The Effect of Organisational Leadership on Value Congruence and Effectiveness: An Integrated Model

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ABSTRACT

The study explores the influence of transactional and transformational leadership on value congruence and leader effectiveness. Despite the relevance of a leadership-value congruence relationship, a good theoretical framework is lacking. After a review of literature on each of these areas, an integrated model of the relationships between leadership, value congruence and outcomes, is presented. Drawing on previous research, it is proposed that the relationship between leadership and effectiveness be mediated by the efficacy expectancies of followers. It is argued that leader-follower altruistic value congruence would moderate the relationship between transformational leadership and effectiveness. By contrast, leader-follower trading value congruence would moderate the relationship between transactional leadership and effectiveness. Based on the leadership-value congruence model, several research propositions are presented for future empirical verification.

JEL J20, J50, M12

INTRODUCTION

The ultimate point of studying leadership is to identify good leadership – leaders that are both morally and technically good (Ciulla, 1998). This research goal is in line with the increasing leadership focus on ethical initiatives and programmes in the business sector (Bass, 1998; Ciulla, 1998; Howell & Avolio, 1993; Kanungo & Mendonca, 1996). It reaffirms the management philosophy that the real role of leadership is to manage the values of an organisation (Peters and Waterman, 1982).

Tichy and Devanna (1986) found that transformational leaders could articulate a set of core values and exhibit leader behaviour that was congruent with their value system. Differences in value systems may explain differences in leadership styles, decisions, goals and behaviour (Bass, 1985; Burns in Ciulla,

1998; Yukl, 1998). Bass and Burns argue that transformational and transactional leaders reflect different beliefs, attitudes and behaviours. Accordingly, there may be core values that characterise transformational leaders and which, if identified, would distinguish transformational leadership from other leadership styles. It would seem, then, that different leadership styles reflect different value systems.

According to House and Shamir (1993), followers of transformational leaders are assumed to be motivated by deeply held values and the recognition that these values are shared with their leaders. A high level of value congruence in organisations has long been thought to be a source of job satisfaction, commitment, job proficiency, and long tenure for employees (Connor and Becker, 1979; Meglino, Ravlin & Adkins, 1989; Murry, 1993; O'Reilly, Chatman & Caldwell, 1991; Weiss, 1978; Yukl, 1998). Connor and Becker (1979) postulated that the degree of convergence between the values of the leader and the follower is directly related to leadership effectiveness and it is important to link this value congruence with leadership style and job satisfaction. Weiss (1978) asserts that people align their values with the values of their leaders if they perceive their leader to be considerate, competent and successful.

Consequently, the relevance of analysing the work values of organisational leaders is based on the assumption that positive outcomes will result when a leader's values are congruent with those of his/her followers. Despite the apparent logic of a leadership-value congruence-leader effectiveness relationship, there is a surprising absence of research on the conceptual and empirical link between value congruence and leadership styles. Thus, the interactions between work values and leadership raise a basic research problem to be addressed in this study: Does leadership style have such a profound impact on the congruence between a leader and his/her followers on important work-related values that the level of congruence will enhance or diminish leader effectiveness?

Both the leadership literature and the work values literature lack a good theoretical framework as to how these two very important areas should be combined. Therefore, the aim of this study was to develop a conceptual model of the relationships between leadership styles, value congruence and outcomes upon which researchers can embark on the important empirical verification of the propositions resulted from the model. The first issue, then, to analyse was leadership styles.

TRANSACTIONAL AND TRANSFORMATIONAL LEADERSHIP

During the past two decades, a paradigm shift in the study of leadership has taken place. House & Podsakoff (1994) identified three versions of exemplary leadership, namely charismatic leadership theory (Conger & Kanungo, 1994; House, 1995), visionary leadership theory (Bennis & Nanus, 1985; Sashkin, 1988), and transformational leadership theory (Bass, 1985; Burns, 1978; Tichy & Devanna, 1986). The present study focuses on Bass's (1985) theory of transformational leadership, which builds on the earlier ideas of Burns (1978). More recently, Bass and Avolio (1994) have presented a more refined model for a full range of leadership styles. This latter model includes different leadership styles expressed in terms of both transformational leadership (i.e. individualised consideration, intellectual stimulation, inspirational motivation and idealised influence) and transactional leadership orientations (i.e. management-by-exception and contingent reward).

Burns (1978) introduced a model of leadership behaviour that includes transformational and transactional leadership styles to illustrate the two fundamentally different patterns of interaction between leaders and their followers that may occur. According to Burns, transactional leadership "occurs when one person takes the initiative in making contact with others for the purpose of an exchange of valued things" (Burns, 1978: 20). That means that both leader and follower experience their interaction as simply a transaction in the most instrumental sense of the word (Conger & Kanungo, 1994). The parties in this relationship have no enduring purpose that holds them together other than the transaction itself (Burns, 1978: 20). For Bass and Avolio (1994), transactional leadership expresses the exchange or transaction that is based on the leader discussing their role requirements with subordinates and specifying the rewards they will receive if they fulfil those requirements.

By contrast, a transformational leader engages "with others in such a way that leaders and followers raise one another to higher levels of motivation and morality" (Burns, 1978: 20). Transformational leadership is an expansion of transactional leadership (Bass & Avolio, 1994). Transformational leadership is based on more than the compliance of followers or the establishment of agreements; it involves shifts in followers' beliefs, values, needs and capacities. Transformational leaders inspire and motivate followers to do more than they originally intended and often even more than they thought possible (Bass & Avolio, 1994). These leaders therefore are capable of eliciting extra-role behaviours from their followers, such as organisational citizenship behaviours (Pillai *et al.*, 1999).

Transformational leaders stimulate more challenging expectations and typically achieve higher performances than transactional leaders (Bass & Avolio, 1994; Howell & Avolio, 1993; Yammarino, Spangler, & Bass, 1993). Transformational leaders will augment transactional leadership by increasing a follower's confidence, elevating the value of outcomes, focusing on satisfying the self-actualisation needs of followers, or focusing on a transcendent interest (Bass & Avolio, 1994). Every leader displays both transformational and transactional leadership to some degree (Bass & Avolio, 1994). Thus, transformational and transactional leadership are conceptually independent dimensions of leadership. However, an optimally performing leader's profile would reveal infrequent displays of laissez-faire leader behaviour with increasing frequencies of transactional leader behaviour, but, most frequently, transformational leader behaviour.

The present study attempts to extend previous work on organisational leadership and its relationship with job outcomes, and to integrate research on work motivation and value congruence. We do this by presenting a model of the impact of transformational and transactional leadership on leader effectiveness through follower expectancies and perceptions of value congruence. Next, we focus on the underlying value schemes of transformational and transactional leaders.

ALTRUISTIC AND TRADING VALUES

In recent years, a substantial amount of research has been devoted to operationally defining and classifying work-related values (Chatman, 1991; Engelbrecht, 2001; Engelbrecht & Murry, 1995; Schwartz & Sagiv, 1995; Stackman, Pinder & Connor, 2000; Super & Sverko, 1995). Super and Sverko (1995: 54) define work values as objectives which people seek in satisfying their work needs. Likewise, Schwartz and Sagiv (1995) define personal values as desirable goals, varying in importance, that serve as guiding principles in people's lives. Thus, work values can be thought of as internalised normative beliefs that guide work behaviour.

We analysed the typologies of value theorists that claim considerable evidence of construct validity (Chatman, 1991; Elizur, 1994; Ronen, 1994; Schwartz & Sagiv, 1995; Super & Sverko, 1995; Whitely & England, 1980), and used these as a basis for identifying the underlying value schemes of transformational and transactional leaders. In classifying the values that we have examined in this study, Blau's (1964) concept of social exchange, which refers to relationships that involve unspecified future obligations, was found to be very useful. Social exchange provides a different basis for casting relationships from economic or

transactional exchanges in which the obligations are clearly specified and are more short-term in orientation (Pillai *et al.*, 1999). Social exchange, like psychological contracts, goes beyond economic exchange and strictly transactional contracts. Social exchange explains why subordinates become obligated to their supervisors, and contribute in ways that transcend the requirements of the formal employment contract.

Bass (1985) clearly identifies transactional leadership as being based on material or economic exchange and transformational leadership as being based on social exchange. While transactional leaders are more inclined to develop economic exchanges with their followers, Pillai *et al.* (1999) also argue that transformational leaders will tend to develop social exchanges with their followers.

It is believed that economic exchanges between leaders and followers are mainly guided by trading values (e.g. economic rewards, prestige, results orientation) and social exchanges mainly directed by altruistic values (e.g. collectivism, trust, integrity) (Engelbrecht, 2001). We therefore postulate that:

Proposition 1: Transactional leadership is directed more by trading values than altruistic values and transformational leadership more by altruistic values than trading values.

Figure 1 presents the theoretical model that was developed to integrate the literature and which guides this research. The next section provides an explication of each component of the model and reviews appropriate supporting theory and research.

Figure 1   Model of the Influence of Leadership on Value Congruence and Leader Effectiveness
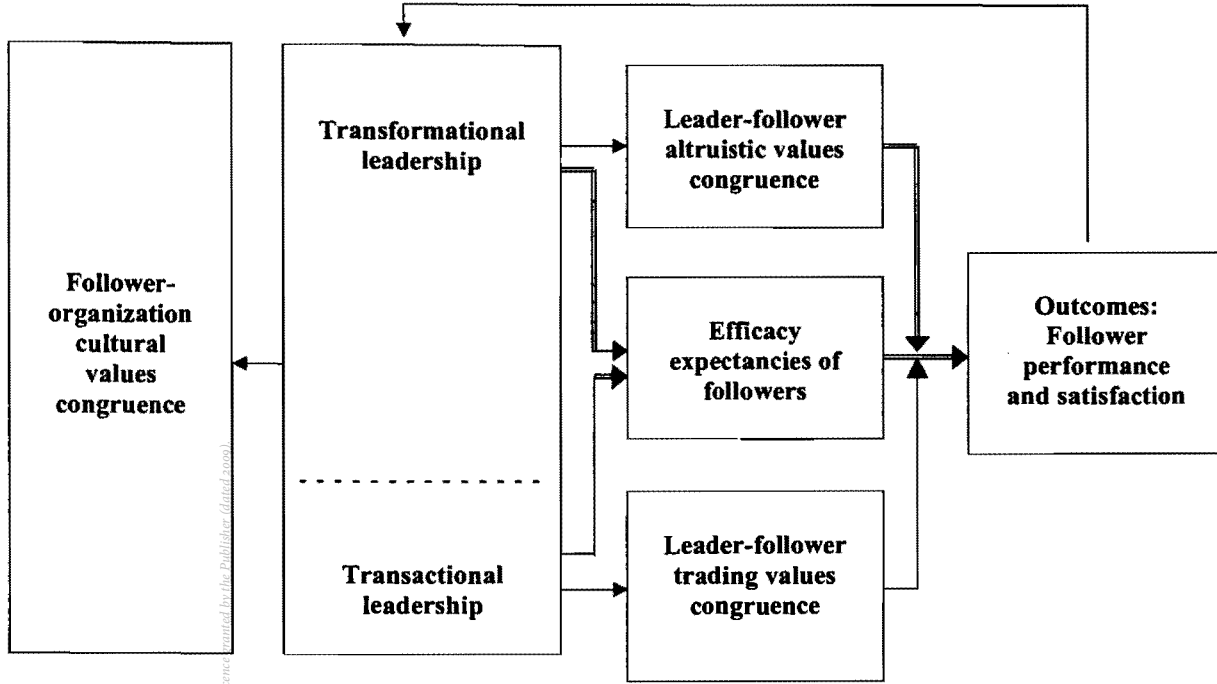
LEADERSHIP, VALUE CONGRUENCE AND LEADER EFFECTIVENESS

The first part of our theoretical model includes one relationship that has largely been left unexamined: The relationship of transformational and transactional leadership to value congruence.

Leadership and Value Congruence

Apart from the direct impact of values on worker perceptions, attitudes, and behaviours (Whitely & England, 1980), another means of influence is through the mechanism of value congruence. Value congruence is the tendency for individuals to express greater positive attitudes when they encounter others who exhibit values similar to their own (Meglino *et al.*, 1989).

Leaders become role models that help define the values, beliefs and behaviours that are good and legitimate for the followers to develop (House & Podsakoff, 1994). To persuade followers to accept and implement organisational goals, leaders engage in internalisation or frame alignment. Frame alignment refers to the linkage of individual and leader interpretative orientations, to such a degree that some values and beliefs of followers become congruent with and complementary to the leader's goals, values and ideology (House & Podsakoff, 1994).

Typically, frame alignment will occur over time, because of the enduring quality of values (Rokeach, 1973). This frame alignment will probably become more clear as the followers have closer interactions with their leaders, and have more exposure to the organisational cultural values. Yet, the values shared among employees, especially among senior managerial leaders, form the basis of an organisation's culture (Schein, 1992). In this regard, Schein (1992) noted the importance of the leader in the transmission of critical organisational values to subordinates over time.

Bass (1985) suggests that transactional leaders operate by clarifying instrumentalities for their subordinates. Thus, the role of the transactional leader is to make rewards (and punishments) clearly contingent on performance and specify the outcomes that the individual can expect in exchange for good performance. We expect that transactional leadership will have a stronger effect on the trading values of followers. Our theoretical model therefore shows transactional leadership as positively related to leader-follower trading value congruence.

We believe that the transformational leader actively aligns particularly the altruistic values of his/her followers with his/her own through his/her specific

behaviours. The increasing altruistic value congruence further leads to higher levels of trust based relationships between leaders and followers (Engelbrecht and Cloete, 2000). Transformational leaders may enhance individual perceptions of altruistic value congruence through an emphasis on group solidarity and on the collective mission. This may influence trust in the leader over the long term and followers' tendency to engage in self-sacrificial behaviour. Self-sacrificial behaviour is likely to take the form of organisational citizenship behaviours (Pillai *et al.*, 1999).

Trust is more likely to result when a social bond has been created between a subordinate and his or her supervisor (i.e., in a transformational relationship), than in the case where instrumental judgements, such as outcome favourability, are more salient (i.e., in a transactional relationship) (Pillai et al., 1999). If the trust between a leader and follower is violated, the follower may be more likely to recast the relationship in economic exchange terms.

In order to gain trust, build commitment to his/her goals, and elicit extraordinary levels of performance, a transformational leader must be perceived as sharing altruistic values. Our model, therefore, shows transformational leadership to be positively related to leader-follower altruistic value congruence.

Thus, both transactional and transformational leaders may be able to strengthen the value congruence with their followers, but the emphasis may be on different values. We therefore propose that:

Proposition 2: While transformational leadership has a stronger influence on leader-follower altruistic value congruence, transactional leadership has a stronger effect on leader-follower trading value congruence.

Value Congruence as a Moderator between Leadership and Effectiveness

Subsequently, the causal relationships between leadership style, leader-follower value congruence, and outcomes or leader effectiveness will be addressed. For this purpose, leader effectiveness is defined in terms of the influence of leader behaviour on follower performance and job satisfaction, particularly satisfaction with the leader. Rather than being a substitute, leader-follower value congruence may actually be complementary or additive (Chatman, 1991) to leadership style as a determinant of leader effectiveness. Conversely, a high level of value incongruence can function as a potential leadership neutraliser (Howell, Dorfman & Kerr, 1986), making it difficult for leaders to influence followers' performance with their style alone.

A high level of value congruence in organisations may have a positive impact on job satisfaction, commitment, job performance, and long tenure for employees

(Connor and Becker, 1979; Meglino, Ravlin & Adkins, 1989; Murry, 1993; O'Reilly, Chatman & Caldwell, 1991; Weiss, 1978; Yukl, 1998). For Meglino and his colleagues, values are shared by leaders and followers through interaction and this sharing is thought to foster commonalities in thinking, communication, and decision-making crucial to the success of the interaction process. Weiss (1978) examined the direct effects of value similarity on the superior-subordinate relationship and found value similarity was significantly related to leader consideration, and ratings of leader success and competence. Furthermore, Murry (1993) found that work value congruence significantly predicted job satisfaction; that is, satisfaction was higher when leaders' values were closer to those of their subordinates.

We postulate that the impact of leadership style on outcomes will be moderated by the relationship between the leader and follower based on their level of value congruence. Through the process of frame alignment, leaders will transform the value systems of their followers to eventually match their own and the core values of the organisation. This increasing value congruence will have a larger positive effect on leader effectiveness than the direct effect of leadership alone. Conversely, low leader-follower value congruence will diminish the positive effect of leaders on follower satisfaction and performance.

Studies have consistently demonstrated an augmenting effect of transformational over transactional leadership on leader outcomes (Bass & Avolio, 1994). We believe that this augmenting effect can be explained by the ability of transformational leaders to also achieve altruistic value congruence and trust relationships with their followers apart from only trading value congruence.

This leads to the following propositions:
Proposition 3: Leader-follower altruistic value congruence will moderate the relationship between transformational leadership and leader effectiveness.

Proposition 4: Leader-follower trading value congruence will moderate the relationship between transactional leadership and leader effectiveness.

Proposition 5: Transformational leaders will have a stronger effect on leader effectiveness than transactional leaders, due to their ability to achieve altruistic value congruence and resulting trust-based relationships with their followers.

Expectancies as a Mediator between Leadership and Effectiveness

So far, it has been suggested that value congruence may moderate the relationship between leadership and performance. A possibility that we have not considered is that leader behaviours may influence follower expectancies directly as a mediating variable. Consequently, the total effects of leadership on follower performance and satisfaction may be the result of a combination of moderated (through value congruence) and mediated (through follower expectancies) effects (See Figure 1).

Efficacy expectations determine how much effort followers will expend and how long they will persist in the face of obstacles and aversive experiences (Bandura in Kanungo & Mendonca, 1996). A follower will only have a high degree of task motivation when he or she perceives that efforts to improve performance are likely to be successful and will lead in turn to desirable outcomes (House, 1995; Kanungo & Mendonca, 1996). Thus, the effect of leadership style on follower performance and satisfaction will be influenced by the intervening variable of follower efficacy expectations.

Specific behaviours of transactional leaders, such as clarifying role expectations, recognising accomplishments, and giving contingent rewards (Yukl, 1998), will increase the efficacy expectations of followers that their efforts will lead to the attainment of work goals and desirable rewards (e.g. higher pay, recognition, promotion, sense of achievement). Transactional leaders will try to influence the efficacy expectations of followers by primarily using specific influence tactics like exchange, legitimating tactics, and instrumental compliance (Yukl, 1998) to motivate followers to higher performance levels.

The basic psychological dynamics that seem to operate in the transformational influence process also relate to the enhancement of the followers' self-efficacy beliefs – that is, the belief that their efforts to realise the leader's vision will lead to the expected beneficial outcomes (e.g. respect, trust, development). The empowerment strategies of transformational leaders contribute to transforming the self-efficacy beliefs of the followers (Kanungo & Mendonca, 1996). Through these strategies, followers are enabled to perform well beyond the organisation's expectations (Bass, 1985).

Transformational leaders truly believe that their followers are capable of high performance and therefore have a Pygmalion effect on their behaviour (Pinder, 1998). Transformational leaders act in ways that instil confidence in followers and that result in high performance. Accordingly, transformational leaders can create a climate in which followers become engaged in upward efficacy spirals – successful performance of a task fuels higher beliefs of self-efficacy that, in

turn, raise a person's confidence and facilitate further successful performance (Pinder, 1998). Therefore, transformational leaders will try to influence the efficacy expectations of followers by primarily using influence tactics such as inspirational appeals, rational persuasion, and consultation (Yukl, 1998) to strive for excellence and create a high quality work environment. Apart from increasing the individual self-efficacy of followers, transformational leaders will also increase the collective self-efficacy (Shamir, House & Arthur, 1993) of followers to collaborate toward achieving their collective mission.

The major premise of Bass's (1985) theory of transformational leadership is that follower motivation is enhanced more by transformational leadership than by transactional leadership. Thus, our model posits follower expectancies as a mediator of transformational and transactional leadership and effectiveness. Consequently, it can be postulated that:

Proposition 6: Transactional leadership enhances the efficacy expectations of followers to strive towards the accomplishment of desirable goal-related rewards, that is the increasing of effort-goal-reward expectancies of followers.

Proposition 7: Transformational leadership enhances the efficacy expectations of followers to strive towards the achievement of desirable vision-related rewards, that is the increasing of effort-vision-reward expectancies of followers.

Feedback Effects of Leadership Outcomes

The outcomes of the leadership process in terms of the degree of follower satisfaction and performance will influence the leader's choice of the appropriate style to use in future. It will determine the manners in which the leader must act to both improve followers' efficacy expectancies and followers' value congruence, to ensure increased performance. Thus, our model depicts a feedback loop between leader outcomes and leadership styles. It can be postulated that:

Proposition 8: Outcomes of the leadership process will lead to adjusting transformational leadership relative to transactional leadership.

Leadership and Follower-Organization Value Congruence

Meglino, Ravlin & Adkins (1992) define organisational culture in terms of values, and the concept of strong culture in terms of value congruence among organisational members. O'Reilly et al. (1991) propose that congruency between an individual's values and those of an organisation may be the crux of person-culture fit. Value congruence is a significant form of person-organisation

fit, because values are fundamental and relatively enduring and are the components of organisational culture that guide employees' behaviours (Chatman, 1991; Schein, 1992).

Guided by Schneider's (Kristof, 1996) attraction-selection-attrition (ASA) framework, individuals' value congruence with organisational leaders and peers can also be used to operationalise person-organisation fit. The ASA framework is based on the premise that similar people are attracted to and selected by organisations whose values are similar to their own. The most powerful leaders in organisations can influence the goals and policies of their organisations in directions that are consistent with their own values and needs (Stackman *et al.*, 2000). By using the influence process of social identification (Shamir *et al.*, 1993), the key leaders can strengthen the shared values among followers and also align the values of their followers with the values of the organisation. Thus, the core values of the key leaders in organisations collectively form the core values of the organisation. Therefore it is proposed that:

Proposition 9: While transformational leadership has a stronger influence on follower-organisational altruistic value congruence, transactional leadership has a stronger effect on follower-organisational trading value congruence.

IMPLICATIONS AND CONCLUSIONS

The aim of the study was to develop a model linking transformational and transactional leadership with value congruence and leader effectiveness by synthesising three main streams of organisational research, namely organisational leadership, work values and work motivation. Based on the conceptual model, the study explored the relationships between transactional and transformational leadership, altruistic and trading values, leaders' and followers' value congruence, leadership and motivation of followers, core values of transactional and transformational leaders, leader values and organisational values, leadership and ethics, as well as leadership and leader effectiveness.

This study submits that transformational leadership, from an exchange and relational perspective, would have a stronger influence on the altruistic values of their followers. Conversely, transactional leaders would have a stronger impact on the trading values of their followers. It is believed that transformational leaders influence leader-follower value congruence directly through aligning the altruistic values of followers with that of their own. It is further asserted that transactional leadership effects leader-follower value congruence through the aligning of trading values.

The strongest implication of this study is that transformational leadership influences leader effectiveness through perceptions of altruistic value congruence. Thus, this study found that transformational leaders, more than transactional leaders, facilitate perceptions of congruence in altruistic values that build trust in the leader. Through these variables, they elicit performance beyond the call of duty (i.e. organisational citizenship behaviours). Thus, if leaders want to ensure sustained superior performance among their followers, they should work at improving perceptions of altruistic value congruence.

According to Kanungo and Mendonca (1996), leadership is more likely to be ethical when leaders adopt the transformational influence process mode. Rather than being unethical, true transformational leaders identify the core values and unifying purposes of the organisation and its members, liberate their human potential, and foster plural leadership and effective, satisfied followers (Hickman in Ciulla, 1998).

Therefore the argument is put forward that in order to foster moral and ethical transformational leader behaviour, altruistic values (e.g. collectivism, benevolence and equity) must extend trading values (e.g. economic security, achievement and advancement). It is further believed that the underlying core values of transformational leaders, in particular self-transcendence, developmental orientation, team rewards orientation, empowerment, and interactional justice, would direct socialised and ethical leader behaviour, rather than personalised and unethical behaviour (Engelbrecht, 2001).

In the present paper, it is recognised that leadership style can have an indirect effect on leader effectiveness either through the process of value congruence or the efficacy expectancies of followers. Drawing on previous research, it is asserted that the relationship between leadership and leader effectiveness is mediated by the efficacy expectancies of followers. It is also argued that leader-follower altruistic value congruence would moderate the relationship between the transformational leadership style and leader effectiveness. Over time, transformational leaders will be able to influence leader-follower value congruence towards the core work values of transformational leaders, namely self-transcendence, empowerment, visionary orientation, openness to change, developmental orientation, team rewards orientation, and interactional justice (Engelbrecht, 2001).

It is further asserted that leader-follower trading value congruence would moderate the relationship between the transactional leadership style and leader effectiveness. Thus, the higher the leader-follower value congruence on self-enhancement, authority, objective orientation, conservation, training orientation, individual reward orientation, and distributive justice (Engelbrecht, 2001), the

higher would be the satisfaction and performance of transactional leaders' followers.

Eventually, the increasing leader-follower value congruence would augment and complement the positive effects of transformational and transactional leader behaviour on follower satisfaction and performance through increasing efficacy expectancies of followers. However, because of the distinctive leadership skills and core values of transformational leaders, they will have a stronger effect than transactional leaders on the efficacy expectancies of followers. Altruistic values will also have a stronger inspirational influence than trading values on the performance of followers. Consequently, we expect that altruistic value congruence would have a stronger augmentation effect than trading value congruence on leader effectiveness.

If there were a maximum value congruency on trading core values, an upper limit would be placed on the influence of transactional leader behaviour on follower satisfaction and performance. In order to break through this upper barrier or ceiling of performance, transactional leaders must be changed to transformational leaders by means of appropriate socialisation practices of the organisation (Chatman, 1991; Meglino *et al.*, 1992; O'Reilly *et al.*, 1991), or through formal training programmes in transformational leadership (Bass & Avolio, 1994).

A question revolves around the extent to which high levels of leader-followers value congruence are good for organisations and workers (Chatman, 1991). Although it is understood that the core work values of empowerment, openness to change and developmental orientation would somewhat counteract the inclinations to groupthink (Janis & Mann, 1977), it is evident that there is a need for a maximum level of an ideal value congruency in organisations. The positive outcomes for organisations of a maximum level of ideal value congruence make the effective management of groupthink imperative (Hambrick & Brandon, 1988; Yukl, 1998). In this regard, some value theorists have suggested that the management teams in an organisation should have similar core values but dissimilar cognitive experiences and expertise (Hambrick & Brandon, 1988). However, empirical research is needed to get to know the circumstances under which homogeneous team values foster or harm organisational performance.

In conclusion, the model presented in this paper suggests a number of testable propositions, which, if confirmed, may lend greater insight into the effects of leader behaviour on value congruence and, consequently, on follower satisfaction and performance. The model is intended to be a tentative explanation of the effects of leadership on leader-follower value congruence and

leader effectiveness only, and does not attempt to include all of the moderating variables that may be relevant. To be effective, the leader should carefully examine the situation, including the competencies and values of the followers, as well as the organisational culture and external environment, and act in ways that will increase the followers' expectancies that effort will lead to highly valued outcomes.

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