An Empirical Analysis of the Relationship between Transactional Leadership Style and Corporate Social Responsibility

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Abstract— The aim of this article is to analyze the relationship between transactional leadership style and corporate social responsibility. The results from a survey of 74 Tunisian companies operating in several sectors confirm the significance of the causal link and show that transactional leadership style is positively associated with corporate social responsibility. These results allow then companies to promote responsible behavior by revising their leadership style and encouraging the establishment of a transactional leadership style.

Index Terms— Corporate Social Responsibility, transactional leadership style, Tunisian companies

I. INTRODUCTION

With the emphasis of the movement of globalization that characterizes the current global environment, companies tend to seek to maximize profits, regardless of the negative impacts that may be sometimes attached. Indeed, non-compliance with international standards and principles announced by international competent bodies was one of the factors explaining the increase in financial scandals and the environmental degradation of international business.

However, in order to perpetuate, a firm should combine economic objectives with social and environmental concerns. Hence, the crucial importance of social responsibility concept. This can be defined as a range of strategies and operational practices adopted and developed by a company in order to create relationships with its stakeholders, process and safeguard the natural environment (Waddock, 2004). Du et al. (2013) remind us that more than 6,000 companies across 135 countries including Tunisia have adopted the United Nations World Pact policy, pledging to align their business operations with a set of standards for socially responsible behavior. But this corporate social responsibility requires thinking and a doing way. Therefore, it is the business of the decision makers, and even of the leaders within the company since they are the best placed to engage a CSR policy. But, what kind of leader? The examination of the literature leads us to note that the relationship between transformational leader and CSR has been widely debated despite the existence of some gaps. As against, the role of the transactional leadership, as a triggering factor of, a social responsibility behavior has not been sufficiently studied, even non-existent. In this context, we can quote the research of Szekely & Knirsch (2005) and Du et al. (2013). Let us retain that a transactional leadership is driven by a transactional logic associating leader and followers (Beherly, 2008; Boeseman, 2008). It was most often associated with transformational leadership without studying its relative importance and highlighting its role as a factor having a full impact in triggering socially responsible behavior within the company. Given the urgent need to bridge the theories of leadership and CSR, this research addresses this gap by studying, to what extent the transactional leadership style can be considered as a triggering factor of CSR practices? Thus, this article has a double interest, on one hand, a theoretical interest, in the sense where it relates the corporate social responsibility to the transactional leadership style. This is a field of study very little studied, which enriches the work on the subject. On the other hand, an operational interest suggesting that the Tunisian companies should pay more attention to the dimensions of CSR, including human rights, relations with employees and the market as well as environmental issues in order to improve their performance, a sustainability guarantee.

To answer the question, we will structure our article into three parts: the first part attempts to explain the theory dealing with both axes and their relationship. The aim is to establish our theoretical framework and define its corresponding hypotheses. The second part deals with the methodology applied in our work. While the third part, it presents the results found after a survey led with a sample of companies, which test the hypotheses. This part leads us eventually to highlight the contribution of our research, to emphasize its limits and to suggest avenues for further research.

II. LITERATURE REVIEW AND HYPOTHESES

2.1 Transactional leadership

Transactional leadership is seen as a new form of leadership. Thus, according to Buchanan & Huczynski (2010), a transactional leader is a person who deals with relations with his followers on the basis of an exchange, giving them what they want, in return for achieving their objectives. In other words, this type of leadership contains a dimension of exchange, in the sense that it only considers the transactions that determine the leader-follower relationship.

The concept of transactional leadership has spread, with the research conducted by Burns (1978) in the mid-1970s. According to him, the transactional leadership occurs when the exchange between the leader and the follower does not seek the attainment of collective goals, but individual interests, and transactional leader motivates his subordinates, by providing rewards which, directly address their personal interests. The transactional leadership theory described by Burns (1978) has presented the relationship between leaders and followers as a series of gratification exchanges, to
maximize organizational and individual gains. The empirical studies made in this field confirm the relationship between leadership and transactional efficiency in certain contexts. We can quote in this sense the research led by Bass (1985, 1999, 2000), Bass et al. (2003), Bass & Riggio (2006), Hater & Bass (1988), and Zhu et al. (2012). Today, researchers are studying transactional leadership in the continuum of the full range of the leadership model (Bass & Riggio, 2006). For Bass (1985), he affirms that this type of leadership implies the recognition of the necessary exchanges between leader and follower in order to reward the appropriate behavior and sanction the so-called non-productive behavior. Similarly, this style is likened to the autocratic style because power and control are often used by leaders. The latter identify individual strengths and implement agreements with subordinates by explaining the rewards, the incentives, and the results, which will be obtained when the tasks are well carried out (Avolio & Bass, 2004). Thus, the transactional style refers to two distinct elements: the contingent reward and the management by exception-active.

The contingent reward implies that transactional leaders discuss with their subordinates what is expected of them as well as the terms and the working conditions. They also have to explicitly clarify the rewards which are associated with a suitable achievement of tasks and good performance. Conversely, the subordinates will be punished following a bad performance. With this method, the leader gratifies the followers who carry out their missions correctly. This is a positive transaction between leader and followers. The management by exception-active implies that the behavior of transactional leadership is focused on corrective measures. The transactional leaders continue to actively monitor their subordinates through the comparison of their performances with predefined standards. If the performance of subordinates does not meet the standards, they take immediate corrective action to ensure a good performance (Behery, 2008). This form of management is adopted when the leader is very sensitive to the faults. Moreover, this leadership style has the advantage of presenting clear objectives and well identified rewards. However, its demerit appears in the fact that the relationship between the leader and his followers is not carried out in a continuous and mutual search of a higher purpose. In addition, the leader will be more concerned with his own status than to develop the level of his subordinates. The latter will occur only if they are well rewarded (Boseman, 2008).

But with this style of leadership, the work environment will be tended and there will be the company's skid risk. It is in this sense that Yammarino & Bass (1990) point out that this kind of leadership is a guarantee of mediocrity because the leader often uses the management by exception and intervenes only when standards are not met. Burns (1978) argued that, the transactional leadership practices lead the followers to short-term trade relationship with the leader. These relationships tend to shallow temporary exchanges of the gratification and often create resentments between the participants. In addition, a number of researchers criticize the transactional leadership theory because it uses a one-size-fit universal approach, for building leadership theory which ignores situational and contextual factors related to organizational challenges (Beyer, 1999; Yukl 1999; Yukl & Mehsud, 2010).

However, the transactional leadership style remains a prerequisite for the transformational leadership style. It refers to the transactions between leaders and subordinates while the transformational encourages people to go further to exceed expectations. Both types of leadership (transformational and transactional) are needed. But, the transactional leadership remains the model of organizational structure for many people and organizations which have not chosen or encouraged transformational style, needed to meet the challenges of our time such as CSR (Bolden et al, 2003).

### 2.2 The corporate social responsibility

The corporate social responsibility (CSR) is a wide range of strategies and operating practices, that the company develops in its efforts to deal with and build relationships with numerous stakeholders and the natural environment (Waddock, 2004). There are many definitions of this concept. The most important point is that all the definitions cover three fields of responsibility: economic responsibility, environmental responsibility and societal responsibility. But the most widely accepted definition is that provided by Carroll (1991), which distinguishes four levels of responsibility: economic, legal, ethical and philanthropic.

Indeed, in 1979, Carroll, proposed a definition of the concept of the CSR. It is a whole of obligations with respect to the company. Four obligations have been identified: economic (be profitable, to produce products respecting quality standards...), legal (to respect laws and regulations), ethical (to act in accordance with moral principles shared within the company) and philanthropic (to do charitable acts).

Noting that, this definition is considered as the base of the theoretical approaches. But, meanwhile, Wood (1991) has tried to refine and to supplement it, while proposing three levels of responsibility: the CSR, as a social institution (the company has a legitimacy of an economic power which it must use the profit of the company); the CSR, as the consequences of its activities (consequences of its parts: primary and secondary stakeholders, direct and indirect when taking decisions), and finally the personal and moral responsibility of leaders.

The Commission of the European Communities has also defined CSR. For it, it is a concept according to which the companies integrate the social and environmental concerns into their business operations and their relations with stakeholders on a voluntary basis. This means that the company should be able to improve its ability to fulfill its aspirations while improving the welfare and quality of life of the community in which it operates economically, etc.

Furthermore, acting in social and responsible way, implies company’s actions that gain the trust and respect of all stakeholders – operating in an honorable and ethical manner, while trying to make the company a great place of work, which shows a genuine respect for the environment, and creates a difference in the improvement of the company.

The generalized CSR efforts are motivated, not only by ideological thought, that the companies can be a positive force for social change, but also by their statements that they have a potential to re-engage in CSR. The past researches have shown that CSR allows a company to appeal to the socio-cultural standards of its institutional environment and contributes to its social legitimacy (Handelman & Arnold, 1999; Palazzo & Scherer, 2006; Scott, 1987). This ensures a
continuous flow of resources and a sustained support from internal and external stakeholders of the company (Palazzo & Scherer, 2006; Pleffer & Salancik, 1978; Bhattacharya & Sen, 2001), which translates, ultimately, by a better solid financial performance (Luo & Bhattacharya, 2006; Margolis & Walsh, 2003). However, despite a growing number of researches on the profitability of the CSR, our knowledge of the organizational antecedents to CSR remains embryonic (Angus-Leppan et al., 2009).

This notion was strongly marked by unprecedented development, especially, at the end of the last century and until today with the phenomenon of globalization, the decline of social and economic roles of the State, and the growth of social claims. But what is the origin of this concept and how does it have evolved throughout history? The literature shows that the debate on corporate social responsibility is not new. Indeed, the first thoughts on the subject date back to the early 30s with Berle and Dodd on the issue of corporate governance (stakeholders versus Shareholders), which led to the first considerations in CSR. But, it's to Bowen that the birth of the concept, in 1953, is highlighted. In addition, we can retain, that, the American literature is the richest report on the concept of CSR (Acquier & Gond, 2005).

But, this concept has become a constant concern, throughout the 20th century. Especially, at the end of the Sixties, with the rise of the social protests on the liberal economic model, requesting a change in the business management. It was generalized early in the third millennium. The evolution of this concept has been encouraged by reflections on the negative externalities of technical and economic activities of organizations (Sethi, 1975; Carroll, 1979). Similarly, Davis (1960) was one of the authors who were interested on this subject. He stressed the importance of the ethical dimension of social responsibility and demonstrated that the company must take into account the consequences of its actions on the social system.

2.3 Transactional leadership style and corporate social responsibility

By identifying several researches conducted on the relationship between CSR and the different leadership styles, Strand (2011) has evoked that carried on by Szekely & Knirsch in 2005 which studied the link between the transactional style and CSR. In reality, he thought that the authors use the terms of CSR and sustainability interchangeably. In addition, he suggested that they utilize the concept of transactional leadership regarding CSR through their use for an "incentive system". Undeniably, Strand (2011) states that Szekely & Knirsch (2005), by studying 20 German companies in which they analyzed companies and sustainable development sites, in addition to various surveys and indicators of sustainability and price, said that in their research they found that it always takes a leader to transform a company into a sustainable and socially responsible company. This leadership style is positively related to CSR (Szekely & Knirsch, 2005). They point out that the most critical success factor for sustainability is a real leadership within the organization. This indicates, obtaining the commitment from management in developing a system of incentives to reward executives, at all levels, who develop the adoption of sustainable development practices.

More recently, Du et al. (2013) have conducted a research which examines the interaction between leadership styles and institutional CSR practices. A large-scale field survey of managers has found that companies with stronger transformational leadership are more likely to engage in institutional CSR practices, while transactional leadership is not associated with such practices. In addition, the marketing focuses on stakeholders, it reinforces the positive relationship between transformational leadership and institutional CSR practices. Finally, they suggested that transactional leadership increases but transformational leadership diminishes the positive relationship between institutional CSR practices and organizational results. Their research highlights the differential roles that transactional leadership styles play for institutional CSR practices of a company.

For McCleskey (2014), he highlights the contribution of certain authors. He concludes that, transactional leadership focuses on the exchanges that take place between leaders and followers (Bass, 1985; 1990; 2000; 2008; Burns, 1978). These exchanges allow the leaders:

- to achieve their performance targets;
- to maintain the current organizational situation;
- to motivate followers through a contractual arrangement;
- to avoid unnecessary risks;
- to focus on improving organizational effectiveness.

Moreover, transactional leadership allows the followers to fulfill their own interest, to minimize anxiety in the workplace, and to focus on the clear organizational goals, such as increasing quality, customer service, reducing costs and increasing production (Sadeghi & Pihie, 2012).

In summary, we can say that transactional leadership is positively associated with CSR practices. Thus, we propose the following model of the link between transactional leadership and CSR:

Figure 1:

Thus, we can formulate the following two hypotheses:
H1. The sub-dimension "contingent reward" of transactional leadership style is positively associated to corporate social responsibility.
H2. The sub-dimension "management by exception-active" of transactional leadership style is positively associated to corporate social responsibility.

III. METHOD

The method is based on two elements: the sample and data collection (2.1.) and measures of variables (2.2.).

3.1. Sample and data collection

The data used in this study were collected from a questionnaire survey. The questions were prepared after the
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use of several previous studies and the realization of a dozen interviews, with officials having an overview on managing their companies, as the internal auditor and the management controller. The contextualization and the finalizing of the questionnaire needed a pre-test with twelve companies excluded from the final study. Our study has included companies operating in almost all sectors. A sample of 100 companies, forty nine of which have joined the United Nations National Pact launched in Tunisia in 2005, was chosen at random. The person who was asked to fulfill the questionnaire is the CEO of the company. After a year of investigative work, a total of 74 valid questionnaires (a rate of 74% of responses) were received and then used in the analysis. They are distributed as follows: 50 industrial, 20 commercial, and four services companies. To examine cases of possible non-response, we did the analysis of variance, as recommended by Armstrong and Overton (1977).

3.2. Measures
The measures chosen in our research stem from existing literature and previous studies validated by researchers.

3.2.1. Transactional leadership style
To measure this variable we have adopted the scale of Bass & Avolio (2000) which contains 8 items. Four to measure the first subscale, namely the contingent reward (eg. The leader provides assistance to others (staff and employees) in exchange for their efforts) and four others to measure management by exception-active which is the second subscale (eg. the leader focuses all his attention to see and deal with irregularities, errors, failures, exceptions and that to achieve the predefined norms and standards). But after contextualization and pre-test questionnaire, we eliminated two proposals. Each item was measured using a Likert scale with 5 points ranging from 1 (not at all) to 5 (Frequently, if not always). The alpha coefficients are shown in Table 1.

3.2.2 Corporate social responsibility
For CSR, we opted for the scale used by the European Commission's Enterprise Directorate General in 2005, which aims to measure the degree of involvement of European companies in CSR. Five subscales with 26 items formed this variable. But after the pre-test, we eliminated two proposals, which led us to keep only 24 items. CSR sub-dimensions are the relationship with employees (five items, eg. Our company offers a balance between work and private life for its employees (flexible working hours, for example), environmental policies (four items, eg. Our company takes into account the potential environmental impacts when developing new products and services), market policies (six items, eg. Our company adopts a feedback process with customers, suppliers and all other partners), community policies (four items, eg. Our company offers training opportunities for people from the local community (internships, training for young or disadvantaged people), and ethics and corporate values (five items, eg. Our company is subject to external social audit to certify activities as ethical). Each item was measured using a Likert scale from 5 points from 1 (strongly disagree) to 5 (strongly agree). The alpha coefficients are shown in Table 2.

IV. FINDINGS AND DISCUSSION
We will, first, present the results and then proceed to their discussion.

4.1. Findings
In order to explain the measurement scales, we have used the Principal Component Analysis to eliminate the least relevant items and check the dimensionality of the measuring instrument. In addition, we tested whether the factor analysis allows us to have relevant results, through the use of SPSS 18.0 software. Also, the Kaiser - Meyer - Olkin (KMO) to measure and verify the sample accuracy (is significant if> 0, 5) and the sphericity of Bartlett test (less than 1%). The Cronbach's alpha was used to study the reliability of the scales. The following tables (1 and 2) discuss the psychometric properties of the scales used.

Table 1: psychometric properties of the Transactional style

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>The findings of the Principal Component Analysis</th>
<th>KMO and Bartlett's test</th>
<th>Items</th>
<th>Communalities</th>
<th>Eigenvalues</th>
<th>% of Variance</th>
<th>Cronbach's alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contingent reward</td>
<td></td>
<td></td>
<td>Cont. Rew.1</td>
<td>0.872</td>
<td>3.237</td>
<td>80.930</td>
<td>0.921</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Cont. Rew.2</td>
<td>0.800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Cont. Rew.3</td>
<td>0.733</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Cont. Rew.4</td>
<td>0.834</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management by exception-active</td>
<td></td>
<td></td>
<td>Man. Except.1</td>
<td>0.860</td>
<td>1.721</td>
<td>86.040</td>
<td>0.838</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Man. Except.2</td>
<td>0.860</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 2: psychometric properties of the CSR

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>The findings of the Principal Component Analysis</th>
<th>KMO and Bartlett's test</th>
<th>Items</th>
<th>Communalities</th>
<th>Eigenvalues</th>
<th>% of Variance</th>
<th>Cronbach's alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship</td>
<td></td>
<td></td>
<td>Rel. Emp1</td>
<td>0.716</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Referring to the results, we can note that all the scales are reliable. For exploratory research, Nually (1978) states that the value of alpha must be greater than 0.7. As these two tables, we note that all of the coefficient values exceed the minimum required, which is great. Thus, it seems useful to test the hypotheses. This required the realization of multiple linear regressions. The indicators used in this type of analysis are the coefficient of determination (R2) which describes the explanatory power of the regression model, β indicates the sense of the relationship, and (ρ) attests the significance degree. The two hypotheses listed above are confirmed. The following two tables illustrate our purpose.

Table 3: Test of hypothesis 1

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R²</td>
</tr>
<tr>
<td>Contingent reward / Relationship with Employees</td>
<td>0.205</td>
</tr>
<tr>
<td>Contingent reward / Environmental Policies</td>
<td>0.237</td>
</tr>
<tr>
<td>Contingent reward / Market Policies</td>
<td>0.168</td>
</tr>
<tr>
<td>Contingent reward / Community Policies</td>
<td>0.202</td>
</tr>
<tr>
<td>Contingent reward / Ethics and Corporate Values</td>
<td>0.073</td>
</tr>
</tbody>
</table>

Table 4: the values of F and T relating to contingent reward and CSR

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
</tr>
<tr>
<td>Contingent reward / Relationship with Employees</td>
<td>18.812</td>
</tr>
<tr>
<td>Contingent reward / Environmental Policies</td>
<td>22.656</td>
</tr>
<tr>
<td>Contingent reward / Market Policies</td>
<td>14.759</td>
</tr>
<tr>
<td>Contingent reward / Community Policies</td>
<td>18.517</td>
</tr>
<tr>
<td>Contingent reward / Ethics and Corporate Values</td>
<td>5.727</td>
</tr>
</tbody>
</table>

Table 5: Test of hypothesis 2

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R²</td>
</tr>
<tr>
<td>Management by exception-active/ Relationship with Employees</td>
<td>0.187</td>
</tr>
<tr>
<td>Management by exception-active/ Environmental Policies</td>
<td>0.237</td>
</tr>
<tr>
<td>Management by exception-active/ Market Policies</td>
<td>0.405</td>
</tr>
<tr>
<td>Management by exception-active/ Community Policies</td>
<td>0.292</td>
</tr>
<tr>
<td>Management by exception-active/ Ethics and Corporate Values</td>
<td>0.173</td>
</tr>
</tbody>
</table>

The Statistics F and T, as mentioned in the following table, are significant at a significance level, strictly less than 0.05. Arguably the contingent reward allows properly explaining the variation in CSR. Moreover, we can also say that it reliably predicted variation of CSR. The following table shows the values of F and T with the significance degree:
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Similarly, F and T statistics as mentioned in the following table are important and the value (p) combined is less than 0.010. Arguably the management by exception-active allows to properly explain the variation in CSR. Moreover, one can also say that it predicted plausibly the variation of CSR.

Table 6: the values of F and T relating to management by exception-active and CSR

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
</tr>
<tr>
<td>Management by exception-active/</td>
<td>16.749</td>
</tr>
<tr>
<td>with Employees</td>
<td></td>
</tr>
<tr>
<td>Management by exception-active/</td>
<td>22.655</td>
</tr>
<tr>
<td>Environmental Policies</td>
<td></td>
</tr>
<tr>
<td>Management by exception-active/</td>
<td>49.742</td>
</tr>
<tr>
<td>Market Policies</td>
<td></td>
</tr>
<tr>
<td>Management by exception-active/</td>
<td>30.167</td>
</tr>
<tr>
<td>Community Policies</td>
<td></td>
</tr>
<tr>
<td>Management by exception-active/</td>
<td>15.253</td>
</tr>
<tr>
<td>Ethics and Corporate Values</td>
<td></td>
</tr>
</tbody>
</table>

The tables presented above let us see that the two axes are significantly related. We can understand the importance of having a goal to reach and mobilize thereafter all people while creating conditions of remuneration. Indeed, a benevolent presence of a leader, his intention to communicate his vision while motivating subordinates, stimulate them to opt for responsible behavior...is very important. Such leadership style assumes that different subordinates are motivated by reward. Such behavior has caused among Tunisian companies attitude, leading to setting clear social responsibility objectives. These companies seek to create a kind of reconciliation with their social and environmental environment. Thus, CSR symbolizes for Tunisian companies an opportunity to strengthen their competitiveness, especially in foreign markets. Moreover, despite the transactional leadership style promotes a strict hierarchy, it is considered very effective in motivating subordinates and triggering productivity. Respondents leaders state that they maintain with their subordinates, based on relations of negotiations through which, by a set of rewards and punishments, they can refer them to behaviors to achieve organizational goals. They point out that the profits will allow the social promotion of employees, environmental protection and preservation of natural resources. In other words, CSR and transactional leadership can only be positively correlated. In addition, leaders of Tunisian companies stress that the decision of the CSR activity is a support mechanism for the decision and a base enabling member of stakeholders to solicit responsible behavior. The aim is to dodge the social risks, to defend the environment and to establish a better framework through changes in people's health and quality of life.

H2 states that there is a positive correlation between management by exception-active and CSR. The hypothesis is checked and results join those of Szekely & Knirsch (2005) and Du et al. (2013). This indicates that transactional leaders are able to motivate their subordinates and awaken their collective consciousness to achieve their goals and stimulate responsible behavior.

Several contributions distinguish this study. First, it helps to advance our understanding of the importance of transactional leadership style to the development of responsible behavior. Despite the operational interest of this research, the results of our study should be considered in light of their limitations. Conceptually, this study has developed a conceptual model and focuses on the relationship between the two axes mentioned above. Future research should focus more on the inclusion of other moderating variables and / mediators. Empirically, this study should be replicated with a larger sample while making use of longitudinal approach.

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[6] Bass, B. M. (1990), «From transactional to transformational leadership: Learning to share the