

## **Leadership Styles and Educational Organization Performance**

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### **Abstract**

This research aims to analyze the influence of leadership styles on school organizational performance. The research population comprises all accredited Adventist High Schools (SMA) in Indonesia by the National Accreditation Board (BAN) and the Adventist Accrediting Association (AAA). There were 408 respondents in this study, consisting of both permanent and honorary teachers from 24 schools accredited by BAN and AAA for high schools in Indonesia. This research employed purposive sampling method for sample selection and data collection through survey method. This research employs confirmatory analysis, which allows researchers to assess the extent to which the measured variables (constructs) reflect the concepts they are supposed to measure. Using Structural Equation Modeling (SEM) analysis at the structural level, this research revealed a substantial influence of leadership styles on organizational performance. Specifically, transactional leadership style has a significant positive influence on school organizational performance, while transformational leadership style has a significant negative influence on school organizational performance. The implications of this research, viewed within the context of educational organizations that emphasize operational standards fulfillment, suggest that schools should provide employees the freedom to work consistently and focus on achieving short-term goals, led by the school principal with a transactional leadership style. Subsequent studies are expected to conduct empirical testing within government-owned schools.

**Keywords:** *Transformational leadership style, transactional leadership style, school performance.*

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### **INTRODUCTION**

Most successful organizational performance is due to leadership, while the rest is influenced by an effective management system (Kotter, 1996). Darling & Box (1999) found that leadership is one of the factors that influence successful organizational performance.

Yukl (2001) defined leadership as a process of influencing others to understand and agree with what needs to be done and how the task can be carried out effectively, as well as a process of facilitating individual and collective efforts in achieving common goals. It is the ability of a superior to influence the behavior of subordinates and persuade them to voluntarily do what is desired as a goal (Jolson, 1993).

The primary role of a leader is to be a catalyst for change with responsibility for articulating the organization's vision and how to achieve it, ensuring the right position

and direction of the organization, conveying information to all parts of the organization, and getting all members to be highly committed (Weese, 2005). Leadership is associated with change, and the main reason why leadership is so important is that the environment is increasingly competitive and volatile (Kotter, 1997).

Michalisin et al. (2007) found that leadership can activate a variety of key resources and essential processes to the functioning of an organization, which in turn will impact organizational performance.

Elenkov (2000) explains that leadership style affects organizational performance. Farell et al. (1999) also stated that leadership style plays an important role in improving organizational performance, especially in service quality.

Some studies include Kotter (1996), Darling & Box (1999), Fiedler (1996), Farell et al. (1999), and Fleishman et al. (1991) concluded that leadership style has a significant role in improving organizational performance.

Burn (1978) is known as the person who first introduced the concept of leadership style which consists of two parts, namely transactional leadership style and transformational leadership style.

Transactional leadership style includes rewards, active management by exception, and passive management by exception. Meanwhile, transformational leadership style includes idealized influence or charisma, intellectual stimulation, individualized consideration, and inspirational motivation (Bass & Riggio, 2006; Yukl, 2001).

Bass et al. (2003) concluded that transformational and transactional leadership styles have a direct positive influence on organizational or unit performance and elaborated that transactional leadership style reflects an approach that focuses on *reward* and *exchange* relationships, while transformational leadership style features an exchange of creativity between leaders and subordinates to achieve change based on the organization's vision.

In addition, Howell & Avolio (1993) also found a direct relationship between transformational leadership and organizational performance.

Until now, research on the impact of leadership on organizational performance has not provided conclusive results. Some studies found that leadership has an important and direct influence on organizational performance (Katz & Kahn, 1978; Elenkov & Manev, 2005). However, other studies show that other factors also influence the role of leadership in organizational performance (Christina, 2012).

Research conducted by Christina (2012) concluded that although leadership style does not have a direct influence on organizational performance, it has an influence through various variables, one of which is organizational culture. In addition, Ogbonna & Harris (2000) also found that the relationship between leadership style and organizational performance is mediated by organizational culture.

Fleishman et al. (1991) classified leadership styles into two categories: those that focus on task completion (*task-focused*) and those that focus on employee interaction and development (*person-focused*). Transactional leadership style falls into the category that focuses on task completion, while transformational leadership style falls into the category that focuses on employee interaction and development. Salas et al. (1992) explained that task-focused leadership style focuses on facilitating understanding of task demands, operating procedures, and other task information. On the other hand, person-focused leadership style focuses on facilitating interactions, cognitive structures, and attitudes to be developed.

A. *Transformational leadership style and organizational performance*

Transformational leadership style is characterized by an exchange of creativity between leaders and subordinates to change the organization based on their vision (Bass, 1985). Prat (2004) argues that leaders who have a transformational style will have an awareness of the environment outside the organization and have decision-making power to develop the organization's mission and strategy. Transformational leaders also develop performance measures based on their understanding of the external environment.

Transformational leadership style has been shown to increase productivity (Bass, 1990; Yukl, 1994), customer service, product quality, product innovation (Bennis & Nanus, 1985; Boyatzis, 1982; Seltzer & Bass, 1990), and sales (Hater & Bass, 1988). In addition, transformational leadership style also contributes to increasing stock prices and helping organizations achieve higher goals (Bass, 1985; Burns, 1978) and increasing research and development (R&D) activities (Bass & Avolio, 1993; Keller, 1995).

Transformational leadership can raise subordinates' awareness of challenging new goals and visions, as well as encourage them to give their best at work and stimulate intellect.

This leadership style is very important in all organizations, including education. Sudarwan & Suparno (2009) explained that transformational leadership in school organizations will guide human resources in developing the organization, vision, and creating an organizational culture in schools and encourage all elements in schools to work together optimally in achieving school goals. Espinoza (2013) found that the transformational leadership of school principals has a statistically significant influence on the development of leadership and confidence in the ability of teachers to perform their duties at both primary and secondary school levels.

Several studies, such as those conducted by Clover (1990), Carless (1995), Howell & Avolio (1993), Bass et al. (2003), and Elenkov & Manev (2005), found a direct relationship between transformational leadership and organizational or group performance. Based on the explanation and empirical research results mentioned earlier, this study proposes the first hypothesis:

H1a: Transformational leadership style affects school organizational performance.

B. *Transactional leadership style and organizational performance*

According to the view of Bass, B. M. (1990), transactional leadership style emphasizes the use of a reward system as a form of exchange for efforts made by employees in achieving organizational goals. This leadership style also involves monitoring for possible deviations from operational standards followed by preventive action. In addition, transactional leaders provide opportunities for subordinates to take initiative in dealing with failures that may affect organizational performance.

Yammarino & Bass (1990) found that transactional leadership style allows employees to carry out work in a consistent manner and only make improvements when there are deviations from applicable standards that can have an impact on organizational performance. In addition, Bass & Avolio (1990) also found a positive relationship between transactional leadership style and organizational performance.

Transactional leadership style is effective in helping organizations achieve short-term goals by linking job performance to rewards and ensuring that employees have the necessary resources to complete tasks (Zhu, Chew & Spengler, 2005). In addition, a transactional leadership style can also make a positive contribution to the achievement of organizational goals (Elenkov, D.S., 2000). Bass et al. (2003) found that transactional leadership style has a direct impact on business unit performance. Transactional leadership also has a significant influence on innovation management (Elenkov &

Manev, 2005). Based on the explanations and results of empirical research that have been mentioned, this study proposes the following hypothesis:

H1b: Transactional leadership style on school organizational performance.

## METHODOLOGY

This is causal quantitative research. The research population is all Adventist high schools in Indonesia that have been accredited by BAN (Badan Akreditasi Nasional / National Accreditation Agency) and AAA (Adventist Accrediting Association), an international accreditation agency from the United States. The number of schools accredited by BAN and AAA for high school is 24 schools. The respondents of this study were permanent and honorarium teachers. This study used purposive sampling method for selection and sampling. This study uses primary data through a survey method by sending questionnaires by post, email, and visiting schools directly.

The number of respondents was 503 people. The number of questionnaires distributed was 503, which were collected back as many as 437 and there were 29 questionnaires that were not filled in completely, causing the questionnaire not to be processed. The number of questionnaires filled out by valid respondents to be processed was 408.

Measurement of transformational, transactional leadership style variables follows Bass (1985), Bass and Avolio (1990), Yammarino and Bass (1990), Sadeli (2012), and Christina (2012).

The indicator used to measure organizational performance is the accreditation result from BAN (National Accreditation Agency). Accreditation ranking is done based on the accreditation score given to the school. Accreditation scores ranging from 56 to 70 will get a C rating, scores between 71 to 85 will get a B rating, while a score between 86 to 100 will get an A rating. This study uses the accreditation score of each school, which ranges from 56 to 100.

The number of respondents in the low and medium accreditation ratings (C and B) amounted to 129 respondents (32%), while the number of respondents in the high accreditation rating (A) amounted to 279 respondents (67%). This means that most respondents teach in schools with high accreditation scores.

This research uses the structural equation model (SEM) as a method to test the hypothesis. The SEM method is an appropriate method for testing direct and indirect relationships between variables and calculating errors in the testing process. Using this method, explanatory analysis and confirmatory analysis can be performed to test or confirm previously established relationships.

## RESULTS AND DISCUSSION

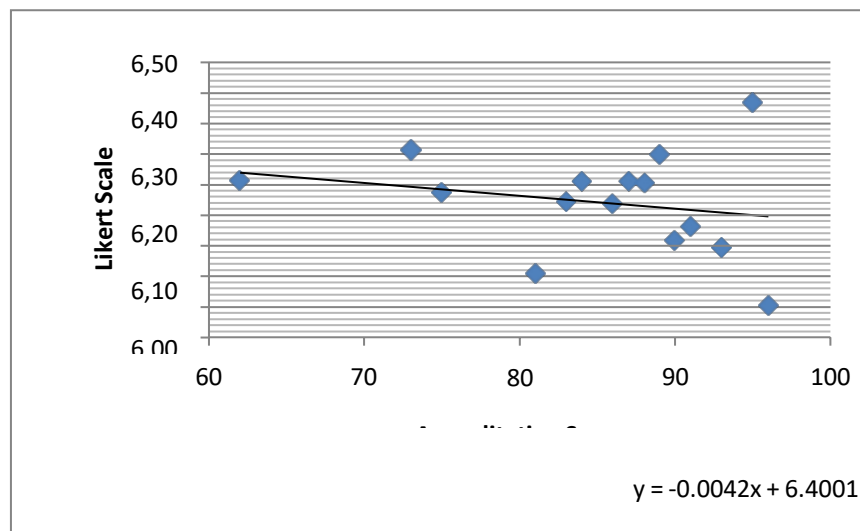
### *Transformational Leadership Style*

Transformational leadership style is characterized by an exchange of creativity between leaders and subordinates to achieve change based on the organization's vision (Bass, 1985). Prat (2004) argues that transformational leaders will have an awareness of what is happening in the external environment of the organization and have the authority to make decisions to develop the organization's mission and strategy. Transformational leaders also develop performance measures based on their understanding of the external environment.

Transformational leadership can raise subordinates' awareness of challenging new goals and visions, encourage followers to give their best at work and stimulate intellectual stimulation.

When transformational leadership focuses more on long-term goals and less on standardization, the transformational leadership style becomes less relevant in achieving short-term and measurable performance, as in the case of school performance achievement (BAN accreditation). Graph 1 illustrates the negative relationship between transformational leadership style and school performance measures (BAN accreditation scores).

Thus, it can be concluded that in schools with high accreditation scores, transformational leadership styles tend to be lower, while in schools with low accreditation scores, transformational leadership styles tend to be higher.



**Graph 1.** Transformational Leadership Style and School Performance

### *Transactional Leadership Style*

Bass, B.M. (1991) states that the transactional leadership style emphasizes the fulfillment of existing operational standards and supervision of possible deviations from operational standards, followed by preventive action. In addition, the transactional leadership style provides opportunities for subordinates to take the initiative to deal with failures that can affect organizational performance.

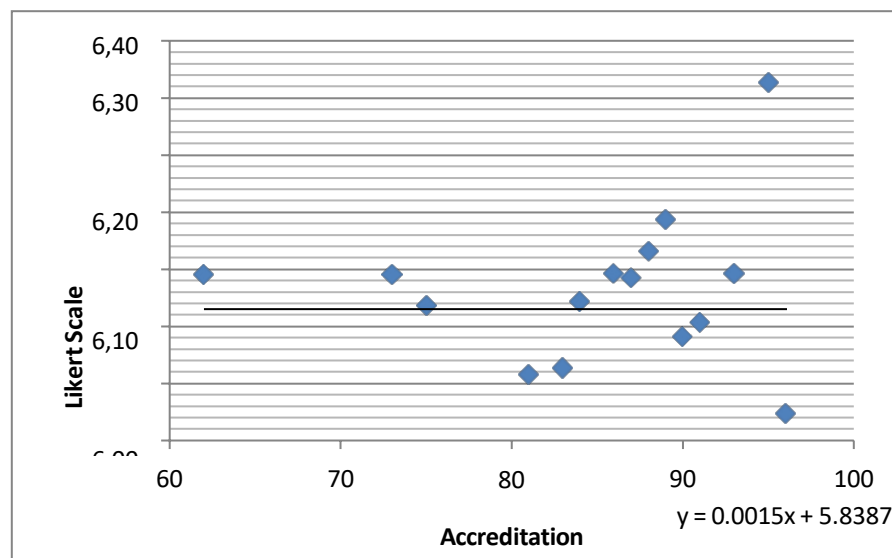
Yammarino & Bass (1990) found that the transactional leadership style allows employees to do work in a consistent manner and only make improvements when there are deviations from applicable standards that can have an impact on organizational performance. According to Zhu, Chew & Spengler (2005), transactional leadership style can be more efficient in helping organizations achieve short-term goals. In addition, transactional leadership style also contributes positively to the achievement of organizational goals (Elenkov, D.S., 2000).

The transactional leadership style is in accordance with the work environment of employees or teachers in schools who carry out work in the same way continuously, based on a predetermined teaching plan with a short-term nature. The transactional leadership

style is also relevant to the achievement of school performance that can be measured or standardized, such as in BAN accreditation standards.

Graph 2 illustrates the positive relationship between transactional leadership style and performance measure (BAN accreditation score) based on the tendency of respondents' answers (Tend to Agree, Agree, and Strongly Agree). In schools with low and medium accreditation scores, respondents tend to give lower scores on transactional leadership style. Whereas inschools with high accreditation scores, respondents tended to give higher scores to the transactional leadership style.

Thus, it can be concluded that in schools with high accreditation scores, transactional leadership style tends to be higher, while in schools with low accreditation scores, transactional leadership style tends to be lower.



**Graph 2.** Transactional Leadership Style and School Performance

Structural model analysis is also used to test research hypotheses. Structural model testing refers to the fit model criteria as in Table 1 below.

**Table 1.** Criterion Model Fit

Suitability Criteria	Limit Value	Criteria
CMIN/DF	< 2	Good Fit
Significance Value	> 0.05	Good Fit
GFI	≥ 0.90	Good Fit
NFI	≥ 0.90	Good Fit
RFI	≥ 0.90	Good Fit
IFI	≥ 0.90	Good Fit
TLI	≥ 0.90	Good Fit
CFI	≥ 0.90	Good Fit
RMSEA	≤ 0.08	Good Fit
RMR	≤ 0.05	Good Fit

Source: Haryono, S. & Wardoyo, P. (2013)

### Confirmatory Factor Analysis (CFA)

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After conducting several significance tests on indicators that reflect the constructs, the Confirmatory Factor Analysis (CFA) model for Transactional and Transformational leadership styles is obtained as shown in Figure 1.

Several other fit criteria such as CMIN/DF, GFI, NFI, RFI, TLI, CFI, RMSEA and RMR have met the required value limits, thus making the CFA model acceptable.

### *Structural Model Analysis*

In addition, several model fit criteria such as CMIN/DF, GFI, NFI, RFI, IFI, TLI, CFI, and RMSEA have also met the fit limit value, thus making this structural model acceptable.

The results of measuring Regression Weights for the effect of leadership style on organizational performance can be seen in Table 2 below:

**Table 2.** Estimated Value of the Effect of Leadership Style and Organizational Performance

Variables	Estimatio n	Standard Error	p-value
Transformational -> School Performance	-6.267	2.813	0.026
Transactional -> SchoolPerformance	5.630	2.808	0.045

Source: Structure Equation Model output

Based on the regression results as shown in Table 2, transactional leadership style has a significant positive influence (5.630) on organizational performance, while transformational leadership style has a significant negative influence (-6.267) on organizational performance.

The finding that transactional leadership style has a positive influence on organizational performance is consistent with previous research conducted by Bass & Avolio (1990) which found a positive relationship between transactional leadership style and organizational performance. Bass, B.M. (1990) argues that the transactional leadership style places more emphasis on monitoring possible deviations from performance standards, followed by preventive

action, and providing opportunities for subordinates to take the initiative to deal with failures that can impact organizational performance. The operational standard referred to in the context of the research is the measurement of school performance based on the assessment standards of the National Accreditation Agency (BAN).

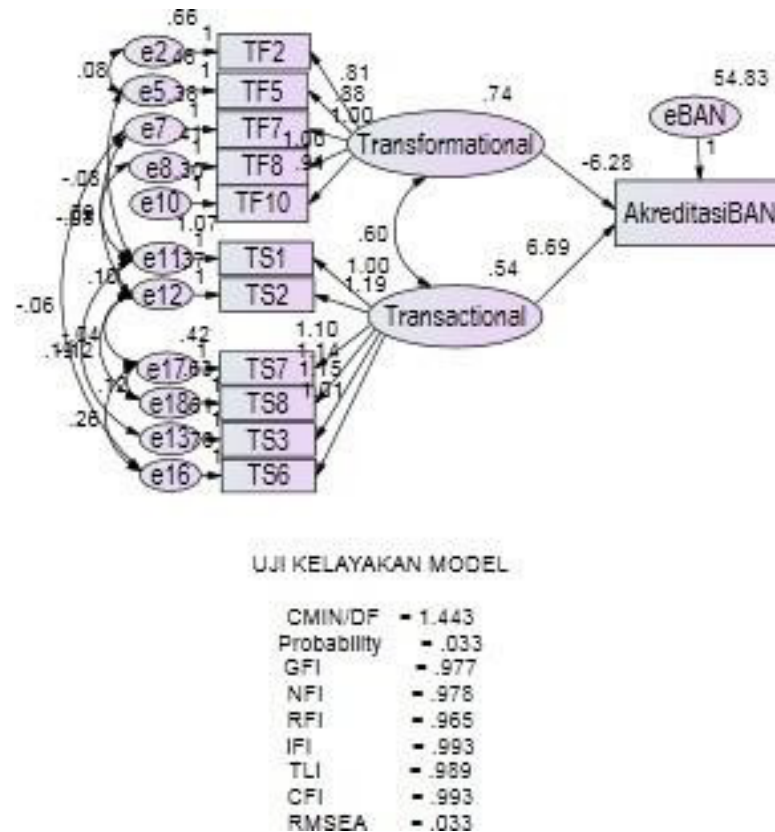


Figure 2. Structural Model of Leadership Style on School Performance

According to Zhu, Chew & Spengler (2005), transactional leadership style can be more efficient in helping organizations achieve short-term goals. Transactional leadership style also contributes positively to the achievement of organizational goals (Elenkov, D.S., 2000). This view is also relevant to the work environment of employees or teachers in schools who carry out work in the same way continuously based on predetermined teaching plans that are short-term in nature.

However, the transformational leadership style is less relevant in measuring performance based on predetermined standards or the achievement of short-term organizational goals. Prat (2004) argues that transformational leaders will focus more on understanding the organization's external environment and have the decision-making authority to develop long-term organizational missions and strategies. Transformational leaders also develop performance measures based on knowledge of the external environment.

Thus, research hypotheses 1a and 1b are accepted, which state that transactional leadership style and transformational leadership style have a significant influence on organizational performance with different signs.

## CONCLUSION

Leadership styles are divided into two categories, namely transformational and transactional leadership. Transactional leadership style focuses more on meeting operational standards, allowing employees to do the job in the same way repeatedly, and is more efficient in helping the organization achieve short-term goals. Meanwhile, transformational leadership can increase employee awareness of various organizational goals and visions, generate a desire in followers to give their best at work, and



simultaneously stimulate intellectual aspects. Based on several previous studies, transformational and transactional leadership styles have a positive influence, both directly and indirectly, on organizational performance.

The purpose of this study was to investigate whether the leadership style of school organizations owned by the Seventh-day Adventist Church in Indonesia affects organizational performance. The results of this study found that leadership style significantly affects organizational performance. Specifically, transactional leadership style has a significant positive influence on school organizational performance, while transformational leadership style has a significant negative influence on school organizational performance. In the context of educational organizations that focus on meeting operational standards, providing freedom for employees to work in a consistent manner and focusing on achieving short-term goals, transactional leadership style has an effective ability to influence organizational performance.

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