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EFFECTS OF TRANSFORMATIONAL AND SHARED LEADERSHIP STYLES ON EMPLOYEES' PERCEPTION OF TEAM EFFECTIVENESS

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Using 3 sets of multiple regression models, we examined the effectiveness of transformational and shared leadership styles in relation to team effectiveness, based on the perceptions of 424 employees of Korean financial and insurance firms. Transformational leadership is a vertical leadership style emanating from the formal leader of a team, whereas shared leadership is a distributed leadership style that emanates from the team members. We found that transformational leadership contributed to team output effectiveness, whereas shared leadership improved the team's organizing and planning effectiveness. These findings imply that different styles of leadership contribute to different aspects of team effectiveness. We suggest that managers should collaborate more with team members and should pay attention to the fit between the leader's behavior and the characteristics of the team output in order to promote overall team effectiveness.

Keywords: transformational leadership, shared leadership, leadership style, leader behavior, team characteristics, team effectiveness, South Korea.

Past researchers have revealed that leadership style is the most vital determinant of team effectiveness and organizational performance (Burke et al., 2006;

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Carson, Tesluk, & Marrone, 2007). Bass (1985) addressed the effectiveness of transactional and transformational leadership styles and found that transformational leadership promotes innovative behavior among employees, accordingly improving organizational performance (see also Aryee, Walumbwa, Zhou, & Hartnell, 2012). On the other hand, Houghton, Neck, and Manz (2003) suggested that teamwork often requires close cooperation among members, based on their specific expertise, and that shared leadership can achieve the maximum gain in this context. Yukl (1989) discussed the benefits of shared leadership in relation to teamwork but did not provide empirical evidence of the relationship between them.

However, in these prior studies the researchers did not conduct analyses comparing shared leadership with other styles of leadership. Further, we found only a few empirical comparative studies in which the effects of leadership style on team-level performance have been examined. The focus in previous studies has been on measuring one dimension of team effectiveness, such as customers' perceptions, managers' ratings (Pearce & Sims, 2002), and team members' perceptions (Bligh, Pearce, & Kohles, 2006; Burke et al., 2006). More specifically, shared leadership has been studied extensively from conceptual perspectives, but there are few studies in which it has been tested empirically in relation to team effectiveness (Perry, Peace, & Sims, 1999). In addition, the focus in most previous works on leadership and team effectiveness has been on firms in Western cultures. Firms in emerging markets, such as those in South Korea, China, and India, are contributing to the global economy; thus, managers in these enterprises now also need to change their organizational leadership style. Traditionally, managers in these Asian countries have used a vertical leadership style, and teamwork has not been promoted broadly.

Considering these gaps in the existing literature, in this study we empirically examined transformational and shared leadership styles as predictors of output effectiveness and planning and organizing effectiveness aspects of team effectiveness, by focusing on customer service teams in Korean financial and insurance companies.

Literature Review and Hypotheses Development

Leadership and Team Effectiveness

Leaders' behavior impacts their teams' structure, working process, and effectiveness (Burke et al., 2006; Carson et al., 2007; Hoch, 2013). In previous research, it was found that two styles of leadership affect team performance (Pearce & Sims, 2002). The first is the *vertical style of leadership*, for example, transformational leadership, whereby the team leader is appointed based on skills and seniority, and he or she alone holds the authority to make important decisions

in the organization. Vertical leadership has been deemed effective for promoting organizational performance (Bass, 1985; Yukl, 1989). The second style is *horizontal leadership*, in which team leaders are supported by team members, and maximum utility can be obtained by sharing leadership among team members (Erkutlu, 2012; Hoch, 2013). Further, horizontal leadership, for example, shared leadership, can provide competitive advantage to the organization because, as compared to vertical leadership, it enables team members to share all responsibilities to achieve team and organizational goals effectively (Wang, Waldman, & Zhang, 2014).

Transformational Leadership and Team Effectiveness

Transformational leadership (TL) is a style of leader behavior by which the leader helps followers to exceed their initial performance expectation by promoting changes to their values, norms, and personal interests (e.g., from simply pursing stable employment or job promotions, to going further by sharing their expertise and knowledge on a voluntary basis to improve organizational effectiveness; Aryee et al., 2012). TL is composed of four distinct but interrelated behavioral components: *idealized influence*, that is, leaders' distinct behaviors that instill pride and respect in employees through being associated with the leader, *inspirational motivation*, that is, leaders' behaviors that encourage employee motivation by enriching individual- and organizational-level vision and spirit, *intellectual stimulation*, that is, leaders' behaviors that encourage nontraditional thinking and new ways of looking at how to complete tasks and solve problems, and *individual consideration*, that is, leaders' treating employees as individuals, rather than simply group members, and identifying the different needs, abilities, and aspirations of those individuals (Braun, Peus, Weisweiler, & Frey, 2013).

We anticipated that TL would have a positive impact on team effectiveness for three reasons. First, transformational leaders share personal morality and organizational ethics with their employees and, accordingly, the employees' intrinsic motivation becomes stronger and their organizational commitment increases (Tu & Lu, 2013). Intrinsic motivation highlights the long-term vision that unites team members (Chen, Farh, Campbell-Bush, Wu, & Wu, 2013) by promoting innovative problem solving and better team performance. Team members with intrinsic motivation consider themselves as a single body and share with each other their understanding of work tasks and how best to complete these, articulating many innovative ideas at every step of team-level work and, thus, increasing team effectiveness (Aryee et al., 2012).

Second, TL helps team members to think outside the box, enabling them to visualize a much bigger picture and ensuring their commitment toward the effective accomplishment of this vision (To, Tse, & Ashkanasy, 2015). In this

way, team members develop their skills and enhance their problem-solving capabilities. Thus, TL encourages team members to be innovative in line with the team goals, consequently contributing to team effectiveness (Braun et al., 2013; To et al., 2015).

Third, transformational leaders act as a role model among team members by sharing creative ideas and knowledge to facilitate working cooperatively and efficiently (Aryee et al., 2012). Employees who consider their leader as their role model will seek to innovate and be proactive in sharing their ideas with the team, ultimately increasing team effectiveness (Pearce & Sims, 2002). Similarly, transformational leaders promote an innovative organizational culture where employees feel challenged to establish their new ideas at every step and this push toward innovative behavior accordingly increases team performance. Thus, we formed the following hypothesis:

Hypothesis 1: Transformational leadership will be positively related to team effectiveness.

Shared Leadership and Team Effectiveness

Shared leadership (SL) is "the process of influencing others to understand and agree about what needs to be done and how it can be done effectively, and the process of facilitating individual and collective efforts to accomplish shared objectives" (Yukl, 2002, p. 7). When leadership is shared, specific characteristics are present among team members, such as a mutual-gain ideal, collaborative leadership process, participative decision style, and good quality leader–member relationship (Bligh et al., 2006; Wang et al., 2014).

SL has a positive impact on team effectiveness by promoting teamwork and shared mentality among members (Erkutlu, 2012). Previous researchers have found that SL enhances effective group decision making among team members through their sharing of diverse knowledge related to their careers (Erkutlu, 2012; Hoch, 2013). SL also facilitates the development of a close relationship between employees and management, which creates a good working environment. Thus, leaders using an SL style can share their vision with employees and motivate them to participate in setting and implementing the work plan. In this way, sharing leadership increases employees' motivation for better teamwork and output (Erkutlu, 2012; Hoch, 2013). SL is strongly related to the knowledge-sharing process, and the leader who uses this style can motivate organizational learning at the team level, which, in turn, adds to team effectiveness (Bligh et al., 2006; Hoch, 2013).

We assumed that team members would work enthusiastically toward achieving team goals when the leadership style is synchronized with their desires. Pearce and Conger (2003) argued that SL is the best leadership style as it empowers

employees in their tasks and encourages them to do their best to achieve the organizational goals, as they are able to work with autonomy and in a collaborative way. Accordingly, we formed the following hypothesis:

Hypothesis 2: Shared leadership will be positively related to team effectiveness.

Method

Participants and Procedure

We used a survey to obtain data from employees working for customer satisfaction management teams in Korean financial and insurance firms. We initially interviewed senior managers of these firms in order to gain information on the characteristics of the tasks performed by team members. Each of the firms had more than one branch, but we contacted only the main branches in cities in the southeastern area of South Korea. With the cooperation of the managers we had contacted previously, we sent surveys to 500 team members. All of the respondents were informed that their answers would be treated as confidential. In addition, on the first page of the survey we stipulated that respondents' answers would be used only for the research purpose.

Following Brislin's (1980) translation and back-translation procedure, we asked a professional translator to develop a Korean version of the original English instrument, and this was then back-translated into English by a bilingual academic who had not seen the original English version. We asked this translator to comment on any ambiguously worded items and he did not suggest any noteworthy changes to any of the items used in this research. We then conducted a pilot test of the Korean version with 50 graduate students of the Master of Business Administration program at one university who had worked for private firms. On the basis of feedback from this pilot test, we reworded a few items to ensure clarity.

To increase the reliability of the data, we collected the leadership-related measures at Time 1, and those relating to team effectiveness 3 months later, at Time 2. The purpose of using this time lag approach is to minimize the potential bias associated with self-reporting and cross-sectional research (Pearce & Sims, 2002). Finally, we received 424 usable responses (response rate = 84.8%). The average age of the participants was 29.12 years (SD = 4.37), 58.9% of the participants were men, and the average tenure at the current firm was 5.93 years (SD = 5.76).

Measures

Responses to the items in each measure were made on a 7-point scale, where 1 = *strongly disagree* and 7 = *strongly agree*.

Transformational leadership. We measured TL using a 12-item version of Bass and Avolio's (1990) Multifactor Leadership Questionnaire, which is a well-validated measure of TL. A sample item is "My team leader encourages me to go above and beyond what is normally expected of a team member." The Cronbach's alpha was .935.

Shared leadership. We measured attitudes toward SL using the 13 items developed by Small (2007). A sample item is "A team's performance will be at risk if everyone participates in the leadership role" (reverse scored). The Cronbach's alpha was .747.

Perceived team effectiveness. We assessed team effectiveness using a nine-item scale developed by integrating output- and process-related items derived from previous research (Pearce & Sims, 2002). The items are designed to assess output effectiveness and organizing and planning effectiveness. A sample item for output effectiveness is "The team meets its commitments in a timely manner." The Cronbach's alpha was .913.

Control variables. As it has been found that employees' work engagement may be affected by demographic variables, we controlled for gender, level of education (Avery, McKay, & Wilson, 2007), age, and organizational tenure (Schaufeli, Salanova, González-Romá, & Bakker, 2002) in the model.

Data Analysis

Before testing the hypotheses, the psychometric properties of TL, SL, and perceived team effectiveness were assessed for reliability, and factor analyses were performed using SPSS version 21.0 and AMOS version 18.0. First, the reliability of the three constructs was tested using Cronbach's alpha; values ranged from .647 to .935, indicating adequate internal consistency for all measures. Second, a confirmatory factor analysis (CFA) was carried out to ensure discriminant validity. The CFA results indicated that the three-factor model fitted better than the other models did (chi square/degrees of freedom = 1.162, comparative fit index = .956, incremental fit index = .956, normed fit index = .937, Tucker-Lewis index = .947, root mean square residual = .038). These results indicate that the three variables had acceptable discriminant validity. Finally, we conducted Harman's single-factor test to determine whether or not there was common method bias, in line with the recommendation of Podsakoff, MacKenzie, Lee, and Podsakoff (2003). The test results showed nonsignificant common method variance because the explained variance of the largest factor was .31.

Results

Table 1 shows the means, standard deviations, and intercorrelations among the study variables.

Table 1. *Means, Standard Deviations, and Correlations Among Study Variables*

Variable	*M*	*SD*	1	2	3	4	5	6
1. Gender	1.55	4.98	1					
2. Age	29.12	4.37	.05	1				
3. Level of education	2.62	0.63	-.02	.11*	1			
4. Tenure	6.48	4.03	-.01	.57**	.24**	1		
5. TL	5.57	0.52	.06	.11*	.09	.14**	1	
6. SL	5.04	0.49	.06	.01	.09	.03	.25**	1
7. TE	5.72	0.51	.06	.03	.40**	.25**	.14**	.10*

Note. $N = 424$; * $p < .01$, ** $p < .05$ (two-tailed). TL = transformational leadership, SL = shared leadership, TE = team effectiveness.

We examined the relationship between the two leadership styles and team effectiveness using three sets of multiple regression analyses, the results of which are set out in Table 2. The average variance inflation factor (VIF) of the models in Table 2 ranged between 1.00 and 1.92, and no variable exceeded VIF values of 10, confirming that multicollinearity was not an issue (Aiken & West, 1991). The results presented in Model 1 show that TL was positively related to output effectiveness and the overall effectiveness of the team but not to organizing and planning effectiveness. Results in Model 2 show that SL was positively related to organizing and planning effectiveness and the overall effectiveness of the team but not to output effectiveness. Thus, these results provide partial support for Hypotheses 1 and 2.

Table 2. *Regression Results of Leadership Style on Perceived Team Effectiveness*

Variable		Team effectiveness I (Output effectiveness)	Team effectiveness II (Organizing and planning effectiveness)	Team effectiveness III (Overall)
Model 1	Gender	.034	.035	.035
	Age	-.202***	-.220***	-.217***
	Level of education	.344***	.333***	.347***
	Tenure	.313***	.275***	.301***
	Transformational leadership	.130***	.045	.088**
	R^2	.242	.190	.223
	F	26.649***	19.567***	24.059***
Model 2	Gender	.038	.033	.036
	Age	-.196***	-.218***	-.214***
	Level of education	.345***	.327***	.345***
	Tenure	.325***	.278***	.309***
	Shared leadership	.070	.088**	.082*
	R^2	.230	.200	.223
	F	25.000***	20.304***	23.936***

Note. $N = 424$; * $p < .01$, ** $p < .05$, *** $p < .01$ (two-tailed). Standardized coefficients are reported.

Discussion

Our results indicate that TL and SL are important determinants of perceived team effectiveness (Braun et al., 2013; To et al., 2015); therefore, TL and SL should not necessarily be considered as mutually exclusive (Pearce & Sims, 2002). We consider it important that we found that TL and SL contributed to different aspects of team effectiveness. TL was positively related to output effectiveness, whereas SL was positively related to organizing and planning effectiveness. TL is a vertical leadership style in which the leadership emanates from the appointed formal leader of an organization (Aryee et al., 2012). The transformational leader is more likely than leaders using other styles to emphasize that the team completes its task and commitments on time, making this the desired style of leadership for promoting better output (To et al., 2015).

In contrast, SL is a distributed leadership style that emanates from team members (Erkutlu, 2012). Therefore, the focus for the effectiveness of the team tends to be on the participative process (Wang et al., 2014), which comprises organizing and planning effectiveness. SL becomes key to improved achievement of team goals and greater effectiveness by increasing the use of empowered teams in the organization, and highlighting the significance of the participative decision-making process (Burke et al., 2006; Pearce & Conger, 2003). Overall, our findings extend the existing literature (Pearce & Sims, 2002) by identifying the role of two different leadership styles in relation to overall team effectiveness.

Important practical implications from this study are as follows: first, because employees in empowered teams tend to be more motivated than other employees are to work their best, it is important for managers to make an effort to treat their employees as good work partners or coworkers. Thus, managers should behave in a more collaborative style with team members in service-related organizations. Second, as the effect of use of both TL and SL was found to be positive in relation to team effectiveness, managers could gain maximum benefits for team effectiveness by emphasizing both TL and SL, especially for empowered teams that have complex tasks to perform in service firms. However, in order to achieve greater team effectiveness detailed consideration must be given to both process and output characteristics.

Study Limitations and Suggestions for Future Research

Our study has several limitations that should be addressed in future research. First, we focused on one type of team in finance and insurance companies; thus, our results may not be applicable to other types of teams or to organizations in other sectors. Second, we performed an individual-level analysis to explain factors affecting employees' perception of team effectiveness. However, in future

studies our findings can be extended by examining the effects of both team- and individual-level factors based on multilevel analysis. Third, as we concentrated on two specific styles of leadership in our study, future researchers could provide different results by examining other leader behaviors, such as empowering and servant leadership.

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