



The Need for Transformational and Transactional Leadership in Modern Health Care Systems and Hospitals

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Abstract

A combination of transformational and transactional leadership is essential in hospitals and healthcare systems to efficiently and successfully address the present-day challenges and complexities engulfing the entire healthcare industry. Transformational and transactional leadership styles have emerged as desirable and pragmatic management models in modern healthcare, and both overlap with other leadership styles. Their underlying theories have both common and different origins, and they continue to evolve. Transformational leaders create a vision and inspire their subordinates to strive beyond required expectations; they often restructure the healthcare system itself. In contrast, transactional leaders focus primarily on reinforcement of job performance and employee motivation; they reform the existing structure through improved job performance and optimization. Despite their differences, transformational and transactional leadership styles should not be considered competing, but complementary, models in modern healthcare on which healthcare systems and hospitals should equally rely on. This hypothesis is supported by current literature and extant theories on management styles. Transformational and transactional leadership complement the modified democratic management model in healthcare. To create the most effective leadership model, a transformational, visionary leader should be chosen for a hospital or health care system's CEO position and supported by lieutenants (COO, CMO, CFO, CNO, etc.) with transactional leadership attributes.

Keywords: transformational leadership; transactional leadership; complementary nature of transformational and transactional leadership

Introduction

Healthcare is not only the largest but arguably also the most complex and unique industry in the United States. Health care affects the wellbeing of all 330 million Americans, and it is not surprising that almost 1 in 7 employees, or about 18 million people, work in the health care industry [1]. Some of the many issues that challenge modern healthcare are lack of access, high cost, lack of insurance, concerns of equity, attention to diversity, technological pitfalls, growing provider (i.e., physicians, nurses) shortages, technological pitfalls, inadequate reimbursement, regulatory changes, patient safety issues and poor public perceptions. Consequently, any senior leadership position in modern healthcare systems demands a much

broader based skillset than for most other industries to address the many elements that characterize this field including, but not limited to, patient services, financial, organizational, technological, product, human resources, and educational issues. Healthcare leaders are no longer just up against challenges such as retaining staff, generating revenue, attracting patients, and delivering quality care. The highly educated and specialized workforce represents another challenge as it not only includes the medical professionals but also pharmacists, occupational and rehab specialists, social workers, financial specialists, support staff, quality assurance specialists, administrators, hospital managers and much more. Many organizations have long moved from single hospitals to

health systems with multiple care sites and, more recently, to health platforms to include new opportunities such as hospital-at-home, telehealth and venture capital investing [2]. For all these reasons, health care leaders must possess a high degree of flexibility and reaction ability to adapt quickly to unforeseen and unexpected changes in all aspects of healthcare regulations to engage in necessary and appropriate organizational shifts.

Transformational and transactional leadership styles have emerged as desirable and pragmatic management models. Transformational leaders create a vision and inspire their subordinates to strive beyond required expectations. They often restructure the healthcare system itself. In contrast, transactional leaders focus primarily on reinforcement of job performance and employee motivation [3-5]. They reform the existing structure through improved job performance and optimization. Both styles have in common the public perception of positive management qualities as shown by employee and organizational commitment, provider-enforced evidence-based practice, and consumer-patient satisfaction. The theory presented herein focuses on the fact that the two leadership styles should not be considered competing, but complementary, models on which modern healthcare systems and hospitals should equally rely on.

Leadership Styles and Theories

Leadership styles and history

A large variety of different leadership styles exists in the healthcare industry and includes the following: authoritative, autocratic, affiliative, bureaucratic, charismatic, collaborative, coaching, coercive, delegative, democratic, innovative, laissez-faire, managerial, participative, pacesetter, rational-legal, relationship-oriented, servant, situational, task-oriented, transformational, transactional, and visionary [6]. Obviously, many of these leadership styles overlap, for example authoritarian and autocratic, democratic and participative, delegative and laissez-faire, transactional and managerial, transformational and visionary. No single style is perfect or exists in an ideal form and combinations are frequent. Nevertheless, there are major differences between the extremes (autocratic vs. laissez-faire) in leadership styles. While autocratic and authoritative leadership styles dominated in the first half of the 20th century, interactional leadership styles based on contingency and situational theories became more prevalent from the 1970s onwards as the importance of manager-employee relationships was not only recognized but also acted upon.

Healthcare leaders are often viewed as charismatic, but also as arrogant and unchallengeable in their decision-making processes. Historically, this has been the hallmark of the traditional leadership style founded in hierarchical thinking. Notably, this type of dictatorial leadership is hardly extant in modern healthcare organizations. It is even more difficult to justify it in complex and matrixed health systems [7]. Interestingly, this autocratic or authoritative leadership model still exists in academic medicine where the autocratic or authoritative leadership model is demonstrated by deans, chairmen/chairwomen, institute directors, and division/section chiefs who exert almost absolute power

over their subordinates. In contrast, in the C-suit of hospitals or health systems, this model has become all but obsolete due to many more complex interactions than “just” patient care and faculty/student issues. Autocratic and authoritative leadership styles have become obsolete in modern times primarily because of societal and educational changes. Low morale associated with lower productivity, psychological and even physical tension at the workplace, lack of collaboration, disengagement are all emblems of this management model. Autocratic and authoritative leaders are not only regarded as tyrannical, overbearing, angst-inducing, emotionally detached and unable to empathize but also often lack the trust and feedback of their employees for exactly those attributes. Coercive and, to a certain extent, managerial, and task-oriented leadership styles are basically just milder forms of the autocratic and authoritative leadership model.

At the other end of the spectrum, the laissez faire leadership style has also shown some major disadvantages in the healthcare business. Subordinates and employees may feel confused because they lack direction, experience and skills, and there is a greater potential for conflicts. It gets even worse when tasks are not fulfilled and clear expectations were not set in the first place. Under such conditions, leaders may not take accountability because they transferred the power to their employees. The delegative leadership style is just a subcategory of the laissez-faire model. All other listed leadership styles fall into the “in-between” categories. The affiliative, collaborative, participative and relationship-oriented leadership styles are subcategories of the democratic management model. The servant leadership model distinguishes itself from the democratic leadership model in that it specifically values others’ strengths and talents and encourages the use of these strengths and talents for the betterment of the organization [8]. This leaves the arguably two most important leadership styles: transactional and transformational. Of note, these two models of leadership styles are subject to the most leadership style comparisons in the literature. The theory presented herein hypothesizes that [1] both leadership styles are complementary rather than competing and [2] both are required in modern healthcare organizations.

Transactional leadership

The transactional leadership style has been considered the health care’s most prevalent leadership model [8]. It is directed toward task accomplishment and maintenance of good relations between employees and managers through consideration of performance and reward [9]. The transactional leader values order and structure. Transactional leaders link successful goal completion to rewards, clarify expectations, set mutually agreed upon goals, provide necessary resources, and provide various kinds of (contingent) rewards for successful performance. Transactional leaders work within the existing structure of a healthcare system in an effort to maximize job performance. In this leadership model, success is clearly defined through task-focused behaviors, and expectations and job roles are clear. Individual employees are motivated to both compete and succeed and high-performing employees are rewarded. Employee motivation, fair treatment and clear and achievable goals are components of this model. It also

eliminates confusion within the chain of command and frequently reduces costs while improving productivity levels [10].

But two major disadvantages come with transactional leadership: first, too much of a focus on short-term goals which may lead to reduced team morale and collaboration, in part because extrinsic motivation is weaker than intrinsic motivation and, second, less focus on work-life balance due to increased employee competitiveness and conflict with diminished creativity and innovation. Undue responsibility, impersonal approaches, and lack of development and innovation add to the negatives. Moreover, hardly anything can be completed without the leader's approval which may result in higher employee turnover [11]. For all these reasons, transactional leadership has seen a decline in popularity largely because millennials who now make up about 35% of the workforce put an increased focus on work-life balance which they consider to be low under transactional leadership. Transactional leadership appears to be more beneficial to the healthcare industry than it is to individuals or teams and this model has been described as being unable to account for the complex motivations of health care providers and failing to build trust between leadership and the employees. Hence, the transactional leadership model was already considered in 2002 as outmoded and associated with an inherently stagnant hierarchical system [8]. Pacesetter, bureaucratic, and rational-legal leadership styles are subcategories of the transactional leadership model.

Transformational leadership

The transformational leadership style varies in many aspects from the transactional leadership model. The transformational leader is a passionate visionary with great communication skills. He/She serves as a role model who improves morale, enforces learning and development, increases engagement, and reduces turnover rates among employees in the absence of a coercive mindset [12-14]. Above all, transformational leaders frequently aim to restructure their healthcare system itself based on their vision and inspirational entrepreneurship rather than upholding or even improving the status quo. Hence, transformational leadership is directed toward organizational change and innovation through incorporating emotions, values, and a strong vision to motivate employees [13]. Transformational leadership can establish employee effort and performance that extends way beyond that which occurs as a result of transactional leadership. Transformational leaders are considered value-driven change agents as moving the organization to the next performance level is their aspired goal. Their reward is that employees go beyond self-interest for the good of the organization [14]. Through their inspirational and intellectual charisma, transformational leaders encourage their employees to question and to improve their own way of doing things for the better of the organization. A transformational leader must also be able to anticipate and quickly address essential changes in response to an ever-changing, globally competitive health care environment. This trait goes along with a strong focus on excellent results, high performance and quality outcomes while reducing costs amid decreasing revenues [13,14].

But even a seemingly perfect leadership model has disadvantages. Lack of focus, lost details, disruption of routines, fewer checks and balances are some of them to employees. And it is not a good fit for employees who need guidance and supervision. Interestingly, transformational leaders themselves tend to experience more emotional exhaustion, which makes them more willing to leave their organization depending on the attributes of their followers [15]. It has been suggested that resource-gaining practices (such as periodic breaks, engaging in social activities) should be implemented in organizations for their transformational leaders to mitigate detrimental outcomes such as burnout. The bottom line is that modern transformational leadership style engages and motivates employees in the healthcare industry. It differs from traditional, including transactional, leadership styles as it does not micromanage and push employees beyond their capabilities. Transformational leadership style focuses on communication, better engagement, and learning for better growth. By doing so, it reduces employee turnover specifically when the team respects and follows the leader. Yet, it may cause burnout or lead to other negative outcomes if not managed properly.

Charismatic, coaching, innovative, and situational leadership styles are components of the transformational leadership model.

Leadership style theories

The field of leadership style theories is a dynamic one and continues to progress over time. As one might expect, the underlying theories of transactional and transformational leadership have different origins and continue to evolve. The transactional leadership style was first described in 1947 by Max Weber and popularized in 1981 by Bernard Bass [16]. For this model, Maslow's hierarchy of needs is of particular importance. Transactional leaders focus on employees' basic levels of need satisfaction by satisfying the lower levels of the Maslow's hierarchy. A key element is the (contingent) reward-punishment exchange system. Transactional leaders reward good work and positive outcomes and, conversely, punish poor work and negative outcomes, until the task is accomplished. In the transactional leadership model managers give employees something they want in exchange for getting something the managers want. The term "transformational leadership" was coined by James Downton in 1973. His concept was further developed by James Burns in 1978 who defined transformational leaders as changers of existing thoughts and goals to accomplish better results for the greater good. Because managers and employees can make each other advance to a higher level of morality and motivation, transformational leaders are capable of moving employees up on Maslow's hierarchy of needs [16]. Although transactional and transformational leadership styles vary substantially, both have some common origins in Maslow's hierarchy of needs theory. And both carry elements of some of the same leadership style theories including the Great Man theory as well as trait, behavioral, and contingency theories.

From a historical perspective, the important 19th century 'Great Man Theory' introduced by Thomas Carlyle and the more recent Trait Theory have been used to help characterize both

successful transactional and, even more so, transformational leaders [17]. Although the Great Man Theory has been replaced or complemented by contemporary leadership features some of the five main traits still appear to hold true, specifically traits of self-confidence, extraversion, energy level, courage, and charisma. Other traits such as aggressiveness and strong physical attributes like height and appearance no longer apply. According to modern concepts, these innate personality traits are enhanced by acquired characteristics such as knowledge, skills, values and vision to effectively influence employees and improve individual and organizational performance. The behavioral and contingency theories shifted the focus to the manager-employee relationships both for transactional and transformational leadership styles [17]. The perception of transactional leadership being dictatorial and transformational leadership being democratic is partly based on the fact that James Burns theorized that both leadership styles were mutually exclusive. In healthcare, this does not hold true due to the industry's many complexities as stated above and its need for organizational inclusion of different leadership styles.

Discussion

No one leadership style has proven to provide the ideal management model in healthcare. In recent years, the servant leadership model has been touted as the most efficient because it focuses on the team approach, develops trust throughout the organization and reportedly serves best the needs of patients. Hence, servant healthcare leaders may be best equipped to make organizational changes. Although the servant leadership (focus on employees) distinguishes itself somewhat from the transformational leadership (focus on the organization), their other characteristics and attributes are quite similar. If these two leadership style models with their high degree of overlap are presumably the most preferable management styles, where does this leave the transactional leadership style?

As stated above and based on the underlying theories and the complexities of the healthcare business, one leadership style does not fit it all. In contrast to James Burn's tenet that transactional and transformational leaderships are mutually exclusive, the opposite is true in healthcare. The theory presented herein and supported by current literature and extant theories highlights the fact that both transactional and transformational leadership styles are necessary to guarantee a modern healthcare organization's success and survival.

How do transformational and transactional leadership styles fit in modern healthcare management models? We have previously shown that the modified democratic management model with a transformational leader at the helm is best equipped to meet and solve the many challenges of modern-day healthcare [18]. This model was based on existing motivational and organizational behavior theories including the theories of Mc Gregor, Taylor, Hawthorne, and de Vroom as well as components of Lewin's and Blake and Mouton's trait and behavioral theories. Functional participation and team approaches determine the management style of the modified democratic management model. To avoid

functional areas from becoming 'silos', a horizontal communication style between health system and hospital divisions is endorsed. Within the different specialty areas, a combination of participative and collaborative management styles prevails among the workforce while managers exert coaching and transformational management styles. The democratic management model is modified to retain components of an authoritative management style in cases of unexpected crises which require fast decision-making to avert organizational detriment. Authority is bestowed on managers due to their hierarchical position within the organization. The modified management model should apply to all different employment levels to provide a fair, transparent, and accountable management system for all [18].

A transformational leader in a health system or hospital's CEO position complements best the modified democratic management model for all the positive leadership traits as discussed above. But even the most gifted transformational healthcare leader does not combine all elements that are required to solve all challenges: solid decision-maker, empathizer, powerful communicator delegator, technology and emotional intelligence wizard, relationship developer with a high degree of self-awareness and self-confidence and much more. And there are two additional caveats. First, even a transformational leader must be able to demonstrate an authoritative management style in cases of unforeseen crises and when fast decision-making is required. Second, since the CEO is a transformational leader, his lieutenants (COO, CMO, CFO, CNO, etc.) would preferably be transactional managers directed toward task accomplishment and maintenance of good relations between employees and managers through consideration of performance and reward. The advantage of these transactional lieutenants is their ability to hire/recruit employees that can be identified with Mc Gregor's Theory Y to achieve a high level of production, motivation, and job satisfaction among the employees. Such a leadership style model, a combination of transformational and transactional leaders, appears to be best equipped to address the many challenges and complexities in present day healthcare. In fact, many current leadership theorists agree that principles of transactional and transformational leadership should be combined to accomplish optimal outcomes for both leadership and the healthcare workforce [19].

Conclusion

Transformational and transactional leadership styles have emerged as desirable and pragmatic leadership styles in modern healthcare, and both overlap with other leadership styles. Despite their differences, transformational and transactional leadership styles should not be considered competing or mutually exclusive, but complementary, styles. Both leadership styles complement best the previously described modified democratic management model in modern health care systems and hospitals (18).

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Conflict of Interest

No Conflict of interest.

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