On the Relationships among Transformational Team Leadership, Team-Member Exchange, and Team Effectiveness: A Proposed Conceptual Framework*

Chwen-Li Chang
Instructor, Department of Business Administration
Chaoyang University of Technology
and
Ph.D. Candidate
Nova Southeastern University

Abstract

This paper proposes a systemic model of leadership within teams, a new perspective on team in the context of organizational effectiveness. It links Preziosi and Ward's (1998) values-based leadership and work-team development to transformational team leadership with Team-Member Exchange (TMX) based on recent advances in understanding leadership within teams. The model relates transformational-transactional team leadership and TMX to team, hence, organizational effectiveness. The paper also provides testable propositions.

Keywords: Transformational/Transactional Team Leadership; Team-Member Exchange; Team Effectiveness

*The author would like to thank Editor Gili Yen for his most valuable comments and suggestions, which have led to significant improvements on the original paper.
I. Introduction

A common trend in many organizations is the increased use of teams as a way of improving effectiveness. Preziosi and Ward's (1998) Strategic Target Action Review (STAR) model incorporates values-based leadership and work-team development as two pillar elements in organizational coordination and in achieving common goals. This paper links these concepts with team-member-exchange framework to propose a new model which captures the relationships among team member interrelationships, transformational team leadership, and team effectiveness.

Teams frequently operate in highly interdependent settings that require continuous interaction among members in order to be effective. Eighty-two percent of companies with 100 or more employees use team structures (Gordon, 1992); sixty-eight of Fortune 1,000 firms reported they use teams, and they are one of the fastest growing forms of employee involvement (Lawler, Mohrman, & Ledford, 1995). Research shows that using teams leads to desirable performance improvements in a variety of industries (e.g., Banker, Lee, Potter, & Srinivasan, 1996; Batt, 1999; Cannon-Bowers, Oser, & Flanagan, 1992; Wellings, Byham, & Dixon, 1994). Researchers and practitioners agree that leadership is a major factor in the success or failure of a team-based work system (Katzenbach, 1997; Sinclair, 1992; Steward & Manz, 1994). However, few models of team effectiveness explicitly consider leadership within teams as a determinant of team effectiveness. Dunphy and Bryant (1996) assert that future research must include leadership within teams when modeling team effectiveness.

There are two distinct perspectives on leadership theory development. One perspective, which is leader-focused, explains individual, group, and organizational performance by linking specific leader actions to desired outcomes, for example, motivation, leader effectiveness. This approach includes transformational, charismatic, and value-based theories, as develop by Bass (1985), House (1977), and House, Delbecq, and Taris (1996), respectively. The other perspective focuses on the social exchange relationships between employees and their leaders, teams, and organizations (e.g., Cogiser & Schrieshein, 2000; Cole, Schaninger, & Harris, 2002; Dienesch & Liden, 1986; Graen, 1976; Seers, 1989). Leader-Member Exchange (LMX), originated by Graen and his colleagues (Graen, 1976; Graen & Cashman, 1975; Graen & Scandura, 1987; Graen & Uhl-Bien, 1995), focuses on the supervisor-follower dyadic relationship. LMX was recently extended to teams, creating a related construct, Team-Member Exchange (TMX; see Seers, 1989; Seers, Petty, & Cashman, 1995). TMX describes the quality of relationships among team members. The quality of lateral (within-group) relationships is more important than vertical relationships (with supervisor) in predicting work group outcomes. (Seers, 1989) The objective of the present paper is to integrate values-based leadership and work-team development, including TMX and transformational team leadership, to develop a new model of team effectiveness.
II. Theoretical Background

Team Leadership. “Team” and “leadership” are terms frequently used in current human resource management. Combining the two words to create “team leadership,” leadership of and within teams, is a challenging and necessary step in developing effective organizations. Bass and Avolio, pioneer proponents of the current transformational/transactional leadership paradigm, identify a relatively new term, “team leadership” as “the collective influence” of team members “on each other”.

(Sivasubramaniam et al., 2002, p. 68) They report that transformational team leadership leads to higher group potency and group performance than teams without.

Integrating the actions of leaders within teams with self-managing work teams (SMWTs) positions leadership in a new context, one qualitatively different than the one traditionally considered. According to Cohen and Bailey (1997), self-managing work teams involve employees in making decisions that were formerly the province of supervisors and managers. SMWT members are usually cross-trained in a variety of skills relevant to the tasks they perform. Many firms create SMWTs to reduce costs and to improve quality and productivity. A view of leadership as residing in one person is no longer appropriate given the need for highly collaborative interactions required to sustain learning organizations that survive and thrive in highly competitive environments. Harnessing the initiative, talents and skills of team members necessitates the perceptual shift in the concept of team leadership. Still, the specific leader actions that characterize the collective influence of team self-leadership are relatively unexplored and unspecified. The next section highlights key characteristics of transformational and transactional leadership and draws parallels with team leadership to clarify the meaning of transformational team leadership.

Transformational/Transactional Leadership. The concept of transformational leadership appeals to contemporary business executives because it brings about a beneficial impact on the organization, including increased commitment and productivity, a more focused direction for the company, and improved profitability. Building on the work of Burns (1978) and others, Bass (1985) advanced his approach to transformational/transactional leadership. Transactional leadership, based on the exchange process, emphasizes goal clarification, work standards, and task assignments; it focuses on task completion and compliance based on incentives and rewards. Transactional leadership actions satisfy followers’ basic needs for guidance and feedback; transformational actions help achieve followers’ higher level needs (e.g., self-actualization). Transformational leadership develops followers’ fullest potential. (Bass & Avolio, 1990) Effective leaders purposely practice both transactional and transformational leadership, and build on transactional leadership as the necessary foundation for transformational leadership.

There are several distinct aspects of transformational and transactional leadership. Transactional leadership has two basic dimensions: contingent reward and management-by-exception. (Bass, 1985) Contingent reward actions clarify expectations and offer recognition when goals are achieved.
Management-by-exception occurs when the leader intervenes to make a correction when something goes wrong. (Bass, 1985) There are two types of management-by-exception, namely, active and passive. The active form actively seeks variances from standard procedures and takes action when deviations occur, thus providing ongoing, concurrent feedback. The passive form provides feedback some time after the deviations occur, thus placing the follower in a “one down” position that generates confusion and resentment.

Transformational leadership actions within teams affect team performance in ways that parallel individual leaders’ impact on followers. Sivasubramaniam et al. (2002), focusing on collective leadership within teams, reported findings similar to studies of individual leaders. That is, findings on the effectiveness of individual leaders can be generalized to team member as leaders; it’s called the “collective influence” of team members on one another. Just as high quality leader-member exchange (LMX) and transformational leadership create mutually reinforcing learning systems and generate high performance, transformational team leadership and high quality team-member exchange (TMX) form such an interactive system.

**Team-Member Exchange.** There is very little research in TMX as it is a relatively new recognized concept. Seers (1989) described TMX as something parallel to Leader-Member Exchange (LMX). TMX characterizes the quality of the working relationships and reciprocity between a team member and his or her peer group. TMX is an “individual member’s perception of his or her exchange relationship with the peer group as a whole.” (Seers, 1989, p. 119) TMX quality is a useful way to assess the reciprocity between a member and the peer group. It captures a member’s perception of his or her willingness to assist other members, to share ideas and feedback and in turn, how readily information, help, and recognition come from other members. (Seers, 1989) High-quality TMX means that team members have an excellent social and task relationships, and they act, not only out of self-interest, but to benefit co-workers.

In contrast to the extensive research on LMX, there is limited evidence on TMX. Initial findings support a positive relationship between TMX and organizational commitment (Liden et al., 2000; Major et al., 1995), and job satisfaction (Liden et al., 2000; Major et al., 1995; Seers, 1989). In addition, empirical evidence shows a negative correlation between TMX and turnover intentions (Major et al., 1995). Hellman, Witt and Hilton (1993) found that TMX is a good predictor for job satisfaction, satisfaction with peers, job performance, commitment, and turnover. Dunegan et al. (1992) utilized a measure similar to the TMX scale entitled Work Group Exchange (WGX). Their results show positive correlations between high quality WGX and perceptions of freedom, recognition, encouragement, and coordination, and negative correlations between perceptions of innovative constraints and the organization’s disinterest for creative solutions.
Graen and Uhl-Bien (1995) suggest that understanding coworker exchanges (CWXs) is a critical part of understanding leadership processes. The terms, CWXs, WGX, and TMX, are used interchangeably in the management literature. (e.g. Sherony & Green, 2002) Their commonality lies in describing the quality of relationships between and among team members and linking high quality exchanges to team and organizational effectiveness.

III. Propositions and Relevant Discussions

Bass and Avolio (1994) report that two transactional actions, contingent reward and management-by-exception-active, are positively related to desired organizational outcomes, e.g., employees’ extra effort and leaders’ effectiveness. However, management-by-exception in the passive form is negatively associated with followers’ satisfaction and performance. All transformational leadership actions positively affect desired outcomes.

Sivasubramaniam et al. (2002) find that transformational/transactional leadership can occur in teams and it can impact the performance in ways that parallel the interactions between the individual leader and the followers. They assert that team or collective leadership is at least one factor in predicting the subsequent effectiveness of teams. Therefore, I propose the following propositions:

Proposition 1: High quality team-member exchange will be positively related to transformational team leadership.

Proposition 2: High quality team-member exchange will be positively related to two transactional team leadership dimensions—contingent reward and management-by-exception in the active form.

Proposition 3: High quality team-member exchange will be negatively related to management-by-exception in the passive form of team leadership.

Research suggests that TMX have correlations with organizational outcomes. Findings support a positive relationship between TMX and organizational commitment (Liden et al., 2000; Major et al., 1995) and job satisfaction (Liden et al., 2000; Major et al., 1995; Seers, 1989) and a negative relationship between TMX and turnover intentions (Major et al., 1995).

Therefore, I propose the following proposition:

Proposition 4: High quality team-member exchange will be positively related to team performance.
The proposed conceptual framework has profound implications for both academic research and business applications. What leadership behaviors relate to the effectiveness of self-managing teams? How do interactions and relationships between and among team members contribute to the team performance? According to Sivasubramaniam et al. (2002), team members influence one another in a way similar to individual leaders influence their followers. Team leadership takes many shapes and forms, adding a dimension of complexity not previously explicitly recognized. The advantage of the newly developed concept of leadership within teams ushered in complexity and ambiguity open a new vista to understanding the intricate relationships among team members, and, between team members and leaders.

In terms of empirical research, the first steps are to test the relationships in the above propositions in a variety of settings. A related pursuit is developing valid and reliable measures of the constructs (transformational team leadership and team member exchange). Construct validity is obviously important to support conclusions derived from empirical research because valid scales accurately measure what the say they measure, in this case, transformational team leadership and TMX. Another research endeavor is to demonstrate whether or not, and the extent to which, transformational team leadership and TMX are two distinct constructs.

Practical applications will build on in the first place the concept of learning organizations and establish ways for team members to recognize transformational team leadership and TMX actions they already perform, to some degree or not, within their teams. Next, observing team members from organizations in existence to generate specific examples of transformational team leadership and TMX using critical incidents derived from their experiences and actions. This facilitates team members recognizing what they already do contributing to productivity and effectiveness and builds on already existing action and thinking patterns to enhance the productivity of the team, hence, organizational effectiveness. This approach constitutes modeling excellent performance, identifying its structure and then amplifying and extending those actions to future actions. After establishing rapport (mental, verbal and nonverbal) with team members, one proceeds with enquiries to elicit verbal and nonverbal representations of excellence as team members experience it. The initial questions must capture members’ internal representations of effectiveness expressed in verbal and nonverbal expressions. Sample questions are: How would you describe your team when it is doing great work? And, when team members are productive, how do you know when your team is “effective”? Once the structure of team members’ “unconscious competence” is identified, it serves as feedback to team members so they are now aware of their beliefs, values, intentions and actions that result in transformational team leadership and in high quality TMX.
IV. Concluding Remarks

This paper presents a significant first step to better understand how team member relationships interact with transformational team leadership actions within teams to foster team effectiveness. The driving factor underpinning the proposed conceptual framework is that teams function as a mutually reinforcing learning system within the context of larger organizational systems.

Based on the proposed conceptual framework and previous relevant empirical studies, the present study establishes four testable propositions. It is hoped that empirical findings bearing on the four above-mentioned propositions can shed light as to the relationship between transformation/transactional team leadership and TMX to team, hence, organizational effectiveness.
References


