirmed and the independent variables are able to predict the variance in the dependent variables.

**Table 3: The coefficients of independent variables in terms of standardized and non-standardized values**

Independent variable	Non-standardized coefficients		Standardized coefficients	t	Significance level
	B	Standard error	Beta		
Constant value	143.581	8.120		17.682	0.000
Transformational leadership	0.965	0.136	0.410	7.103	0.000
transactional leadership s	-0.326	0.154	-0.122	-2.108	0.036

The multiple-correlation between the leadership styles (transformational and transactional) and entrepreneurship indicates that the transformational leadership style with the beta of 0.41 has a significant and positive relationship with entrepreneurship, but the transactional leadership style with beta of -0.12 has a negative inverse relationship with entrepreneurship.

*Second Question:* Is there a significant correlation between the dimensions of transformational leadership style and entrepreneurship?

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The regression is used to answer the research question whether there is a correlation between the dimensions of transformational leadership style with entrepreneurship? The regression model and its equation are presented in the following table.

**Table 4: Summary of regression model for dimensions of transformational leadership style and entrepreneurship**

Multiple correlation coefficient	Square of multiple correlation coefficient	Square of adjusted multiple correlation coefficient	Standard error of approximation
0.383	0.146	0.133	24.120

Table 4 indicates the multiple-correlation coefficient, multiple adjusted correlation coefficient or coefficient of determination, so that the multiple-correlation coefficient between the mentioned variables is equal to 0.38 and at the low level. Furthermore, the coefficient of determination indicates that 14% of variance in entrepreneurship as the dependent variable can be explained by dimensions of transformational leadership style as the independent variables.

**Table 5: ANOVA**

	Sum of squares	Degrees of freedom	Mean square	F	Significance level
Regression	32634.183	5	6526.837	11.219	0.000
Residual	190242.627	327	581.782		
Sum	222876.811	332			

According to the significance level equal to 0.01, presented in the table above, and the f-statistic equal to 11.21, the regression model is confirmed and the independent variables are able to predict the variance in the dependent variables.

**Table 6: The coefficients of independent variables in terms of standardized and non-standardized values**

Independent variable	Non-standardized coefficients		Standardized coefficients	t	Significance level
	B	Standard error	Beta		
Constant value	126.955	6.399		19.839	0.000
Perfectionism behavior	0.656	0.554	0.089	1.185	0.237
Perfectionism influence	1.813	0.665	0.209	2.725	0.007
Motivation spirit	-0.950	1.126	-0.062	-0.844	0.400
Mental effort encouragement	2.238	0.688	0.215	3.253	0.001
Attention to personal differences	0.003	0.500	0.000	0.005	0.996

The multiple-correlation between the dimensions of transformational leadership style and entrepreneurship indicates that the perfectionism behavior with the beta of 0.20 has a significant and positive relationship with entrepreneurship and the mental effort encouragement with beta of 0.21 is able to predict the entrepreneurship.

*Third Question:* Is there a significant correlation between the dimensions of transactional leadership style and entrepreneurship?

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The regression is used to answer the research question whether there is a correlation between the dimensions of transactional leadership style with entrepreneurship? The regression model and its equation are presented in the following table.

**Table 7: Summary of regression model for dimensions of transactional leadership style and entrepreneurship**

Multiple correlation coefficient	Square of multiple correlation coefficient	Square of adjusted multiple correlation coefficient	Standard error of approximation
0.306	0.093	0.082	24.820

The table above indicates the multiple-correlation coefficient, multiple adjusted correlation coefficient or coefficient of determination, so that the multiple-correlation coefficient between the mentioned variables is equal to 0.30 and at the low level. Furthermore, the coefficient of determination indicates that 9% of variance in entrepreneurship as the dependent variable can be explained by dimensions of transactional leadership style as the independent variables.

**Table 8: ANOVA**

	Sum of squares	Degrees of freedom	Mean square	F	Significance level
Regression	20825.103	4	5206.276	8.452	0.000
Residual	202051.708	328	616.011		
Sum	222876.811	332			

According to the significance level equal to 0.01, presented in the table above, and the f-statistic equal to 8.4, the regression model is confirmed and the independent variables are able to predict the variance in the dependent variables.

**Table 9: The coefficients of independent variables in terms of standardized and non-standardized values**

Independent variable	Non-standardized coefficients		Standardized coefficients	t	Significance level
	B	Standard error	Beta		
Constant value	164.016	7.978		20.558	0.000
Contingent reward-based leadership	0.526	0.418	0.079	1.259	0.209
Exceptions-based active leadership	1.455	0.422	0.223	3.448	0.001
Exceptions-based passive leadership	-1.269	0.508	-0.175	-2.495	0.013
Laissez faire leadership	-0.005	0.481	-0.001	-0.011	0.991

The multiple-correlation between the dimensions of transactional leadership style and entrepreneurship indicates that the exceptions-based active leadership with the beta of 0.22 has a significant and positive relationship with entrepreneurship, but the exceptions-based passive leadership with beta of -0.17 has the negative inverse relationship with entrepreneurship and is able to predict the entrepreneurship.

**Discussion**

According to the first finding of this research, there is a significant correlation between the transformational and transactional leadership styles with staff entrepreneurship in Environmental

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Protection Agency of Tehran and this suggests that 13% of variance in entrepreneurship as the dependent variable can be explained by the transformational and transactional leadership styles as the independent variables. This finding is consistent with the results of research by Haddadpour (2011), Chaleshtori (2008); Sanjaghi (2001) and Mose and Ritoza (2007). Yadollahi and Mir Arab Razi (2009) have pointed out that the following educational priorities should be included in educational sciences students' curricula for entrepreneurial development: Performing the educational projects related to the educational sciences course at department of education in different organizations; familiarizing with the way of developing the business plan; familiarizing with the jobs associated with the educational field; familiarizing with the business rules; familiarizing with the financial and marketing skills; familiarizing with the concepts such as the creativity, innovation and relevant skills. In a research entitled "the transformational leadership theory at the top of all theories", Sanjaghi (2001) has described the effective leadership processes, and this theory has been able to provide the appropriate model for creating the fundamental changes in the bases of most of the current organizations.

This paper investigates the scientific value and applied achievements of transformational theory, and the process of its creation and the ups and downs associated with the evolution of this theory, and finally provides a clear image of nature and dimensions of theory. The various shortcomings and deficiencies of this theory are taken into account in terms of scientific aspect. Mose and Ritoza (2007) have argued that the transformational leadership consists of five dimensions including the effect customization (character and behavior), inspirational motivation, intellectual stimulation and individual attention. The effect customization explains a degree in which the leaders play the inducing roles. The effect customization has two forms: The effect customization characteristic in which the leaders gain the trust and respect, and the effect customization behavior in which the leaders show the excellent behavior and may sacrifice their needs to improvement of their working group goals.

According to the second finding of this study, there is a significant correlation between the dimensions of transformational leadership style with the staff entrepreneurship in Environmental Protection Agency of Tehran. According to this finding, the transformational leadership style as the independent variable is able to explain 14% of variance in entrepreneurship as the dependent variable. This finding is consistent with the results of research by Rezaei and Saatchi (2008); Hook (2005) and Harbinson (1985). Rezaei and Saatchi (2008) have concluded that there is a significant correlation between the leaders' attitudes towards the human factors affecting the productivity and subordinates' organizational commitment ( $P < 0.05$ ) and also between the leaders' leadership styles and the subordinates' organizational commitment ( $P < 0.05$ ). Furthermore, the leaders' attitudes may predict their leadership styles. However, there is no significant correlation between the leaders' attitudes and the leadership behavior description by subordinates. Hook (2005) believes that the leaders, who want to be effective, should have good relationships with staff because these relationships promotes the staff satisfaction and performance and strongly connect them to group through loyalty, gratitude and sense of being a part of group. Harbinson and Myers (1985) have argued that the entrepreneur is the one who cannot be separated from the organization because he is associated with it. He is responsible for providing the conditions under which the other elements of management can do the organizational duties in target organization as well as achieving their personal goals. According to the third research findings, there is a significant correlation between the dimensions of transactional leadership style and the staff entrepreneurship in Environmental Protection Agency of Tehran. According to this finding, the transactional leadership style as the independent variable is able to explain 9% of variance in entrepreneurship as the dependent variable. This finding is consistent with the results of research by Guire (2002); Nazem and Parsa (2010) and Bass (2003). According to the research by Nazem and Parsa-Moein on the correlation between the entrepreneurship and organizational commitment (2010), the stepwise regression analysis indicates that there is a significant correlation between the entrepreneurship and components of organizational commitment. Bass (1985 and 2003) has argued that the transformational leadership focuses on the social values and is manifested in problems and change. This type of leadership is an introduction to the creation of collective confidence while facing with difficult challenges.

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