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Transformational Leadership and Public Service Motivation. Is there Other Ways to Improve Motivation (and Performance) than to Choose Between the Carrot or the Stick?

Project description to be presented at the EGPA pre-conference, September 1st 2009.

Dear Reader,

The following is work in progress and the arguments and the design are neither fully elaborated nor bullet-proof. I am interested in all the comments you might have, but would be particularly grateful for comments on how I frame the project into a broader political science context. As it is now it might be a bit too much of a business school/management-project. I would also appreciate comments on how I could use the literature on values as complimentary to the literature on professionalism.

Thank you for reading this. I am looking forward to your comments.

1: Introduction

Can employees be managed via appeals to their values instead of to their wallets? And is this a viable strategy to improve motivation and performance in the public sector? The influence value-based leadership and other types of management strategies have gained during the last decade could indicate that appealing to employees' values is a promising way to overcome the classic conflict of interest between management and employees (Waterman & Meier 1998). This conflict of interest, and the inherent problems stemming from it, is well established in the research field of public administration (Waterman & Meier 1998). However, the effect of softer forms of management strategies, such as value-based leadership, in overcoming these differences, needs clarification.

I will argue that different management strategies can be reflected on a continuum with transactional and transformational leadership at the extremes (Bass 1995). Transactional leadership is managing by rewards, regulation and sanctions (Park & Rainey 2008 p. 112; Bass 1995 p. 466-467), whereas transformational leadership is a question of changing the mindset of the employees, and thus improving their motivation.

In the public sector, motivation and performance are not merely a question of monetary gains. Since public employees ultimately work on behalf of the public and their work is managed by democratically elected officials, improving performance is also a question of providing accountability. In terms of legitimacy, it is therefore important that management strategies actually do improve performance in the public sector. Improving the motivation of the employees is the first critical step towards improving performance. Hence, this project asks the following:

Does transformational leadership create a better fit between the organizational goals and values and employee Public Service Motivation?

To answer this question the project uses theory on transformational leadership as the independent variable and PSM as the dependent variable. In addition, it introduces two theories that research on the relationship between leadership strategies and employee motivation needs to address: Hierarchical distance and Professionalism. Both are based on the assumption that differences in interests between management and employees and also between different groups of employees exist. First, the possibilities of employees aligning their motivation with that of the management might be contingent on the hierarchical distance to the executive management. Second, it is necessary to be aware that leadership strategies might resonate differently with different professional groups and to take into account that

frontline managers often have the same professional background as the field workers. These two theories present potential conditioning variables that research on the transformational leadership-PSM link have not yet considered. The theoretical model of the project is shown below.

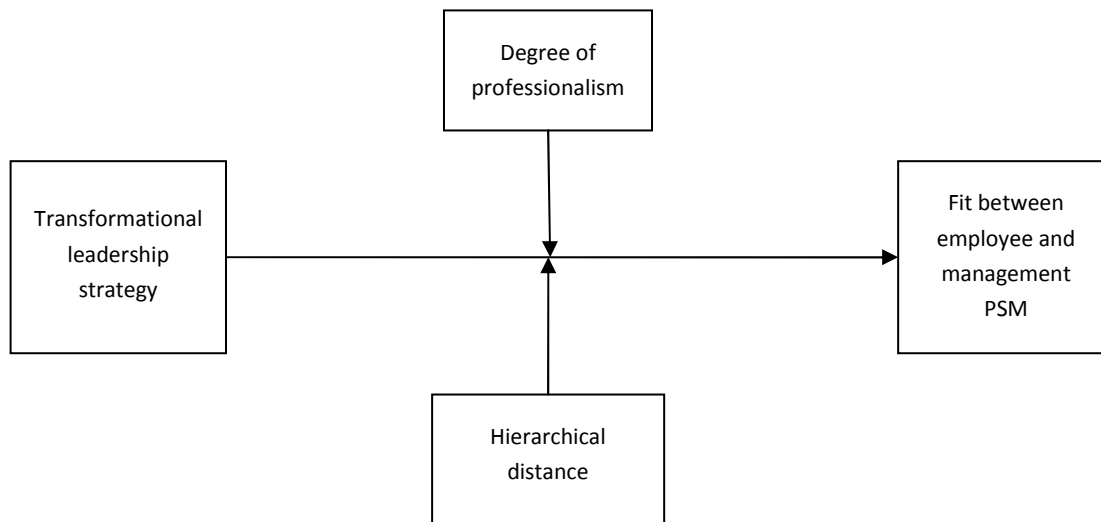


Fig. 1

2: Theory

2.1: Dependent variable – PSM

The dependent variable in this project is motivation. More specifically this project uses the concept of PSM (Perry & Wise 1990), which is an intrinsic type of motivation and has been defined “as an individual’s orientation to delivering service to people with the purpose of doing good for others and society” (Perry & Hondeghem 2009 p. 6). Since this project investigates the effect of leadership strategies that appeal more to employee values than to their wallets, the concept of PSM is useful because it allows for employees to be motivated by other means than extrinsic ones.

Further, Perry (1996) has argued that PSM is a multidimensional concept, and that it is comprised of four dimensions – compassion, self-sacrifice, public interest and attraction to public policymaking. In regard to this project, analyzing the dimensions is particularly relevant when investigating the fit between management’s and employees’ PSM. I regard PSM as one specific type of motivation and the dimensions as a question of the direction of the PSM. In this perspective, it is possible for management and employees to have the same “amount” of PSM, but with different directions, and therefore also, at least theoretically, possible to change the direction of the employee motivation.

2.2: Independent variable – transformational leadership

Leadership can be reflected on a continuum with transactional leadership, i.e. managing by rewards, regulation and sanctions (Bass 1995 pp. 466-467) at one extreme and transformational leadership at the other. Transformational leadership is not about rewards or sanctions, but about changing the mindset of the employees and thus their motivation. It is the leader's task to create "a powerful, positive vision, an intellectually stimulating idea, attention to uplifting the needs of followers and by having a clear sense of purpose" (Avolio & Gardner 2005, pp. 329-339).

So far, research has shown a positive relationship between transformational leadership and PSM (Moynihan et al. 2009; Vandenabeele 2008; Park & Rainey 2008), which results in the first hypothesis

Hypothesis 1: Transformational leadership is associated with higher levels of PSM

This view of the relationship between transformational leadership and PSM is consistent with that of Park and Rainey (2008), who explain the positive relationship between transformational leadership and PSM as a process of empowering: Transformational leadership sets the employees free and therefore increases their motivation. However, this perspective does not promise that transformational leadership necessarily causes a better fit between management PSM and employee PSM.

Another perspective sees transformational leadership as both a shaper and/or mediator of employee PSM (Moynihan et al. 2009; Paarlberg & Lavigna 2009; Paarlberg et al. 2008). In this perspective, transformational leadership can serve as a transmission belt of organizational goals and values that management can use to enhance or alter employee motivation. This indicates that transformational leadership potentially can change the direction of the employee PSM. Hence the second hypothesis:

Hypothesis 2: Transformational leadership causes a better fit between employee and management PSM

Thus, transformational leadership is not merely a question of improving motivation and thereby performance. Transformational leadership is also a question of *defining* the direction of the motivation, or in other words defining what "doing good for others and society" (Perry & Hondeghem 2009 p. 6) actually is. In democratic societies this question is a political one, and should be defined by the elected political leaders and be clear throughout the organization.

2.3: Conditioning variables

Although empirical research has shown positive effects of transformational leadership on employee PSM, this project aims to refine our knowledge on when and where this association can be expected. To do this, the project introduces two conditioning variables: Hierarchical distance and Professionalism. These variables have so far not been included in the research on the link between transformational leadership and PSM. Nevertheless, other areas of research in public administration have demonstrated that the two variables are important in shaping both motivation and the perception of management initiatives (Andersen 2009; Ouchi 1978).

Hierarchical distance

Up until now, research on transformational leadership has primarily investigated one manager's influence on one level of employees. Primarily, the focus has been on the leadership of executive managers (Moynihan et al. 2009), but the leadership behavior of direct supervisors is also beginning to draw scholarly attention (Vandenabeele 2008). Still, the evidence within the transformational leadership research (Waldman & Yammarine 1999 pp. 267-268) is ambivalent as to what effect the distance between leader and employee is expected to have.

Turning to other parts of the public administration literature, we find robust indications of a negative effect of hierarchical distance on the relationship between management style and employee motivation. Hierarchical distance defined as the number of organizational levels from the management level that initiate a transformational leadership strategy to the target group has in previous work been shown to have an impact on the effect of a leadership strategy. As there is a certain transmission loss when the leadership strategy is filtered down through the organization (Ouchi 1978), the hierarchical distance between the initiating management level and the target group might influence the perception of the leadership strategy and hence its effect. This leads to the third hypothesis:

Hypothesis 3: *The larger the hierarchical distance, the lesser the effect of transformational leadership on PSM-fit*

Professionalism

The sociology of the professions, also referred to as professionalism, presents a powerful explanation of the dynamics that drive behavior among professional and semi-professional groups. When thinking about how to influence employees' PSM, it is necessary to consider how motivation and values already internalized in

the members of a professional hierarchy potentially interact with the leadership strategy. Given that the definition of PSM used here is based on a notion of altruism (Perry & Hondeghem 2009; Rainey & Steinbauer 1990), this project will be based on the functionalistic approach to the sociology of the professions, which emphasizes values and norms of professional groups (Freidson 2007).

However, in my perspective, this does not mean that professionals *only* behave according to values and norms, but that these values and norms are important in terms of how leadership strategies might influence PSM. The values and norms already internalized in highly professional groups are expected to inhibit the effect of transformational leadership, especially in terms of changing the direction of employee PSM.

Hypothesis 4: *Transformational leadership has little or no effect on the PSM of highly professionalized employees*

4: Method

The aim of this project is to develop a better understanding of when and where transformational leadership can be expected to create a better fit between the management and employee PSM. To do so, the project follows a mixed methods design, combining qualitative and quantitative data. The qualitative data is documents on organizational leadership strategies, HR strategies etc., as well as interviews with managers and employees. This will provide insights on the espoused leadership strategies and also aid a more thorough understanding of why leadership strategies are implemented (if they are). The research on PSM has so far been occupied with surveys, except a few examples (Andersen 2009), and while this has provided many fruitful insights, introducing qualitative research on PSM could advance our understanding of the concept and produce even more robust evidence.

However, the project will also use quantitative data, based on the measures of PSM (Perry 1996) and transformational leadership already developed (Lowe et al. 1996). By surveying employees at all levels of an organization and combining the data with surveys of their managers and the executive management, it will be possible to see how leadership is practiced and perceived all the way through the organization and where there seems to be the best alignment on management and employee PSM.

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