



Dispelling misconceptions and providing guidelines for leader reward and punishment behavior

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Abstract One unfortunate consequence of the focus on “charismatic,” “transformational,” and “visionary” leader behaviors during the past few decades has been the tendency to diminish the importance that transactional leadership behaviors have on leadership effectiveness. We say that this is unfortunate because recent research has shown that transactional leadership, in the form of contingent reward and punishment behaviors, can have substantial effects on a variety of important employee attitudes, perceptions, and measures of job performance. Therefore, in this article we discuss some possible reasons why transactional leadership has been relegated to a lesser role than transformational leadership, summarize the research that indicates the importance of leader contingent reward and punishment behavior to leadership effectiveness, and identify some of the mechanisms that these forms of leadership behavior work through to influence employee attitudes and behaviors. Following this, we address ten misconceptions managers often have regarding the administration of rewards and punishments, and provide some recommendations about how leaders can improve their effectiveness in administering recognition and discipline in organizational settings.

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1. Weighing the value of leadership

It has become increasingly popular in the past 20 years to extol the virtues of “transformational,”

“charismatic,” “strategic,” and “visionary” leadership (Avolio, 1999; Bass, 1985). According to Bass (1985), transformational leadership behaviors transform the values of employees, activate their higher-order needs, and encourage them to transcend their own self-interests for the sake of the organization. One obvious reason for the interest in these leadership behaviors is that empirical evidence (Judge & Piccolo, 2004) has shown that transformational leadership behaviors—such as articulating a vision,

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idealized influence, intellectual stimulation, individualized consideration, and inspirational motivation—have positive relationships with employee attitudes and behaviors, and with measures of organizational effectiveness.

However, one unfortunate consequence of this trend toward transformational leadership is that it tends to focus attention away from what has come to be called “transactional” leadership. We say unfortunate, because two recent studies (Judge & Piccolo, 2004; Podsakoff, Bommer, Podsakoff, & MacKenzie, 2006) have shown that one of the primary forms of transactional leadership, called leader contingent reward behavior, is more strongly related than transformational leadership to some employee outcomes. In addition, this research has shown that two other forms of transactional leadership, called contingent and noncontingent punishment behaviors, also have important relationships with employee attitudes, perceptions, and behaviors.

Therefore, the purpose of this article is to review the research on transactional leadership and discuss its importance for practicing managers. As a first step in this process, we discuss some possible reasons for the trend away from transactional leadership to transformational leadership. Following this, we summarize the literature on the relationships between leader reward and punishment behaviors and employee outcomes. Next, we explore some of the theoretical mechanisms that these behaviors work through to influence employee attitudes and behaviors. We then address ten popular misconceptions held by many managers regarding leader reward and punishment behaviors in organizations. Finally, we provide some recommendations for leaders who wish to improve their effectiveness in administering rewards and punishments in organizational settings.

2. Reasons for the trend away from transactional leadership

There are several possible reasons for the trend away from transactional leadership and toward transformational leadership. The first reason is that strategic, visionary, and transformational leadership behaviors seem to be more important than transactional leadership behaviors. For example, the connotation of strategic and/or visionary leadership is that it addresses more complex and important issues than transactional leadership. Indeed, it has been argued that a company’s vision and strategy are the cornerstones of a successful organization (Collins & Porras, 1995; Kotter & Heskett, 1992; Quigley, 1993). In contrast, transactional leadership is often associated

with the day-to-day interactions that leaders have with their followers, and these interactions do not seem nearly as important as guiding the ship of state.

Related to this, transformational leadership is consistent with the notion of an organization’s strategic intentions and implies change, which is often viewed as the essential ingredient of contemporary leadership. Certainly, one of the most popular images of effective leaders today is that they initiate and implement change:

As we move closer to the new millennium, models of outstanding leadership such as transformational, charismatic, and visionary leadership, which focus on organizational transformation, are likely to become even more important because of the breathtaking changes foreseen in the business and political environment. (Eisenbach, Watson, & Pillai, 1999, p. 80)

Another potential reason for the shifting focus toward transformational leader behaviors is the problem some managers and academics have with the definition of “transactional” leadership. According to Bass (1985), this form of leadership is based on an exchange that leaders develop with their followers:

The leader and follower agree on what the follower needs to do to be rewarded or to avoid punishment. . . . A bargain is struck. A contract is signed. An exchange is agreed upon. . . . Directly or indirectly, leaders can provide rewards for progress toward such goals or for reaching them. Or, they can impose penalties for failure ranging from negative feedback to dismissal. Such positive and aversive contingent reinforcement are seen as the two ways managers in organized settings engage in transactional leadership to motivate employees. (pp. 121–122)

Although it is not our intent to be critical of Bass, we think that this definition of transactional leadership is unfortunate for two reasons. First, it seems to imply that leaders and their followers have an *explicit* agreement as to the specific things that followers are supposed to do in order to receive rewards from their leader. However, we doubt that most leaders establish such an explicit “contract” with their followers; indeed, this assumption seems to run contrary to the interactions we have observed between effective leaders and their followers in organizational settings, which are much less formal than Bass’ definition would seem to imply. Second, Bass’ (1985) definition implicitly suggests that the nature of the exchange relationship between the leader and his/her followers is one in which followers do just enough

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