Structural impacts on the occurrence and effectiveness of transformational leadership: An empirical study at the organizational level of analysis

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ARTICLE INFO

ABSTRACT

This article empirically investigates the role of organizational structure in the transformational leadership (TFL) process. We examine organizational centralization, formalization, and size as antecedents of an organization's TFL climate, and as moderators of the relationship between TFL climate and productive organizational energy (POE). Hypotheses are tested using a sample of 125 organizations. Results show that both the centralization and size of an organization are negatively related to its TFL climate, whereas formalization has a positive association. Further, while there is a positive linkage between TFL climate and POE, both centralization and formalization moderate this relationship. The TFL climate–POE linkage is diminished under conditions of high centralization, and it is enhanced under conditions of high formalization. These findings point to the role of organizational structure as a boundary condition for both the occurrence and the effectiveness of TFL in organizations. The paper concludes by acknowledging its limitations and discussing its implications for practice and research.

Research has found ample evidence demonstrating the beneficial consequences of transformational leadership (TFL; e.g., Judge & Piccolo, 2004). The behaviors generally associated with TFL include articulating a captivating vision, acting as a charismatic role model, fostering the acceptance of common goals, setting high performance expectations, and providing individual support and intellectual stimulation for followers (Podsakoff, MacKenzie, Moorman, & Fetter, 1990; see also Bass, 1985). Such leadership has been shown to enhance both follower performance (e.g., McColl-Kennedy & Anderson, 2002) and organizational success (e.g., Waldman, Javidan, & Varella, 2004). Nevertheless, researchers are increasingly acknowledging that leadership does not take place within a virtual vacuum, but is subject to important contextual influences (Osborn, Hunt, & Jauch, 2002; Porter & McLaughlin, 2006). For example, theorists have argued that an organization's structural set-up may shape TFL processes, suggesting that such leadership occurs more frequently and is more effective in organizations with organic rather than mechanistic structures (Kark & Van-Dijk, 2007; Pawar & Eastman, 1997). Similarly, theories have been advanced emphasizing that structural features may be associated with the emergence and effectiveness of charismatic leadership behaviors (e.g., Roberts & Bradley, 1988; Shamir & Howell, 1999; Weber, 1947; 1976).[2] Nevertheless, the role of organizational structure has largely been ignored in empirical research on such leadership (Porter & McLaughlin, 2006; Shamir & Howell, 1999) and, therefore, more work is needed to reach a better understanding of the development and the boundary conditions of TFL and to help organizations more effectively reap the potential benefits associated with this type of leadership.

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[2] We concur with the large body of literature that has emphasized the conceptual overlap between transformational and charismatic leadership (e.g., Conger & Kanungo, 1998; House & Aditya, 1997). Hence, while focusing on TFL, we also draw on the charismatic leadership literature in outlining our arguments.

The limited evidence available suggests that organic rather than mechanistic structures may provide a more viable context for the emergence of TFL behaviors (e.g., Pillai & Meindl, 1998; Shamir, Goldberg-Weill, Breinin, Zakay, & Popper, 2000). Researchers have argued, however, that it may be problematic to capture organizations along a continuum from organic to mechanistic structures, and to relate such aspects to the occurrence of specific leadership behaviors (Atwater, 1995; House, 1991). After all, the organic-vs.-mechanistic distinction covers a wide variety of organizational characteristics, including task specialization and abstractness, the definition of rights and obligations, vertical versus horizontal interaction tendencies, reliance on top-down instructions, and the prevalence of local versus general knowledge (Burns & Stalker, 1994, p. 120). Conceptualizing organizational structure in such a broad manner may result in a relatively superficial depiction of the structure–leadership linkage (Atwater, 1995; Howell, 1997). Further, even though existing theoretical concepts refer to the role of *organizational* structure in TFL, empirical research has typically focused on structural impacts at lower levels (e.g., Pillai & Meindl, 1998; Shamir et al., 2000). Given the problems associated with generalizing relationships across levels of analysis (Ostroff, 1993a), additional work seems necessary to determine the transferability of previous findings to the organizational level. Finally, by focusing on structural facets as antecedents of TFL, empirical research has largely overlooked structural influences on the implications of such leadership. Even though theory suggests that the design choices organizations make create conditions for the emergence of TFL behaviors *and* shape the consequences of such leadership (Pawar & Eastman, 1997; Shamir & Howell, 1999), "there is a lack of empirical information on the moderating effect of the organizational context on leadership effectiveness" (Koene, Vogelaar, & Soeters, 2002, p. 194; see also Hunter, Bedell-Avers, & Mumford, 2007).

The present study addresses these issues. First, rather than differentiating organic from mechanistic structural set-ups, this research focuses on specific facets of organizational structure, namely centralization, formalization, and organization size (Atwater, 1995; House, 1991). These facets represent key constructs in what has been labeled a "traditional view" on organizational structure (Brass, 1984, p. 519). Further, centralization, formalization, and organization size have been found to be only weakly related to each other (Schminke, Cropanzano, & Rupp, 2002; Tannenbaum & Dupuree-Bruno, 1994) and, therefore, should not be assumed to have parallel effects (Atwater, 1995). Considering these dimensions individually may contribute to a more differentiated understanding of the role of organizational structure, and it may point organizational decision-makers toward specific intervention opportunities to nurture TFL.

Second, this study is located at the organizational level of analysis, conceptualizing TFL as an organization-level climate variable (cf. Chen & Bliese, 2002; Ostroff & Bowen, 2000). It investigates the association between *organizational* structure, on the one hand, and the emergence and effectiveness of an organization's TFL climate (i.e., the degree to which leaders throughout the organization direct TFL behaviors toward their followers) on the other. Hypotheses are tested in a sample of 125 independent organizations, supplementing earlier, lower-level work.

Third, we consider the moderating role of organizational structure in the relationship between TFL climate and an important outcome variable, namely productive organizational energy (POE; Bruch & Ghoshal, 2003). POE has been defined as "the extent to which a company has mobilized its emotional, cognitive, and behavioral potential in pursuit of its goals" (Cole, Bruch, & Vogel, 2005, p. 2). Thus, POE seems well suited to comprehensively capturing the consequences of TFL climate at the organizational level of analysis, along various (i.e., affective, mental, and behavioral) dimensions, and to examining organizational structure as a moderator of the effectiveness of TFL climate. As Atwater (1995, p. 466) noted, investigating such interactive relationships is a logical "next step in the research process", once contextual impacts on the occurrence of specific leadership behaviors have been examined.

To sum up, this study investigates organizational centralization, formalization, and size both as antecedents of TFL climate and as moderators of the relationship between TFL climate and POE (see Fig. 1). Thus, we extend previous theorizing and put such theory to an empirical test, complementing the predominantly conceptual perspective that has characterized this line of inquiry to date.

1. TFL climate: Conceptual issues and emergence mechanisms

As implied earlier, we define TFL climate as the degree to which leaders throughout an organization direct TFL behaviors toward their followers. Thus, TFL climate originates from the behaviors of individual leaders, but it emerges as a shared property of
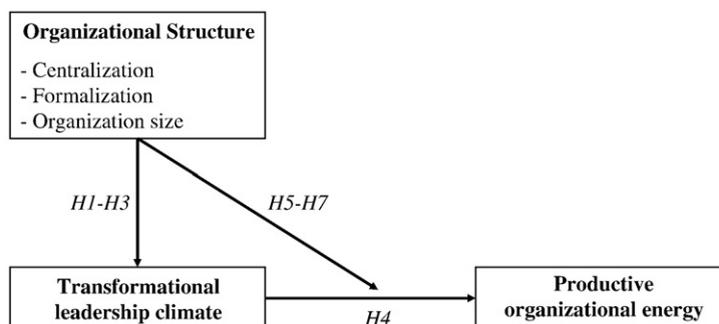

Fig. 1. The overall conceptual model. (H = Hypothesis).