

# Examining the role of transformational leadership of portfolio managers in project performance

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## Abstract

Research into the role of transformational leadership in project based organisations has generally focused on project managers or senior managers and less so on portfolio managers who oversee multiple projects to achieve business objectives. This study examines the impact of transformational leadership behaviour of portfolio managers on project performance directly and indirectly through other intervening variables such as climate for innovation and innovation championing. Using a questionnaire survey, data were obtained from 112 project managers in a UK project based organisation. Transformational leadership behaviour of portfolio managers was found to have a positive and significant relationship with project performance. Innovation championing and climate for innovation both partially mediated the relationship between transformational leadership and project performance. The study confirms the importance of portfolio managers in enhancing project performance and identifies the need for project based organisations to cultivate transformational leadership behaviour among them for enhanced performance. It also highlights the need for further exploration of the role of portfolio managers in improving project performance.

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## 1. Introduction

The need for organisations to respond to the rapidly changing and often conflicting expectations from clients and remain competitive in the current harsh economic environment has resulted in a continuous search for innovative approaches aimed at improving project performance (Kissi et al., 2009; Koch and Bendixen, 2005). Although research suggests behavioural concerns fundamentally influence project performance, limited behaviour-related research has been undertaken in project organisations (Tuuli and Rowlinson, 2009). The focus of research has traditionally been on deriving efficiencies (Muller and Turner, 2007). Leadership behaviour in general and transformational leadership in particular has long been considered an important individual factor that influences innovation and

performance in the workplace (Keegan and Den Hartog, 2004; Yang et al., 2010b). Most studies investigating the impact of transformational leadership in organisational performance have however tended to focus on senior management (e.g. Jung et al., 2003, 2008; Sarros et al., 2008) or project managers and less so on middle level managers generally and portfolio managers in particular (Kissi et al., 2009, 2010a; Styhre and Josephson, 2006). In project-based organisations, leadership behaviour of portfolio managers is important in facilitating improved project performance. Portfolio managers in this study are middle level managers running divisions of the company under study. Their role involves having strategic overview of projects led by different project managers which are not necessarily inter-related. Their primary aim is to ensure business objectives are achieved. They are distinguished from programme managers in that programme management involves managing a group of related projects in a coordinated way to achieve benefits not possible if managed individually (PMI, 2004). In the context of this study,

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the projects could be coming from different clients. Portfolio managers have the responsibility of ensuring projects collectively meet the organisation's and the clients' objectives. They also hold regular project progress review meetings with project managers. As they are in regular contact with the project managers, it is expected their workplace behaviours would have a direct or indirect effect on how project managers and project team members conduct themselves in delivering projects. Ultimately that is expected to reflect on project outcomes. However, limited research has been undertaken on this important constituency and their impact on project success, (Cheng et al., 2005; Jonas, 2010; Muller and Turner, 2007). The emphasis of our study is therefore on the transformational leadership behaviour as a managerial competency (Turner and Muller, 2005) exhibited by portfolio managers and how that influences project performance directly as well as indirectly through other intervening variables.

This study draws from the concept of direct and indirect transformational leadership defined in relation to how distant the subordinate is from the leader (Shamir, 1995; Yammarino, 1994). Two aspects of indirect leadership underlie this study; the bypass and the cascading effect (Yang et al., 2010a). The bypass effect is where transformational leadership directly influences the performance of followers further removed from the leader in the organisational hierarchy while the cascading effect of transformational leadership occurs where the leader impacts on the performance of frontline employees indirectly by influencing the leadership behaviour of the immediate follower who in turn influences the performance of their subordinates. Leadership can also impact performance through other intervening variables such as workplace climate.

The study sought to contribute to a better understanding of the mechanisms through which transformational leadership behaviour of portfolio managers influence project performance. Our study had three primary objectives. Firstly, to investigate the direct effect of transformational leadership of portfolio managers on project performance bypassing project managers. Secondly, to investigate the cascading effect of transformational leadership on project performance by influencing the innovation championing behaviour of project managers, and thirdly, to examine the effect of transformational leadership on project performance acting through the work place climate. Consistent with Schneider and Reichers' (1983) suggestion that climate studies should be facet specific to yield meaningful and useful results, we focused on "climate for innovation." Climate for innovation is considered as creating the enabling environment that encourages project team members to adopt innovative approaches to delivering projects. Innovation championing behaviour in this study is defined as "the project manager's observable actions directed towards seeking, stimulating, supporting, carrying out and promoting innovation in the projects" (Dulaimi et al., 2005: 566). Project outcomes have often been measured on the basis of financial, budget and quality performance (Salter and Torbett, 2003; Shenhar et al., 1997). Beyond these traditional measures, we recognise that projects generally have different stakeholders with varying expectations and views on project success (De Wit, 1988). Project performance in this study is therefore multi-dimensional in nature incorporating both short and long term measures

(Dulaimi et al., 2005; Shenhar et al., 1997). In subsequent sections we discuss the hypothesised relationship among the key constructs derived from extant literature, outline the statistical analyses undertaken and present key findings together with their theoretical and practical implications.

## 2. Theory and hypotheses

### 2.1. Transformational leadership

Transformational leadership is an approach to leading that changes followers, causing them to look beyond self-interest in favour of the group's objectives by modifying their morale, ideals and values, (Pieterse et al., 2010). It is associated with stimulating and inspiring followers to deliver extraordinary results while developing their own leadership abilities (Bass and Riggio, 2006). As a higher order construct, transformational leadership comprises several components (Pieterse et al., 2010). Podsakoff et al. (1990) identified six dimensions of transformational leadership. These were articulating vision, providing an appropriate model, fostering the acceptance of group goals, high performance expectations, individualised support and intellectual stimulations. According to Podsakoff et al. (1990), by articulating vision, the leader identifies new opportunities for the unit, develops, articulates and inspires others with his or her vision and shows them how to achieve the vision. Also, by providing an appropriate model, the leader lives the espoused values which become examples to the followers to emulate. In addition, the leader fosters the acceptance of group goals by promoting team effort towards the achievement of set goals. Moreover, high performance expectation behaviour of the leader is reflected in the leader's expressed belief in the ability of the followers to deliver excellence and high quality performance. Individualised support by the leaders is expressed in the show of respect and concern for the individual's needs. Finally through intellectual stimulation, the leader challenges the assumptions employees hold about their work and encourages them to look at different ways of doing it better (Podsakoff et al., 1990, 1996).

### 2.2. Transformational leadership, innovation championing and project performance

Leadership in general and transformational style of leadership particularly has been highlighted as an important individual factor exerting significant influence on performance in organisations directly or indirectly through other intervening variables such as culture and climate (Gumusluoglu and Ilsev, 2009; Jung et al., 2003, 2008; Kissi et al., 2012a). Particularly, transformational leadership has been associated with motivation of followers in pursuit of organisational goals (Jung et al., 2003, 2008), organisational citizenship behaviour (Podsakoff et al., 1996), employee commitment (Keegan and Den Hartog, 2004) and work attitude (Podsakoff et al., 1990) which in turn induces enhanced performance (Jung et al., 2003, 2008; Sarros et al., 2008). Pinto et al. (1998) suggested that transformational leadership is relevant in the project based environment as it enables managers to transform their project teams and ultimately impacts project performance.

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