

THE EFFECT OF TRANSFORMATIONAL LEADERSHIP APPROACH IN ORGANIZATIONS

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Abstract

The transformational leadership process has a crucial role in the organizations, comparing with the transactional leadership, but it depends on how well it has been going the whole process. A real authentic transformational leadership creates great positive changes and makes the organization succeed, or at least to join the road of succeeding. However, given the fact, that practically it can be a real transformational leadership and a real transactional leadership, meaning that in some cases, the approach of a good combination of both transformational and transactional leadership might be quite functional for an organization. It is evident that many successful companies all over the world have proved to achieve their primary objectives due to a significant transformational leadership process, they have gone in their organizations.

Key words: *transformational leadership, transactional leadership, characteristics, organizations*

1. INTRODUCTION

When talking about transformational leadership, there could be taken into consideration many leadership approaches that can be classified either as part of transformational or transactional leadership. Also, there are some that explicitly deal with the decision of either to focus on the tasks that have to be pursued or on the people to realize the tasks, cited in (Lussier & Achua, 2009). However, transformational leadership is considered to have a particularly positive effect on followers' commitment (Avolio et al., 2004) hence; commitment is supposed to form a link between leadership behavior and organizational performance (Steyrer et al., 2008). Therefore, this paper aims at elaborating the effects that transformational leadership can have in an organization, concerning making either positive or negative change. Also, this article examines the following questions: First, what are some traits and characteristics of transformational and transactional leaders? Second, what differentiates a transformational leader from a transactional leader when facing the crisis? In this respect, we will better understand that, if a combination of transformational and transactional approach could be or not useful for an organization; Third, does transformational leadership approach has any weaknesses, if yes, what are those? Moreover, the structure of this paper is organized as following: In the first part of the paper, we give attention to some theoretical explanations provided by different authors about the various definitions of transformational leadership and comparison of it with transactional leadership. As well as, we are going to compare the effectiveness of transformational leaders with the transactional leaders that could be applied in an organization. Also, to which leader's employees are willing to give more their own of extraordinary contributions and putting the organization's interests above their interests, and what could be the main reason that motivates them to do so. The second part of this paper aims at putting some critical reflections on the impact of transformational leadership approach, as well as we will provide some explanations of the impact of transformational leadership approach from the organization perspective. Additionally, last part will be focused on describing some possible models of the implementation of the transformational and transactional leadership and their effects in organizations, and to better understand the way of transformational leadership or transactional leadership; we will provide practically a case of Wal-Mart.

2. AN OVERVIEW OF TRANSFORMATIONAL LEADERSHIP

The transformational leadership is an involved complex process that binds both leaders and followers together in the transformation or changing of members, organizations or even whole nations. It involves leaders interacting with followers on their "emotions, values, ethics, standards, and long-term goals, and includes assessing followers' motivating, satisfying their needs, and treating them as full human beings (Northouse, 2010). Just as an idea, transformational leadership was mentioned in 1973, in the sociological study conducted by the author James V. Downton "Rebel Leadership: Commitment and Charisma in the revolutionary process, cited in (Ivana, 1998). However, in the leadership theory, transformational leadership was first introduced by (Burns, 1978) who contrasted transforming leadership with transactional leadership. According to Burns, transforming leadership "appeals to the moral values of followers in an attempt to raise their consciousness about ethical issues and to mobilize their energy and resources to reform institutions, whereas, transactional leadership motivates followers by appealing to their self-interest and exchanging benefits". However, in contrast to Burns, (Bass, 1985), states that with transformational leadership, "the followers feel trust, admiration, loyalty, and respect toward the leader, and they are motivated to do more than they initially expected to do." He further argues that, / "transformational leadership increases follower motivation and performance more than transactional leadership. In contrast to the transformational leadership, "Transactional leadership involves an exchange process that may result in member compliance with leader requests but is not likely to generate enthusiasm and commitment to task objectives." Therefore, the transformational leader is characterized the one that "articulates a vision of the future that can be shared with peers and subordinates, intellectually stimulates subordinates, and pays high attention to individual differences among people" (Yammarino & Bass, 1990). On the other hand, (Howell & Avolio, 1992), have both shown that "Authentic transformational leaders put the interest of followers above their own interests and, in so doing, emphasize the collective right for leaders and members." Furthermore, (Northouse, 2001), states that "transformational leadership is a process that changes and transforms individuals." In other words, transformational leadership is the ability to get people to want to change, to improve, and to be led. It involves assessing associates motives, satisfying their needs, and valuing them. Therefore, a transformational leader could make the company more successful by evaluating its partners. "Transformational leadership includes individualized consideration, intellectual stimulation, idealized influence (charisma), and inspirational motivation, whereas, transactional leadership includes contingent reward behavior, passive management by exception, and active management by exception" (Yukl, 1999).

2.1. A critical view of transformational leadership

We briefly described above some positive aspects of the transformational leadership given by several authors of both old and new theories. So basically, we saw that a transformational leader seems more likely to take actions that will empower followers and make them partners in a quest to achieve meaningful objectives, comparing with the transactional leader (Yukl, 1999). However, it is worth mentioning, that not always the transformational leadership approach is perfect, furthermore, in some cases, it can be seen differently. In this direction, sometimes the transformational leaders can be even immoral, in particular, if they create changes based on false images that cater to the fantasies of constituencies, and there might be firms that can be driven into the ground by such leaders. Therefore, some transformational leaders with such approach can lull employees and shareholders alike with false hopes and expectations while he or she is preparing to depart in a golden parachute after selling out the company's interests. For example, transformational or transactional leadership will take hold within an organization will depend on to some extent on what is happening or has happened outside of it, Welch, McGovern, and Goizueta all came into power to transform firms that were in danger of failing to keep pace with changes in the marketplace. On the other hand, based on some leadership training and management development, transactional leadership, was emphasized as something which is good as far as it goes, but clearly has its limits (Bass, 1985). Also, transformational leadership is not a panacea.

For example, in some situations, it is inappropriate and transactional processes could be indicated. In general, firms that are functioning in stable markets can afford to depend on their "one-minute" managers to provide the necessary, day-to-day leadership. Whereas, "in stable organizations, even

management-by-exception can be quite useful if the manager monitors employee performance and takes corrective action as needed," but when the firm faces a turbulent marketplace or crisis, then transformational leadership needs to be fostered at all levels in the company (Bass, 1990). Moreover, the leadership effectiveness might include a variety of different types of measures, and the evidence supports the fact, that in most of the cases, if not all situations, some aspects of transformational leadership process are relevant. However, even though, transformational leaders probably could do more things that will empower followers and make them less dependent on the leaders, sometimes the universal relevance does not mean that always transformational leadership is equally effective in all situations (Yukl, 2010). Nevertheless, if we say that there is always some transformational leadership behavior that is relevant to effective leadership, it does not mean that every type of transformational behavior will be appropriate in every situation (Yukl, 1999, p. 291). In this regard, the possibility that transformational leadership process in certain situations can have adverse outcomes for followers or the organization has been noted by several writers. In this respect, according to (Harrison, 1987), "followers can be transformed to such a high degree of emotional involvement in the work that over time they become burnt out by the prolonged stress." Furthermore, individual leaders can exploit followers, even without realizing it, by creating a high level of emotional involvement when it is not necessary. On the other hand, while we can have a "pure" transactional organizational culture and a "pure" transformational one, it is clear that in some stages, some organizations are likely to have cultures that are characterized by both styles of leaders. However, in this case, the author's argument is that firms can shift in the direction of more transformational qualities regarding cultures while also maintaining a base of possible transactional qualities (Bass & Avolio, 1993). To conclude this, considering the definitions and elaborations of two styles of leadership given above on transformational leadership, more or less it is clearly now that leaders and followers have a trustful cooperation among them, and they aim to put the organization's interest as primarily to reach the first organization's objectives. However, in some cases, we can say that a good combination of both approaches could be quite useful, because not always the transformational leadership goes perfectly.

3. THE IMPACT OF TRANSFORMATIONAL LEADERSHIP IN ORGANIZATIONS

In this relation, let us see the comparison of the effectiveness of the performance of transformational leaders with those of transactional leaders, from the firm's perspective. Apparently, argues of what is said above that; transformational leaders have better relationships with their supervisors and employees than transactional leaders, and thus, they can make better contributions to the organizations. Therefore, in this case, even employees themselves, / can say or admit that they are willing to provide extraordinary contributions on behalf of managers just because they belong to the transformational leaders, whereas, organizations led by transactional leaders are less effective than transformational leaders. So, in the case of transactional leaders, employees do not provide the same efforts as in the case of the transformational leadership. Also, organizations whose leaders are transactional, they could be less effective than those whose leaders are from transformational leadership approach (Bass, 1990, p. 22).

For instance, within an organization, there are cases when leaders good enough treat their workers, and therefore, members are willing to reciprocate by expending greater effort to improve their performance, or by performing an extra-role behavior (Dirks & Ferrin, 2002). In such cases, when followers have a high level of trust in their leader, they may seek more feedback because they perceive this information more valuable than do followers with a lower standard of faith. Additionally, having the high-quality relationship between transformational leaders and their supporters, high-quality information channels exist to ensure high-quality communication. Thus, in this situation, followers do not need to worry about losing face or hurting their ego in front of their leaders, because they are pioneers in coming out of their shell, and transforming and developing themselves (Wang et al., 2016). Moreover, it might be seen a connection with authentic leaders, which strive to fully understand themselves, to be better prepared for the future challenges. In addition to that, they try to help others to do the same, more specifically; they help their employees to better understand themselves and the organization through transparent decisions and processes, toward fostering a positive and productive organizational climate (Gardner &

Schermerhorn, 2004, p. 272). Furthermore, in the exhibition 1, we are going to show and compare some characteristics of the both transformational and transactional leaders (Bass, 1990, p. 22).

Exhibit 1. Characteristics of Transformational and Transactional leaders

<p style="text-align: center;">Transformational leadership factors</p> <p><i>Charisma:</i> Vision and sense of mission, instills pride, and gains respect and trust. <i>Inspiration:</i> Communicates high expectations, uses symbols to focus efforts. <i>Intellectual Stimulation:</i> Promotes intelligence, rationality, and careful problem-solving. <i>Individualized Consideration:</i> Treats and provide personal attention, to each employee individually.</p> <p style="text-align: center;">Transactional leadership factors</p> <p><i>Contingent Reward:</i> Contracts exchange of rewards for effort, promises rewards for good performance, recognizes accomplishments. <i>Management by Exception (active):</i> They watch and searches for deviations from rules and standards. <i>Management by Exception (passive):</i> Only if standards are not met. <i>Laissez-Faire:</i> Abdicates responsibilities, avoids making decision</p>
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Source: (Bass, 1990, p. 22).

Charismatic leadership, individualized consideration, and intellectual stimulation were seen in the moving and shaking that took place between 1982 and 1984 in some firms, such as General Electric, Campbell Soup, and Coca-Cola. In each instance, the transformation could be attributed to a newly appointed chief. However, these transformational leaders were responsible for radical changes of image, increased organizational flexibility, and an upsurge of new products and new approaches. In each case, the transformational leadership of John F. Welch, Jr. of General Electric, Gordon McGovern of Campbell Soup, and Roberto Goizueta of Coca-Cola paid off in invigoration and revitalization of their firms and an acceleration in business success (Bass, 1985). In the sense of organizations, in a transformational culture, it is evident that leaders share mutual interests with their followers and a sense of shared fates and interdependence. Furthermore, leaders and members go beyond their self-interests or expected rewards for the good of the team and the good of the organization. Likewise, seems like leaders in such cases serve as mentors, coaches, role models, not necessarily because they are expected to do so but just because they feel a personal obligation to help new members assimilate into the culture (Bass & Avolio, 1993, pp. 116-118). An organization is a system that transforms human effort and physical resources into products or services. In this respect, an active leadership reflects actions are influencing the transformation process and ensuring organizational adoption where, leaders must thus, facilitate group interaction and accomplish task objectives (Fleishman et al., 1991). Therefore, the ethical transformational leader aims toward and succeeds in promoting changes in a firm, changes that strengthen firm viability, increase the satisfaction of owners, managers, employees, and customers, and enhance the value of the company's products. "It could be expected that for some reasons the transformational leadership behaviors is more useful in private enterprises, rather than in public organizations. So probably this happen because such transformation of workers could be more important for private sector due to the greater impact and effectiveness. Given the fact, that the individual behavior is less prescribed, formalized and defined in private firms comparing to public organizations (Kevin et al., 1996).

For the sake of illustration, we will provide a comparison of traits and characteristics of both transformational and transactional leaders. For instance, let us take a look at Barry Bargainer who considers himself to be a good leader, just because he meets regularly with subordinates to clarify expectations of what is required and what they can expect in return. As long as they meet his

expectations, Barry does not bother them. On the other side, we have the case of Cynthia Changer, who is a different kind of leader for example when facing the crisis, she inspires her team's involvement and participation in a "mission." For instance, comparing with Barry Bargainer, Cynthia has regular one to one chats with each of her employees at her workstation. She is consultant, coach, teacher, and mother figure. So, Barry Bargainer, as a transactional leader, may inspire a reasonable degree of involvement, loyalty, commitment, and performance from his subordinates. Whereas, Cynthia Changer, using a transformational approach, can do much more. So, as we can see, in this case, Cynthia Changer is a transformational leader, whereas, Barry Bargainer is not (Bass, 1985, pp. 26-27-39). For instance, the transactional leader could clarify the task structure with the "right way" so, by doing things in a way that maintains dependence on the leader for preferred problem solutions.

While, the transformational leader to structure the way to tackle a problem usually provide a new strategy or vision, endowing the subordinate's sovereignty in problem-solving (Lowe & Kroeck, 1996, p. 387). However, the transformational leadership process could be considered even when dealing with integrating knowledge in teams as well as the way of transforming resources into performance. In this sense, the role of leadership in managing teams with different levels and distributions of knowledge resources is a high of importance. Moreover, in this regard, team leaders play a significant role in the process of integration. Especially when operating in dynamic and uncertain environments, teams must develop a systematic approach for consistently integrating members' knowledge throughout the project's duration (Gardner et al., 2011, pp. 7-38). The new model of transformational leadership presents opportunities for enhancing a corporation's image and for improving its success in recruitment, selection, and promotion. In this direction, perhaps, recruiting new employees in an organization might play a critical role, because it gives the opportunity for a CEO to hire those people who are smart, highly motivated and possesses good experiences. By so doing might be an advantage and help leaders and followers to do a good job and make positive changes for the organization. Perhaps, could be considered, that there might be some candidates that are likely to be more attracted to the organization whose CEO is charismatic and enjoys a public image as a confident, prosperous, optimistic, and dynamic leader. Probably this might have an influence on increasing the transformational leadership in the organization. So, as we can see, charisma very much appears in such situation; therefore, charismatic leaders are characterized by energy, self-confidence, determination, intellect, verbal skills, and strong ego ideals. (Bass, 1990, pp. 25-26). However, the need for more transformational leadership could be better illustrated according to some surveys conducted in America. Some effects of transformational leaders in business and industry were done by interviewing of 845 working Americans. The study found that most employees like and respect their managers. When doing such surveys, three factors were considered with transformational leadership such as; 1) Charismatic leadership, 2) Individualized consideration and 3) Intellectual stimulation. The three transformational factors were highly correlated with perceived unit effectiveness than were the two transactional elements. Similar results are from another survey of interviewing 256 business managers, 23 educational administrators, and 45 professionals. Moreover, in these latter samples, respondents reported that they made greater efforts when leaders were charismatic, individualizing, and intellectually stimulating. It is worth mentioning that these three factors were taken into account, / when in an organization, the transformational leadership is occurring (Bass, 1985, pp. 31-33). From the observations above, we saw that when a real transformational leadership happens in an organization, it generally, creates positive changes and it makes the organization succeed or at least to join the road of succeeding. However, this does not mean that the success is always guaranteed, / because it depends on a lot of how transformational leadership has gone through stages. To better understand somehow, the approach of transformational leadership practically, we are going to illustrate it through a real-life case of Wal-Mart by showing the leader's influence regarding making, either positive or negative change within this company.

3.1. Transformational and Transactional leadership approach in the case of Wal-Mart

Wal-Mart was the world's largest retailer with about 6,500 stores, including stores in all 50 states worldwide, as well as international stores in Argentina, Brazil, Canada, Costa Rica, the United Kingdom, and joint venture agreements with China and Japan. The estimation showed that this company served more than 138 million customers each week. Most important is that the company had 1.3 million employees worldwide. Given the fact, that, Wal-Mart as a largest retail store, its strategy was to provide

a vast assortment of quality goods and services at every day with low prices. Thus, it was known by customers for its discount stores, and the consumers loved this company because of the low prices that were provided on a daily basis with an average of eight to 27 percent lower than its competitors. Moreover, due to this, Wal-Mart grew rapidly, and costumers were attracted by its assortment of low-priced products (Johnson, 2008). Wal-Mart was founded by Sam Walton who has been regarded as a leader who inspires his employees; who welcome customers at the door, and the motivational power of allowing employees; and the strategy of "everyday low prices" that offers to the client (Stalk, et al., 1992). In fact, before Walton started Wal-Mart stores in 1962, he owned a successful chain of stores banner under the Ben Franklin, a franchisor of variety stores in the United States. Later on, regarding the purchasing, Walton together with his team would make trips to buying offices in New York City. Thus, he aimed to source products globally. For instance, in 1980 he opened another office in China. This company was thought to have about 90,000 suppliers globally, like Nestle, P&G, Kraft, and Unilever were key global suppliers. Whereas, regarding distribution, it was Walton's idea that Wal-Mart stores opening to be driven directly by the distribution strategy, as well as, in contrast to its key competitors, its stores were almost located in in cheap rent, or let say in suburban areas around by highways (Johnson, 2008). Competitive success was depended very much on transforming a company's fundamental processes into strategic capabilities that consistently provide superior value to the customer. In this case, due to high leadership, Wal-Mart had turned itself by growing nearly 25% a year; where the company achieved the highest sales per square foot, inventory turns, and operating profit of any discount retailer. Also, because of this, Wal-Mart was the largest and highest profit retailer in the world with performance. However, the question arises here is, what is the secret of Wal-Mart success? So, what has enabled the company to continue to grow far beyond the direct reach of Sam Walton's magnetic personality? Certainly, the secret of the Wal-Mart was the strategic business decision that transformed the company into capabilities based competitors. The starting point aimed to focus on satisfying customer's needs, by providing the customers access to the quality goods and services and making them available for clients when and where they want, with the very competitive prices. So, the key element to achieving these goals was to make the way the company replenishes inventory the centerpiece of its competitive strategy. However, it was not the only one factor. Another key component of Wal-Mart's logistics infrastructure is the company's fast and responsive transportation system (Stalk et al., 1992). So, Wal-Mart's 75,000-person logistics division and its information systems division included the largest private truck fleet employee, who delivered the majority of merchandise sold at stores (Johnson, 2008). More important is that, / the role of senior management at Wal-Mart was not only to tell individual store managers what to do, but rather to create such an environment where they can learn from the market, and from each other. Besides, Wal-Mart had installed a video link and connected all its stores to corporate headquarters and each other. Thus, store managers frequently hold video conferences to exchange information on what's happening in the field, like which types of products are selling and which ones are not (Stalk, et al., 1992). Also, in addition to receiving sales data, they provided the team with the ability to broadcast video messages to the stores and kept store employees informed of the latest development in the firm (Johnson, 2008). As a leader of the company, Walton quite often visited the stores, and met with managers and associates, to access what they are doing for the organization. Thus, he has created great relationships with all warehouse's managers, and this made the company realize that its frontline employees play a critical role in satisfying customer needs, as well as Wal-Mart, was fine-tuning and organizational practices. So, the final piece of this capabilities mosaic is Wal-Mart's human resources system. Of course, this comes as a result of a right leadership approach (Stalk et al., 1992). Also, to make sure that best practices were implementing, Walton usually held regular "Saturday morning meeting" and the week's business results were discussed. Together with his management team, Walton often toured, always looking for new ideas to borrow (Johnson, 2008). Perhaps, "Wal-Mart can be shown to be Snow White turned wicked witch in a materialistic tale about the beauty and ugliness of being big in the retail kingdom." Also, as we briefly mentioned above, we believe that the success lies in company's ability to mirror that which consumers desire (Anna & Carrb, 2010). However, let us see, how the new employment is hired by this company, and what are the initial conditions and how the whole process of recruitment goes. For instance, during recruitment and selection process of new hires, one of the first aspects 'tested' for, is organizational 'fit.' Moreover, many of the hiring interviews, especially during multiphase queries, are imbued with determining if there is a

value match between the business and the incumbent. For instance, if there is such a game, it means that you are in, and if there is not such match, you are out. So, this is the way they did, and as we can see the use of such matching exercises is mirroring uses. That reinforce that which employee already is, and what employee should not be and what that employee should never become while working for that organization (Jaffe & Scott, 1998). A recent survey conducted by (Bonanno & Goetz, 2012) has found that within Wal-Mart they treat retail labor as homogenous, disregarding not only the distinction between part-time and full-time employees but also the existence of jobs for which different skills are needed.

“The most important element of successful change is never to let your people get offside, says Marie Gill, head of organizational development at UK supermarket ASDA, which recently merged with Wal-Mart, one of the world's largest retailers. The important thing for us was to ensure that our people understood that this takeover was a meeting of cultures’, she said. ‘We educated them with the ethos that we were becoming part of the Wal-Mart family ... People do not usually resist change – they resist being changed. Employees have to trust that the decisions made by the business are for the best, not only for the customers but also for the people. In ASDA’s case, we would not have gone ahead with the merger if it was not. The most incredible thing about the whole process is that ASDA has not fundamentally changed – the process has been more of evolution” (Pollitt, 2004).

During 2006 Wal-Mart continued to seek improvements to its supply chain, and its performance in international markets was mixed and, its competitors such as Target Stores and Costco seemed to be catching up, growing comparable store sales faster than Wal-Mart (Johnson, 2008). As the company focuses its marketing effort on attracting consumers, by highlighting "low prices" (therefore the Wal-Mart has recently moved away from the “Always low prices always" slogan to a perhaps even more useful one: "Save money. Live better”) (Bonanno & Goetz, 2012). However, the company has grown over the last 50 years into the largest retailer in the world, and today, nearly 260 million customers visit Wal-Mart stores, and more than 11,500 stores under 63 banners in 28 countries and e-commerce sites in 11 countries each week. With the fiscal year 2016 revenue of \$482.1 billion. Currently, the Walmart employs 2.3 million associates worldwide - only 1.5 million in the U.S. alone. It is all part of their unwavering commitment to creating opportunities and bringing value to customers and communities around the world (Walmart, 2017).

4. SUMMARY

To summarize, considering the practical case of the company and the theoretical explanations are given above, we can see that the transformational leadership has a substantial role in the organizations and it helps them to go towards the success. However, a real transformational leadership happens when leaders and followers aim to put the organization's interest as primarily to reach the main organization's objectives, and not using the organization for their own personal interests. Indeed, the case we illustrated shows us that Sam Walton as a founder of Wal-Mart was a successful transformational leader, and may positive changes were taken place as well as the process of transformational leadership in this company in some cases seems like it has gone correctly. However, this does not mean that in Wal-Mart the transformational leadership has occurred all the time. Taking into consideration, the way of hiring new people and the treatment of employees in some stages looks like it has belonged more to the transactional leadership approach. Despite that fact, that transformational leadership is much more useful and creates more positive changes in an organization comparing with the transactional leadership, however, in some situation a right combination of transformational and transactional leadership approach could be quite functional.

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