

In S. Bhargava (Ed.), *Transformational leadership: Value-based management for Indian organizations* (pp. 82-100), Response Books (Sage Publications), New Delhi (2003).

## **Transformational Leadership and Organizational Structure: The Role of Value-Based Leadership**

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***Abstract.** We developed a 20-item scale for values-based leadership and looked at its relationship with transformational leadership and two dimensions of organizational structure—formalization and decentralization—using a sample of 100 employees of a leading software-consulting firm in India. Results show that transformational leadership and values-based leadership are positively related to each other and that both are positively related to decentralization. The hypothesis that formalization would be negatively related to both the leadership variables was not supported. Results also reveal that when values-based leadership is controlled for, transformational leadership is no longer related to decentralization. The importance of values-based leadership in transforming organizations and individuals is highlighted.*

There has been growing interest in the study of transformational leadership. However, the literature on transformational leadership in organizations has neglected the organizational context in which such leadership is embedded. In fact, the extant literature gives an impression that transformational leadership is equally applicable to all organizational situations. Shamir and Howell (1999) presented a series of hypothesis linking contextual variables to the emergence and effectiveness of transformational leadership. One context that they considered was organizational structure. In this study, we examined the relationship between organizational structure and transformational leadership. However, if transformational leadership is not coupled with values-based leadership, it may lose its effectiveness. The significance of values-based leadership cannot be overemphasized. Therefore, this study also looked at the role of values-based leadership in the relationship between organizational structure and transformational leadership.

### Theory and Hypotheses

Burns (1978) defined leadership as a relationship between leader and follower that seeks to address the goals of both of them. Such a relationship could take two forms—

transactional and transformational. When leaders go by the current goals of followers, the relationship becomes nothing more than an exchange process, and is therefore transactional leadership. The relationship becomes transformational when leaders try to bring about a change in followers' motives and goals.

### Transformational Leadership

Transformational leadership occurs when leaders and followers raise one another to higher levels of motivation and morality. Leaders address themselves to followers' wants, needs, and other motivations, as well as to their own, and thus may serve as an independent force in changing the makeup of the followers' motive base through gratifying their motives (Burns, 1978: 20). Transformational leadership is comprised of four interrelated dimensions: charisma, inspiration, individualized consideration, and intellectual stimulation (Bass, 1985). Transformational leaders attempt and succeed in raising colleagues, subordinates, followers, clients, or constituencies to a greater awareness about the issues of consequence. Transformational leaders bring about change, innovation, and entrepreneurship. They describe the process of corporate transformations that recognize the need for revitalization, create a new vision, and institutionalize change (Seltzer & Bass, 1990). Transformational leaders build confidence in followers, encouraging them to reframe the future and question the tried and true, and coaching them to develop their full capabilities (Avolio, Howell, & Sosik, 1999). Transformational leaders integrate creative insight, persistence and energy, intuition and sensitivity to the needs of others to forge the strategy-culture alloy for their organizations (Bass, & Avolio, 1993).

Transformational leaders adopt a long-term perspective. Rather than focusing solely on current needs of their followers or themselves, they also focus on future needs; rather than being concerned only with short-term problems and opportunities facing the organization, they also concern themselves with long-term issues; rather than viewing intra- and extra-organizational factors as discrete, they view them from a holistic orientation (Dubinsky, Yammarino, Jolson, & Spangler, 1995). Behling and McFillen (1996) built a model of transformational leadership that sought to capture common threads running through many important works on charismatic leadership. They identified six attributes of transformational leadership: Displaying empathy, dramatizing the mission, projecting self-assurance, enhancing the leader's image, assuring followers of their competency, providing followers with opportunities to experience success.

Effects of transformational leadership. A study by Howell and Frost (1989) concluded that individuals working under a charismatic leader had higher task performance (in terms of the number of courses of action suggested and quality of performance), higher task satisfaction and lower role conflict and ambiguity in comparison to individuals working under considerate leaders or under structuring leaders. Transformational leadership may result ultimately in a higher level of satisfaction and effectiveness among the led (Bass, 1985). Transformational variables of charismatic leadership, individualized consideration, and intellectual stimulation add to the variance of subordinates' effectiveness, effort, and satisfaction explained by initiation and consideration (Seltzer & Bass, 1990). Leader vision, which is a characteristic of the transformational process (Bass, 1985), plays an important role in motivating followers. It affects employees' performance by inspiring them toward new goals and by raising their self-efficacy. Kirkpatrick and Locke (1996) found that the content of charismatic communication style (vision and task cues) led to higher performance quality and quantity. Leader's articulation of vision emphasizing quality improved followers'

attitudes and perception and that of the task cues increased followers' task clarity and intellectual stimulation. Baum, Locke, and Kirkpatrick (1998) found additional support for this finding in their study. They concluded that vision and vision communication have positive effects upon organizational level performances.

Context and transformational leadership. While charismatic leadership is potentially applicable to most organizational situations, it is not equally applicable to all situations. Waldman, Ramirez, House, and Puranam (2001) found that charisma predicted financial performance only under conditions of perceived environmental uncertainty. Organizations will be more receptive to transformational leadership during adaptation rather than during efficiency orientation (Pawar & Eastman, 1997). Shamir and Howell (1999) argued that charismatic leaders are more likely to emerge under conditions of turbulence and crisis than under conditions of stability and continuity. Charismatic leadership is more likely to emerge and be effective in dynamic organizational environments that require and enable the introduction of new strategies, markets, products, and technologies. Charismatic leadership is more likely to emerge and be effective when the tasks of organizational members are challenging and complex, and require individual and group initiative, responsibility, creativity and intense effort. Charismatic leadership is also more likely to emerge and be effective when performance goals are ambiguous and extrinsic rewards cannot be strongly linked to performance. Organizations with dominant boundary-spanning units will be more receptive to transformational leadership than will be organizations with dominant technical cores (Pawar & Eastman, 1997).

### Organizational Structure

The primary structural variables are as follows:

1. Specialization: This is of two types—functional specialization, the extent to which official duties are divided between discrete, identifiable functional areas; and role specialization, the extent to which official duties are divided within discrete identifiable positions (Child, 1972).
2. Standardization: The extent to which activities are subject to standard procedures and rules (Child, 1972), and the proportion of jobs that are codified, or range of variation allowed within jobs (Hage, 1965).
3. Formalization: The extent to which procedures, rules, and instructions are written down (Hage, 1965).
4. Centralization: The extent to which the locus of authority to make decisions affecting the organization is confined to the higher levels of the hierarchy (Child, 1972) or the proportion of levels that participate in the decision making (Hage, 1965).
5. Configuration: A composite concept embracing various dimensions of the shape of the organization. One such dimension vertical span, concerns the number of levels in the organizational hierarchy (Child, 1972).
6. Stratification: Differences in income and prestige among jobs or the rate of mobility between low and high-ranking jobs or status levels (Hage, 1965).
7. Span of control, which is a measure not just of direct supervision (total number of subordinates as a ratio of total number of superiors) but also of total supervision (i.e. taking into consideration the time spent by the supervisors and by the customer) (Ouchi & Dowing, 1974).

Structural configurations. Burns and Stalker (1961) outlined two kinds of organizational structures that represent the two polar extremities in terms of their ability to adapt to environmental change. Mechanistic organizations are characterized by high complexity, formalization, and centralization. They perform routine tasks, rely heavily on programmed behaviors, and are relatively slow in responding to the unfamiliar. Organic structures are relatively flexible and adaptive, with emphasis on lateral rather than on vertical communication, influence based on expertise and knowledge rather than on authority of position, loosely defined responsibilities rather than rigid job definitions, and emphasis on exchanging information rather than on giving instructions..

Effect of organizational structure. Ivancevich and Donnelly (1975) found that salespersons in flat organizations perceived more satisfaction and less anxiety stress than salespersons in medium and tall sales groups. It was found that salespersons in flat organizations were better performers than those in medium and tall organizations. Teachers in flat organizations have higher job satisfaction than their counterparts in tall and medium organizational types in three areas—community prestige, professional authority, and participation in determining school goals (Carpenter, 1971). Organizational size has some effect on the relative effectiveness of flat versus tall structures. For smaller organizations, managerial satisfaction seems somewhat greater in flat rather than in tall organizations. For larger companies this effect is reversed. The effects of organization structure on satisfactions appear to vary with the type of psychological need being considered. A tall type of structure seems especially advantageous in producing security and social need satisfactions, whereas a flat structure has superiority in influencing self-actualization satisfactions (Porter & Lawler, 1964).

Transformational leadership and organizational structure. Burns and Stalker (1961) defined organic structure to be the one that is appropriate to changing conditions that give rise constantly to fresh problems and unforeseen requirements for action which cannot be broken down or distributed automatically arising from the functional roles defined within a hierarchical structure. Organic structures are more loosely structured, more flexible and innovative and less specialized. They have decentralized decision-making processes, less formalization and standardization, lateral rather than vertical communication, fewer hierarchical distinctions, and a less strict division of labor. Shamir and Howell (1999) proposed that charismatic leadership is more likely to emerge and be effective in organic organizations than in mechanistic organizations. According to them organic organizations impose fewer constraints on members' activities, and offer fewer cues as to the appropriate behaviors. They enable and encourage the expression of individual behavior by both leaders and potential followers. Thus they provide both a greater need and a greater scope for the emergence of charismatic leaders who influence behaviors by frame-alignment, exemplary behavior, appeal to shared values and identities and linking members' self-concepts to the organization and its mission. Mechanistic organizations, in contrast, are "stronger" psychological situations for leaders and members since they provide fewer opportunities for organizational members to exercise discretion and suppress the expression of individual differences by both leaders and followers. Exchange-based leadership, which relies on clear specification of duties and rewards, is more relevant in mechanistic organizations. Some linkages between transformational leadership and organizational structure can be understood in terms of their amenability to change. A transformational leader serves as an independent force in changing the makeup of the followers' motive base (Burns, 1978) and an organizational structure that is organic in nature is more appropriate for change (Burns & Stalker, 1961). Hence, we had the following two hypotheses.

Hypothesis 1(a). Transformational leadership would be negatively related to the degree of formalization in an organization.

Hypothesis 1(b). Transformational leadership would be positively related to the degree of decentralization in an organization.

Ethics and transformational leadership. Those who argue that transformational leadership is unethical fail to distinguish between transformational and pseudo-transformational leadership. Rather than being immoral, transformational leadership has become a necessity in the post-industrial world of work. Self-aggrandizing pseudo-transformational leaders can be branded as immoral. But truly transformational leaders, who engage in the moral uplifting of their followers, who move them to share in the mutually rewarding visions of success, who enable and empower them to convert the visions into realities, should be applauded, not chastised (Bass & Steidlmeier, 1999). Charismatic leadership is more likely to emerge and be effective when the organizational goals and primary tasks are consistent with dominant social values, and offer both leader and followers an opportunity for moral involvement (Shamir & Howell, 1999).

### Values-Based Leadership

Burns (1978) claimed that moral leadership emerges from, and always returns to, the fundamental wants and needs, aspirations and values, of the followers. It is a kind of leadership that can produce social change that will satisfy followers' authentic needs. Such leadership is not to be confused with the too common political practice of pandering to the base wishes of the lowest common denominator—promising whatever the masses think they want, even if that might be inherently evil. Instead, the leaders must discern the true interests of the public from their stated desires and learn to address the underlying needs that people as a body are unable to articulate. An effective democratic leader must refine the public views in a way that transcends the surface noise of pettiness, contradiction, and self-interest. All values-based and effective leaders illuminate their followers' better sides, revealing what is good in them and thus ultimately giving them hope. In the end, the leader's vision becomes their vision because it is built on the foundation of their needs and aspirations (O'Toole, 1996: 9-10). Leaders appeal to the minds and hearts of their followers and the leadership goal is to change the beliefs and behavior of the followers.

The leadership of change does not depend on the circumstances, but rather it depends on the attitudes, values, and action of the leaders. To be an effective leader, one must become a leader of leaders. In complex, democratic settings, effective leadership will entail the factors and dimensions of vision, trust, listening, authenticity, integrity, hope, and especially, addressing the true needs of the followers. Without these factors, the likelihood of overcoming the ever-present resistance to change is minimal. If this is correct, what is required to guide effective change is not contingency theory but, rather, a new philosophy of leadership that is always and at all times focused on enlisting the hearts and minds of followers through inclusion and participation. Such a philosophy must be rooted in the most fundamental of moral principles—respect for people. In this realm of morality, there are no contingencies. Values-based leadership, by definition, cannot be situational or contingent (O'Toole, 1996: 11-12).

Evidence indicates that leaders who understand why change is resisted and are willing to make personal investment required to overcome their resistance are likely to achieve the goal they seek. Leaders overcome this chronic and inevitable pattern of resistance in only one-way—by building an alternative system of belief and allowing others to adopt it as their

own. That is the essence of values-based leadership. Value-based leadership is an attitude about people, philosophy, and process. To overcome the resistance to change, one must be willing, for starters, to change oneself. In essence, then, values-based leadership is unnatural (O'Toole, 1996).

The following are some characteristics of values-based leadership:

1. Integrity: Leadership requires integrity. Integrity has at least two meanings relevant to a discussion of leadership. It is synonymous with truth telling, honesty, and moral behavior. It goes without saying that a true leader must behave with integrity in this sense by being an honest and ethical individual, someone whose every word and deed is consistent. In addition, the leader needs that related type of integrity that has to do with selfness, with the integration of one's personality. Integrity in this sense refers to the much-admired trait of wholeness or completeness that is achieved by people who are said to have healthy self-confidence and self-esteem. People with integrity know who they are. Their self-esteem allows them to esteem and respect others. Such leaders' ease with themselves allows others to esteem and respect them. In spite of odds, they never lose sight of their goals or compromise on their principles. They are simultaneously principled and pragmatic. The long-term courses they adopt are based on what is morally right. They are pragmatic, as they are willing to lose on this or that immediate issue because they would not be distracted from the ultimate objective. Successful completion of one's short-term mission is not the clearest sign of effective leadership, but lifelong consistency of high moral purpose is. Values-based leadership also manifests itself in its assertion of a natural right of all individuals to pursue happiness (O'Toole, 1996: 23-27).

2. Vision: The values-based leadership is based on an inspiring vision. The only course for the leader is to build a vision that the followers are able to adopt as their own because it is their own. In the end, the leader's vision becomes the vision of the followers because it is built on their needs and aspirations. Leadership is teaching and dedicating lives to finding ways to communicate their visions to their followers, recognizing that no one understands the need for change the first time it is presented (O'Toole, 1996).

3. Trust: Values-based leaders inspire trust and hope in their followers, who in turn become encouraged to serve, to sacrifice, to persevere, and to lead change. They win the loyalty of the followers through deeds and by example. The trust in the leaders also grows out of their manifest integrity; their ability to lead emanating from their willingness to serve and the leader's manifest respect for the followers (O'Toole, 1996: 27-29).

4. Listening: Values-based and effective leaders listen to their followers because they respect them and because they honestly believe that, the welfare of the followers is the end of leadership. They encourage dissenting opinion among their closest advisers. While values-based leaders listen to the opinion of the people they serve, they are not prisoners of public opinion (O'Toole, 1996: 29-31).

5. Respect for followers: The sine qua non of morality is respect for people. Effective leadership of change usually begins with commitment by leaders to the moral principles of respect for the followers. Those who succeed at bringing about effective and moral change believe in and act on the inherent dignity of those they lead—in particular, in their natural, human capacity to reason. In bringing about change, these leaders of leaders include the people affected in the change process. All employees have certain inalienable rights, particularly that all are entitled to be treated with respect and as ends and not means (O'Toole, 1996: 31-34).

6. Clear thinking: The leaders must be clear about their own beliefs. They must have thought through their assumptions about human nature, the role of the organization, the measurement of performance, and so on. They listen to the needs, ideas, and aspirations of their followers, and then, within the context of their well-developed systems of belief, they respond to these in the appropriate fashion. That is why leaders must know their own minds. That is why leadership requires ideas (O'Toole, 1996).

7. Inclusion: Values-based leadership requires full inclusion of followers. Inclusive leaders enable others to lead by sharing information, by fostering a sense of community, and by creating a consistent system of rewards, structure, process, and communication. They are committed to a principle of opportunity, giving all followers the chance to contribute to the organization (O'Toole, 1996).

O'Toole (1996: 34-36) argued that leaders need not be saint-like in order to be effective. While the leader's relationship with the follower is a values-based one, it is not essential that leaders should be Christ-like in their private lives. The morality of their leadership is rooted in the goals they pursue and the nature of their relationship with those they serve.

Values-based leaders grant ample authority to their subordinates, and lead by example rather than power, manipulation, or coercion. They believe in the ideas of liberty, equality, and natural justice. Such leaders are ambitious; but they are ambitious in the cause of idealism. They bring about change by pursuing moral ends that their followers would ultimately adopt as their own, ends that are derived from the real needs of followers. Leaders must always keep faith with their followers; they must never lie to their followers or break the laws they are charged with holding. In all dimensions, their public lives must meet the highest standards of morality. The standard of excellence for a values-based leader is the two-fold ability to lead change both morally and effectively. They serve not to aggrandize their personal power but instead to realize the needs and the aspirations of their followers. Promise keeping, service, and faithfulness—these are moral principles. Values-based leadership is founded on a few clear, inviolable moral principles.

Transformational leadership and values-based leadership. Transformational leadership occurs when one or more persons engage with others in such a way that leaders and followers raise one other to higher levels of motivation and morality (Burns, 1978: 20). Various names are used for such leadership, some of them derisive: elevating, mobilizing, inspiring, exalting, uplifting, preaching, exhorting, and evangelizing. The leader's relationship with the follower can be moralistic, of course. However, transformational leadership ultimately becomes moral in that it raises the level of human conduct and ethical aspiration of both the leader and the led, and thus it has a transforming effect on both. We therefore had:

Hypothesis 2. Transformational leadership would be positively related to values-based leadership.

Values-based leadership and organizational structure. Values-based leadership can produce social change that will satisfy followers' authentic needs. Such kind of leadership can effect change in the beliefs and behavior of the followers. The leader needs to keep information flowing back and forth rather than to give decisive commands to do this and that. In a practical, business sense, values-based leadership provides for internal, strategic unity while at the same time encouraging independent entrepreneurial initiative. The kind of organizational structure that is appropriate to changing conditions is the organic structure

(Burns & Stalker, 1961). Such structures have decentralized decision-making processes and less formalization. Hence, we had the following two hypotheses.

Hypothesis 3(a). Values-based leadership would be negatively related to the degree of formalization in an organization.

Hypothesis 3(b). Values-based leadership would be positively related to the degree of decentralization in an organization.

Transformational leadership, organizational structure, and values-based leadership. Various studies relate transformational leadership to their context. According to such views, charismatic leadership is not equally applicable to all situations. Dynamic organizational environments are more conducive for charismatic leadership. These environments are supported by organizations that are organic in structure (Burns & Stalker, 1961). However, the facilitating structural factors are themselves not enough to enhance transformational leadership. Environmental factors being conducive has to first result in values-based leadership, which in turn could enhance transformational leadership. Therefore:

Hypothesis 4(a). Values-based leadership would mediate the relationship between the degree of formalization in an organization and transformational leadership.

Hypothesis 4(b). Values-based leadership would mediate the relationship between the degree of decentralization in an organization and transformational leadership.

## Methods

The data for this study was collected from a leading software consulting firm in India. The organization was involved in executing innovative projects for over 800 clients across 50 countries. It had around 60,000 person years of experience in providing end-to-end solutions in diverse business areas and technology domains. The organization had around 14,000 employees.

The sample size of the study was 100. The sample consisted of 67 males and 33 females. The designations of the respondents were ASE Trainee, ASE, or Project leaders (PL). Their work experience ranged from 1 year to 5 years. A large majority was, however, with work experience between 1 and 3 years, with only a small number of people in the sample beyond this range.

Respondents answered questions on transformational leadership and values-based leadership of their leaders, and the degree of formalization and centralization in their organization. Transformational leadership was measured by the 20-items taken from the Multifactor Leadership Questionnaire (Bass & Avolio, 1995). Four items were used to measure each of the five dimensions of transformational leadership—idealized influence (attributed), idealized influence (behavior), inspirational motivation, intellectual stimulation and individualized consideration.

To measure the two dimensions of organizational structure—formalization and decentralization—the method enumerated by Robbins (1990) was used. We chose this method as it measures the two relevant dimensions of formalization and decentralization separately. Seven items were used to measure formalization. The response to the first item in this set of seven items was recorded on a 4-point scale, while a 5-point scale was used for the other items. Therefore, the response to the first item was converted into a 5-point scale by multiplying by 5/4. Similarly, seven items were used to measure decentralization.

We developed a scale for values-based leadership using the characteristics enumerated by O'Toole (1996). Seven dimensions of values-based leadership were identified and 20 items were developed for these dimensions. The items are included in the Appendix. Respondents were asked to answer these items by judging the extent to which they agreed with each statement with respect to their manager (their immediate supervisor). Responses were recorded on a 5-point scale: 0=Not at all; 1=Slightly agree; 2=Somewhat agree; 3=Fairly agree; 4=Completely agree. The Cronbach Alpha for the scale was 0.98. Therefore, the scale for values-based leadership was not broken down into dimensions and all the items were considered to constitute a single dimension.

## Results

Table 1 presents the means, standard deviations, Cronbach Alphas, and correlations between all variables in the study. All the five dimensions of transformational leadership—idealized influence (attributed), idealized influence (behavior), inspirational motivation, intellectual stimulation and individualized consideration were positively related to formalization. Our hypothesis 1(a) was thus not supported. The four transformational leadership dimensions other than inspirational motivation were significantly positively related to decentralization, thus supporting hypothesis 1(b). Values-based leadership was significantly positively related to all the five transformational leadership dimensions thus supporting hypothesis 2. Values-based leadership was also significantly positively related to both dimensions of organizational structure. Thus hypothesis 3(b) was supported while hypothesis 3(a) was not supported.

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Insert Table 1 here

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Partial correlations controlling for values-based leadership are given in Table 2. The positive and significant relationships that existed between transformational leadership and organizational structure previously ceased to exist. Thus, hypotheses 4(a) and 4(b) were supported.

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Insert Table 2 here

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## Discussion

Transformational leadership is significantly positively related to decentralization. The implication of this finding is that transformational leadership is more likely to emerge within the context of decentralized organizational structures. Studies have shown the dependence of transformational leadership on contextual factors. According to Shamir and Howell (1999), charismatic leadership is more likely to emerge and be effective in organic organizations than in mechanistic organizations. Organic organizations are characterized by decentralized structures. Thus, this finding is in agreement with what Shamir and Howell proposed. A decentralized structure gives greater flexibility to member's activities, and enables and encourages the expression of individual behavior by both leaders and potential followers. Thus, it is more conducive to the emergence of transformational leadership.

Contrary to what we hypothesized, results suggest that transformational leadership is positively related to formalization. A possible explanation for this relationship is that the

organization that was studied might have had a peculiar feature. The work of employees in the organization was centered on specific projects in which they were involved. They were made part of a certain project team and there onwards they worked for that project. These teams were usually small depending on the size of the project. The employees that constituted our sample generally regarded the project leaders as their leaders. On the other hand, since the organization that was studied is a large organization, there are rules that are formed centrally and that govern the functioning of the employees. Thus, the followers may not attribute formalization in the organization to their leaders. In addition, these teams function like a unit and they have a lot of autonomy. Therefore, while they may perceive the organization to have a formalized structure, they may still regard their leader as transformational.

Another possible explanation for this comes from the nature of the software industry. A high level of abstractness characterizes the work in this industry. The task of developing software entails a lot of instructions and guidelines. These instructions and guidelines are generally codified in writing. Thus, the employees may associate formalization with these written instructions. Hence, more of these instructions would always be welcome for the employees. Thus, they may associate a transformational leader with high level of formalization.

Values-based leadership is positively related to both decentralization and formalization. Since there is a high positive correlation between values-based leadership and transformational leadership, the relationship between values-based leadership and organizational structure variables shows the same pattern as that of transformational leadership and structure variables. The positive relationship between values-based leadership and transformational leadership opens another dimension of leadership for managers to consider. Working on some aspects that constitute values-based leadership can enhance the development of transformational leadership. Managers could increase their transformational leadership capabilities by being truthful and honest. Being values-based leaders requires that the leaders have a willingness to serve and do not lose sight of their goals or compromise on their principles.

Findings show that once the effect of values-based leadership is removed, transformational leadership is no longer related to either of the structure variables. The implication of the finding is that a decentralized structure would not directly enhance transformational leadership; decentralization would enhance values-based leadership, which in turn would enhance transformational leadership. This is a significant finding from the point of view of future research and highlights the importance of a values-based approach to transforming organizations and individuals.

### Limitations and Suggestions for Future Research

The questionnaire for structure that was used in this study was possibly inadequate. The questions perhaps did not capture the two dimensions of formalization and decentralization comprehensively. A more comprehensive questionnaire for measuring formalization and decentralization could further our understanding of their relationship with leadership. Another limitation of the study is that the two dimensions of structure that were studied are probably not adequate to capture organizational structure comprehensively. Therefore, a better understanding of the relationship between structure and transformational leadership can be had by studying the entire range of organizational structure variables that define an organization to be mechanistic or organic.

A significant finding of the study is the one relating to the role played by values-based leadership in the relationship between transformational leadership and organizational structure. This finding is significant since most of the previous studies regarding transformational leadership ignored values-based leadership. According to this study, there is a high positive correlation between values-based leadership and transformational leadership, and relationship between transformational leadership and structural variables might cease to exist if values-based approach is missing. Thus, future studies can reexamine some of the findings about transformational leadership by studying the contribution of values-based leadership in those relationships.

### Conclusion

In the new economy scenario of today, leadership is taking wider and newer dimensions than ever before. Leadership is no longer the province of the anointed few. In the digital organization, everyone is a leader, charged with creating an environment for collective gain and success, and the mark of a leader would be to create other leaders within the organization—disciples, of a sort, who are empowered to act. This is also the essence of transformational leadership. The significance of transformational leadership has increased manifold in the wake of these changes. The e-organizations are also more organic in nature. Understanding the true nature of relationship between organizational structure and transformational leadership would help the organizations meet their needs of right structure and right leadership. This study was an attempt to empirically study how leadership is related to the nature of organizational structures. Earlier studies have emphasized that an organic structure was closer to the emergence and effectiveness of transformational leadership. This study took these ideas further by considering two dimensions of an organic structure and examining the previously mentioned relationships. While the environment in which the organizations operate today may have undergone rapid and significant changes, the importance of values-based leadership has only increased. True leadership cannot be said to exist if it is not values-based and ethical in character. Thus, organizations must understand that the effectiveness of transformational leadership exists only so long as it is also values-based.

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Appendix  
Items for Measuring Values-Based Leadership

Your leader

1. Is truthful, honest, and displays moral behavior.
2. Has healthy self-confidence and self-esteem.
3. Does not lose sight of his or her goals or compromise on his or her principles.
4. Is pragmatic i.e. is willing to lose on this or that immediate issue because he or she would not be distracted from the ultimate objective.
5. Has an inspiring vision.
6. Finds ways to communicate his or her vision to his or her followers.
7. Inspires trust and hope in his or her followers.
8. Has the loyalty of the followers.
9. Has a willingness to serve.
10. Listens to his or her followers.
11. Encourages dissenting opinion among his or her closest advisers.
12. Is committed to the moral principle of respect for the followers.
13. Includes the people affected in the change process.
14. Is clear about his or her own beliefs e.g. assumptions about human nature, the role of the organization, the measurement of performance, and so on.
15. Listens to the needs, ideas, and aspirations of his or her followers and responds to them within the context of his or her well-developed systems of belief in the appropriate fashion.
16. Has ideas.
17. Shares information with his or her followers.
18. Fosters a sense of community.
19. Creates a consistent system of rewards, structure, process, and communication.
20. Is committed to a principle of opportunity, giving all followers the chance to make a contribution to the organization.

Table 1

Means, Standard Deviations, Cronbach Alphas, and Correlations among variables Studied<sup>a</sup>

N = 100	M	SD	1	2	3	4	5	6	7	8
1. Idealized Influence (Attributed)	2.62	.83	(.87)							
2. Idealized Influence (Behavior)	2.44	.81	***.88	(.83)						
3. Inspirational Motivation	2.64	.81	***.87	***.86	(.88)					
4. Intellectual Stimulation	2.60	.79	***.87	***.84	***.88	(.86)				
5. Individualized Consideration	2.46	.81	***.86	***.80	***.81	***.86	(.82)			
6. Formalization	3.59	.44	*.24	†.19	*.23	*.20	*.20	(.61)		
7. Decentralization	3.38	.57	** .29	** .27	.16	*.21	** .26	** .32	(.76)	
8. Values-Based Leadership	2.61	.81	***.88	***.87	***.88	***.84	***.80	** .32	***.33	(.98)

<sup>a</sup>Cronbach alpha is in parentheses along diagonal.

† =  $p < .10$ . \* =  $p < .05$ . \*\* =  $p < .01$ . \*\*\* =  $p < .001$ .

Table 2

Partial Correlations, Controlling for Values-Based Leadership

N = 100	1	2	3	4	5	6
1. Idealized Influence (Attributed)						
2. Idealized Influence (Behavior)	***.50					
3. Inspirational Motivation	***.41	***.41				
4. Intellectual Stimulation	***.50	***.40	***.53			
5. Individualized Consideration	***.53	***.36	***.35	***.58		
6. Formalization	-.10	†-.19	-.11	-.13	-.10	
7. Decentralization	-.01	-.04	**-.29	-.12	-.01	*.24

† =  $p < .10$ . \* =  $p < .05$ . \*\* =  $p < .01$ . \*\*\* =  $p < .001$ .