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THE RELATIVE IMPORTANCE OF TRANSFORMATIONAL LEADERSHIP AND CONTINGENT REWARD ON SATISFACTION WITH SUPERVISION IN NONPROFIT AND FOR-PROFIT ORGANIZATIONS

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We study the relationships and intervening mechanism between leaders' transformational and contingent reward behaviors and the raters' satisfaction with their supervision in the context of nonprofit and for-profit management settings in the United States. The results show that regardless of the context, transformational leadership on the part of the manager relates positively to the raters' satisfaction with supervision and that this relationship is stronger in nonprofit organizations. Our results also provide evidence for the differential impact of contingent reward in for-profit and nonprofit settings. In the for-profit context, the relationship between contingent reward and satisfaction with supervision is negative while in nonprofit organizations this relationship is positive. In both contexts, transformational leadership positively moderates the effect of contingent reward on employee satisfaction with supervision. Our findings contribute to an improved understanding of how managers' different leadership styles affect satisfaction depending on the organizational context. Practical implications for managers in both nonprofit and for-profit settings are provided.

Keywords: transformational leadership; contingent reward; satisfaction with supervision; nonprofit organizations

INTRODUCTION

The positive relationship between employees' satisfaction and the realization of desired organizational outcomes, one of the most studied relationships in organizational behavior, has been described as the Holy Grail of industrial psychology (Judge et al. 2001; Landy 1989; Spector 1997; Wright et al. 2007). The happy-productive worker hypothesis links satisfied workers to higher levels of job-related performance behaviors (Atkins et al. 1996; Brayfield and Crockett 1955; Brief 1998; Cropanzano and Wright 2001; Iaffaldano and Muchinsky 1985; Judge et al. 2001; Koys 2001; Locke 1976; Morris 1995; Petty et al. 1984; Schlesinger and Zornitsky 1991; Spector 1997; Staw et al. 1994; Wright and Staw 1999; Wright et al. 2007). While the positive nature of the satisfaction-productive relationship remains largely settled, the role of certain styles of leadership which might support or stimulate satisfaction and productivity are variously attributed and not completely understood. At least one explanation for this indeterminate state is that the amount of variance accounted for by organizational context may be underestimated (Antonakis et al. 2003; Dumdum et al. 2002; Porter and McLaughlin 2006; Rowold, Borgmann, and Bormann 2014; Rowold and Rohmann, 2009).

The aim of this paper is to increase our understanding of how the nonprofit context impacts the effectiveness of leadership behaviors. However, for the cases of nonprofit organizations, the process of effective leadership includes several indicators (Sawhill and Williamson 2001). We ground this paper in transformational leadership theory, a well-established and generally accepted approach to describing and understand the nature of effective

influence in organizations. Our particular attention is drawn to the cited evolving theoretical explanations as to how transformation and transactional leadership (defined herein as contingent reward) might augment or interact with each other and the extent to which that interaction is dependent on context, in this instance in nonprofit or for-profit settings. We illuminate these differences utilizing theories of motivation, feedback, and social exchange. We suggest that since serving the community and building a collective identity are at the very core of a nonprofit's existence, transformational leadership and contingent reward behaviors will play a larger role in satisfaction with supervision in nonprofit organizations.

The positive relationship between transformational leadership and desirable organizational outcomes is one of the most examined in both academic and practitioner contexts in US and other countries (Avolio and Yammarino 2013; Badrinarayan 2003; Bass 1999; Ceri-Booms et al. 2017; Chiaburu et al. 2014; Derue et al. 2011; Dumdum et al. 2002; Han et al. 2016; Hwang et al. 2015; Kuchinke 1998; Yukl 1999; Judge and Piccolo 2004; Kang et al. 2015; Lowe et al. 1996; Mayr 2017; Park et al. 2013; Rowold, Borgmann, and Bormann 2014; Yıldız and Şimşek 2016; Wang et al. 2011). With the larger issue of the overall positive nature of the relationship long settled, academic researchers have largely turned their attention to examining the various contingencies, contexts, and interactions which impact the situational efficacy of transformational leadership behaviors on follower behaviors (Antonakis et al. 2003; Li et al. 2013; Rowold, Borgmann, and Bormann 2014). Despite an abundance of primary studies linking transformational leadership and performance, the extent to which transformational and contingent reward leadership augment or interact with one another while explaining satisfaction with supervision and to what extent that relationship might be affected by context is incompletely understood and under-researched in the current literature (Antonakis et al. 2003; Lim and Ployhart 2004; Mayr 2017; Parry and Sinha 2005; Porter and McLaughlin 2006; Rowold, Borgmann, and Bormann 2014; Rowold and Rohmann, 2009; Wang et al. 2011). Outcomes such as performance, job satisfaction, trust, innovation, organizational commitment and citizenship behaviour (Boerner et al. 2008; Braun et al. 2013; Dumdum et al. 2002; Fuller et al. 1996; Judge and Piccolo 2004; Lowe et al. 1996; Mayr 2017; McMurray et al. 2013; Rowold, Borgmann, and Bormann 2014; Rowold and Rohmann, 2009; Yıldız and Şimşek 2016; Wang et al. 2011) have typically been the dependent variables, but satisfaction with supervision has rarely been considered as an outcome variable. It is well known that measuring performance in the nonprofit sector is difficult and measuring success requires many indicators (Sawhill and Williamson 2001). Thus, in this paper, we focus on the satisfaction with supervision which has never been studied in this context.

Additionally, the assumption that the transformational leadership processes and its outcomes may be essentially the same in all situations has been cited as one of the major shortcomings in the research and understanding of transformational leadership theory (Badrinarayan 2003; Rowold, Borgmann, and Bormann 2014; Rowold and Rohmann, 2009; Yukl 1999, 2006). Recently, scholars have begun exploring the role of leadership in volunteer and nonprofit organizations (Boerner and Gebert 2012; Dwyer et al. 2013; Mayr 2017; McMurray et al. 2013; Rowold, Borgmann, and Bormann; 2014; Rowold and Rohmann 2009; Yıldız and Şimşek 2016). Rowold, Borgmann, and Bormann (2014) investigated the relative importance of leadership constructs in the for-profit versus the nonprofit sector using job satisfaction, affective commitment, and perceived job performance as outcomes using a sample

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for Germany. This study extends their research considering satisfaction with supervision as an outcome variable and using the US sample. Rowold, Borgmann, and Bormann (2014) called for replication of the findings in other non-Western and Western cultures such as US.

As will be more completely described, our results suggest that for all types of organizations transformational leadership on the part of the manager relates positively to the raters' satisfaction with supervision, but that this relationship is stronger in nonprofit organizations. However, we also found that the impact of contingent reward types of leadership behaviors depends on the organizational context. In the for-profit settings, the relationship between contingent reward leadership and satisfaction with supervision is negative, while in nonprofit settings this relation is positive. In both contexts, transformational leadership positively moderates the effect of contingent reward on the satisfaction with supervision.

THEORY AND HYPOTHESES

This section discusses contingent reward, transformational leadership, their relative importance, and the context of nonprofit and for-profit organizations.

Contingent Reward

The formulation of transactional leadership measured by Bass (1990) contains three factors, contingent reward and management by exception measured in both its active and passive forms (Management by Exception-Passive and Management by Exception-Active). Contingent reward is a constructive and generally active transactional leadership behavior in which the leader creates a contingency between recognition or rewards and the achievement of specified performance targets (Burns 1978). Research indicates that leaders who spend more time displaying the active transactional leadership such as contingent reward and less time displaying the more passive or corrective types of transactional leadership behaviors (such as Management by Exception-Passive and Management by Exception-Active) are generally associated with high levels of individual, group, and organizational satisfaction and performance (Avolio 1999; Bass and Avolio 1994; Breevaart et al. 2014; Derue et al. 2011; Judge and Piccolo 2004; Lowe et al. 1996). Many authors propose that contingent reward leadership should be viewed as a separate factor (Avolio et al. 1999) and it was identified as the most effective factor of transactional leadership behaviors (Avolio, 1999; Bass and Avolio, 1994; Chiaburu et al. 2014; Hinkin and Schriesheim 2008; Judge and Piccolo 2004; Lowe et al. 1996). Setting clear expectations and rewarding followers for goal attainment are likely to motivate followers to a certain point and to increase their satisfaction with supervision and leadership they have received (Afshari and Gibson 2016; Judge and Piccolo 2004). Nevertheless, while the use of external rewards to stimulate motivation has been shown to be generally effective, its efficacy has been shown to be less than by influencing intrinsic motivation (Bycio et al. 1995).

Transformational Leadership

Transformational leaders are able to internally motivate, inspire, and challenge followers by engaging in specific behaviors including: sharing their vision and high expectations, serving as role models, intellectually stimulating followers by soliciting their opinions, input, and ideas,

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and build trust by treating each follower as a unique individual (Antonakis 2017; Bass 1985a; Yıldız and Şimşek 2016; Wang et al. 2011). Transformational leadership taps into higher order needs as leaders who exhibit this behavior are believed to positively influence followers' values, beliefs, and attitudes in such a way that they are willing to increase performance beyond expectations. It is well established that transformational leadership has positive associations with outcomes such as: performance, job satisfaction, trust, organizational commitment and citizenship behaviour, psychological ownership, and creative and innovative behaviors (Bass 1985a, 1999; Brandebo et al. 2016; Boerner et al. 2008; Boerner and Gebert 2012; Braun et al. 2013; Bono and Judge 2003, 2004; Chiaburu et al. 2014; Domínguez Escrig et al. 2016; Dumdum et al. 2002; Fuller et al. 1996; Judge and Piccolo 2004; Kang et al. 2015; Lee 2005; Lowe et al. 1996; McMurray et al. 2013; Otero-Neira 2016; Park et al. 2013; Schmitt et al. 2016; Yıldız and Şimşek 2016; Wang et al. 2011; Wei et al. 2016).

Satisfaction with Supervision and Augmentation Effect

Some previous research found that the above two types of leadership augment each other (Brown and Dodd 1999; Den Hartog et al. 1999; Hater and Bass 1988; Miao et al. 2012; Rowold and Borgmann (2013); Rowold and Heinitz 2007; Waldman et al. 1990). However, other authors report that transformational leadership adds unique variance beyond that of contingent reward behaviors for understanding leader effectiveness, performance evaluation, and promotion, but contingent reward behaviors have no effect beyond that of transformational leadership (Bycio et al. 1995; Judge and Piccolo 2004; Waldman et al. 1990). Two subsequent studies (Schriesheim et al. 2006; Vecchio et al. 2008) found evidence of augmentation in the opposite direction: contingent reward augmenting the effect of transformational leadership—so called reversed augmentation by Wang et al. (2011). In a meta-analysis, Wang et al. (2011), tried to reconcile these differences by pointing out the differential impact of transformational leadership and contingent reward on task (i.e. expected duties) and contextual (i.e. extra effort) performance. Contingent reward, by definition, clarifies expectations on how to perform tasks set by the leaders and rewards goal achievement, impacting followers' performance on expected task performance. On the other hand, transformational leadership may particularly impact the contextual performance: what followers are willing to do above what is required in a job description. Indeed, Wang et al. (2011) found reverse augmentation effect for task performance (contingent reward explained unique variance in individual follower task performance beyond the effects of transformational leadership) and the augmentation effect for contextual performance (transformational leadership explained unique variance in individual follower contextual performance beyond the effects of transformational leadership). However, the Wang et al. (2011) study focused on performance rather than on supervision satisfaction as does this study.

Following the line of Wang et al. (2011), satisfaction with supervision would be expected to increase when followers are internally motivated to do more than just what is required and are reinforced by contingent rewards. Transactional leaders concentrate on control, are more inflexible, more detached, and manipulative (Bass and Riggio 2006), while transformational leaders recognize the unique differences of subordinates, provide detailed support for subordinate development, intellectually stimulate subordinate participation, and set challenging goals—all of which build greater connections between the follower, the leader and the company,

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and as a result increase satisfaction (Chiaburu et al. 2014). Finally, since contingent reward applies to the lower level of Maslow's hierarchy of needs, it is a foundation for transformational leadership which applies to the higher level of needs (Bass 1998). Thus, both contingent reward and transformational leadership are expected to increase satisfaction with the supervision. Followers expect to receive rewards for meeting the specific tasks recognized by a leaders' contingent reward behavior. This satisfaction may be further enhanced by transformational leadership behaviors. Satisfying lower-order needs (contingent reward) as well as higher-order needs (transformational leadership) should produce the highest followers' satisfaction. Using only the reward system as a method of motivation may result is some followers feeling manipulated by leaders and the level of satisfaction will decrease. On the other hand, using only transformational leadership as a method of motivation, may not be enough to increase satisfaction, especially in situations where basic needs are not satisfied.

Informed by the above studies, we expected transformational leadership to augment the effect of contingent reward in the case of satisfaction with supervision as originally proposed by Bass (1985a) as well as to positively moderate the relationship between contingent reward and satisfaction with supervision. The few studies that actually included the follower satisfaction with supervision as a dependent variable found transformational leadership explained more of the variance than contingent reward (Judge and Piccolo 2004). Accordingly, we offer the following hypotheses:

Hypothesis 1. Transformational leadership explains additional variance in satisfaction with supervision beyond the effects of contingent reward. Therefore, transformational leadership augments the relationship between contingent reward and satisfaction with supervision.

Hypothesis 2. Transformational leadership positively moderates the relationship between contingent reward and satisfaction with supervision such that the relationship is stronger when transformational leadership is comparatively high.

Transformational Leadership and Organizational Setting

Bass consistently (1985a, 1985b, 1997) theorized that the positive impact of transformational leadership would persist across organizational and cultural borders. However, the moderating effect of organizational context has not been as extensively studied (Antonakis et al. 2003; Dumdum et al. 2002; Porter and McLaughlin 2006; Rowold, Borgmann, and Bormann 2014) and the assumption that the transformational leadership process and its outcomes will be essentially the same across different contexts has been suggested as an important conceptual weakness that reduces the capacity to explain effective leadership via transformational leadership (Rowold, Borgmann, and Bormann 2014; Yukl 1999, 2006). Recent studies pointed to the mediating role of followers' perception of leaders, perception of self, commitment to organizations, team interpersonal norms, leader or follower characteristics, cultural context, trust, self-efficacy, job characteristics or job stress (Boerner et al. 2008; Franke and Felfe 2011; Han et al. 2016; Jogulu 2010; Mayr 2017; Miao et al. 2012; Piccolo and Colquitt 2006; Porter and McLaughlin 2006; Schmitt et al. 2016; Yıldız and Şimşek 2016; Zhu et al. 2009, 2012).

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Although we generally expect a positive relationship between transformational leadership and satisfaction with supervision after controlling for contingent reward (Hypothesis 1); as well as a moderating effect of transformational leadership on the effect of contingent reward on satisfaction (Hypothesis 2); as suggested in the literature, the differences between nonprofit and for-profit environments as well as some variability observed in the relationship between leadership styles and organizational outcomes (e.g. public vs. private, small vs. big) suggests the potential to be a moderating effect of organizational setting (Rowold, Borgmann, and Bormann 2014). As such, we propose that organizational setting can serve as a critical boundary condition that determines how transformational leadership and contingent reward affects satisfaction with supervision.

In this study we propose that transformational leadership is especially important in organizations that operate in ambiguous environments with complexity and dynamism, where creativity, original thinking, independence, charisma, original problem-solving solutions, intellectual stimulation, and collective identity are especially important. Nonprofit organizations are the perfect examples of such environment. The core mechanism through which transformational leaders influence followers are grounded on increasing followers' intrinsic motivation, transforming their personal values to a higher level, and illuminating the individual's attachment to the team (Boerner and Gebert 2012; Franke and Felfe 2011; Schepers et al. 2005; Shamir et al. 1993). Ultimately, resulting in greater self-esteem and satisfaction. We argue that these characteristics are especially important in the work performed in nonprofit organizations as the constructs of working for better good and collective identity are in the core of nonprofits existence. In nonprofit organizations, typically employees join the organization in part because of their belief in and support for overall vision resulting in a more homogenous interests of team members (Rowold, Borgmann, and Bormann 2014). Thus, in line with organizational support theory (Rhoades and Eisenberger (2002) this common vision of employees and leaders will have a positive impact on followers' satisfaction with supervision.

Transformational leadership was shown to be particularly important for organizations undergoing change (Bass 1990; Carter et al. 2013; Kotter 2008; Lutz Allen, Smith, and DaSilva 2013). Nonprofit organizations typically operate in ambiguous environments with complexity, dynamism, and hostility (Morris et al. 2007; Thompson 2002). Therefore, nonprofit employees may require more creativity, original thinking, independence, original problem-solving solutions, and intellectual stimulation from transformational leaders (McMurray et al. 2013; Qu et al. 2015; Yukl 1999). On the other hand, to the extent that for-profit management tends to exist in organizational units bound by traditions, rules and sanctions, leaders who question the status quo and continually seek improvement may be viewed as too unsettling and, therefore, inappropriate for stability and continuity of the existing structure (Bass and Avolio 1990).

In a meta-analysis, Lowe et al. (1996) found higher correlations of transformational leadership with effectiveness in public as compared to private organizations (Yıldız and Şimşek 2016). Even though our sample of nonprofit organizations does not include government organizations, nonprofit charities and government public institutions share many common characteristics. For-profit companies are generally founded to generate income while nonprofits are generally founded to meet a humanitarian or environmental need (Dees 1998) and nonprofit organizations tend to have a greater variety of stakeholders with diverse needs and expectations

(Morris et al. 2007; Shapiro 1973). Missions of nonprofit organizations may be vague and conflicting and generally leaders are not provided with enough resources (Thach and Thompson 2007). Thus, leaders in nonprofit organizations need to be able to deal with complex constituencies and the broader mission of achieving public principles (Thach and Thompson 2007). Additionally, nonprofit and public government organizations often work in the environment where collective identity is important. Therefore, nonprofit leaders need to be able to arouse, excite, and inspire followers to put their best effort to work for a common good and to engage in positive organizational citizenship behaviors, something which is strongly correlated with transformational leadership (Den Hartog et al. 2007; Horn et al. 2015; Piccolo and Colquitt 2006).

Nonprofit organizations may also be similar to entrepreneurial organization where charisma in necessary and uncertainty is often present. Kang et al. (2015) studied the effect of leadership styles on innovation in an entrepreneurial context since most of the previous studies included samples of established organizations. They found that both transformational and transactional leadership on the part of the CEO related positively to managers' innovative behaviors.

Finally, some authors pointed to the moderating effect of the size of the company on the differential impact of transformational leadership and contingent reward on outcomes. In a study of leadership competencies in small to medium sized organization in California, Thatch and Thompson (2007) found significant differences between for-profit and nonprofit managers with more importance attributed to inspirational leadership by nonprofit managers. Leadership and managerial interaction in nonprofit organizations, which are typically smaller than for-profit organizations, tend to be more individualized, thus enhancing the impact of transformational leadership (Odumeru and Ogbonna 2013; Yukl 1999) as opposed to the attenuated transformational leadership impact on group or organizational processes in larger, more complex for-profit organizations. Smaller organizational size allows managers to be more intimately aware of the followers' goals, obstacles, and capabilities (Kang et al. 2015) possibly enhancing the impact of transformational leadership in nonprofit organizations.

Thus, we propose the following:

Hypothesis 3. The relationship between transformational leadership and satisfaction with supervision will differ depending on the organizational context with transformational leadership having a greater impact for managers in nonprofit organizations as compared to for-profit managers.

Contingent Reward and Organizational Setting

Drawing on feedback and social exchange theories, contingent reward seeks to motivate followers and stimulate productivity by closely tying recognition and rewards to effort and achievement in support of organizational goals and objectives. Social exchange theory (Blau 1964) and the reciprocity principle (Gouldner 1960) posit that a particular relationship is satisfying if rewards exceeds the costs and the relationship brings satisfaction when people receive fair returns for their efforts. For relationships to evolve over time into trusting, loyal, and

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mutual commitments, parties must abide by certain rules of exchange (Cropanzano and Mitchell 2006). Employees who perceive justice are more inclined to want to perform as a form of reciprocity as they feel obligation to help their contingent reward leader to accomplish the goals (Chiaburu et al. 2014). Drawing on social cognitive theory (Bandura 1986, 1991, 1977), feedback provided by contingent reward leaders affects subordinate's performance. It stimulates personal initiative and it motivates them to engage in task specific self-efficacy and in even more feedback-seeking (Chiaburu et al. 2014; Martocchio and Webster 1992) ultimately increasing employee' satisfaction (Bandura 1977; Chiaburu et al. 2014).

We extend feedback and social exchange theories by arguing that leaders' contingent reward behaviors generate even more satisfaction with supervisor in organizations that exist in an uncertain and complex environment that require more creativity, original thinking, independence, and original problem solving. In these types of organizations clear and frequent feedback from the leader may be crucial to clarify complexity and assuring employees that they are on a right track ultimately leading to satisfaction with supervision. In these organizations, feelings of reciprocity, as employees feel obligation to achieve organization goals, build their self-efficacy and ultimately their satisfaction. This type of environment is typical for nonprofit organizations since they tend to exist in uncertain operational environments where clear direction from the leader (Kotter, 2008) makes contingent rewards particularly important. Additionally, pay-for-performance schemes have been shown to be more important to high-performing individuals with high needs for achievement (Trank et al. 2002; Trevor et al. 1997). Similarly, when there is more opportunity for extraordinary, self-actualizing work, such as is often the case in nonprofit organizations, contingent rewards may be well received. However, when contingent rewards are used in the more routine for-profit environments, there may be fewer opportunities for extraordinary work and frequent feedback may not be as necessary.

When monetary rewards are utilized in a contingent reward pay-for-performance environment the motivational impact is likely to vary across pay levels and socio-economic status and to be more motivating to an individual at lower pay levels (Rynes et al. 2004). Overall, salaries are generally lower in nonprofit than in for-profit organizations, so it seems likely that the effect of contingent monetary rewards might be larger for nonprofit employees than for for-profit employees. On the basis of this reasoning, we offer the following hypothesis:

Hypothesis 4. The relationship between contingent reward and satisfaction with supervision will differ depending on the organizational context with contingent reward having a greater impact in nonprofit organizations as compared to for-profit organizations.

METHODOLOGY

In this section, the sample, the instruments used, and the procedures for data analysis are described.

Sample

In this study, approximately 350 participants, including working leader-managers, their direct reports, and peers accepted an invitation to participate in a leadership research project that

will also provide them with feedback and suggestions for further developing their own leadership capacity. Two categories of the total of 350 participants were recruited: managers in nonprofit (501(c)(3)) organizations (with no private foundations or government agencies) and for-profit managers in human resource organizations (including a few credit unions that operate more as for-profit organizations). Subjects from for-profits organizations were assigned a code of one (FP=1). We used the Multifactor Leadership Questionnaire (MLQ) developed by Bass and Avolio (1990), an accepted and widely used instrument (Lowe et al. 1996). Over three hundred leaders from nonprofit and for-profit organizations were invited to participate in a university sponsored leadership study in exchange for a 360-feedback report which included leadership development advice to participants. Of the three hundred leaders invited, one hundred and sixteen initially agreed to participate, and forty-nine fully completed the process and received a minimum of three completed follower reports which gave us sixteen percent response rate.

Instruments

As an outcome measure of the leaders' performance we chose raters' opinions on the satisfaction with supervision as measured by the MLQ.

A single measure of overall transformational leadership was computed by aggregating the five subscale measures of that component. Given the previously noted descriptions and definitions which emphasize the contingency relationship between individual performance and supervisor moderation of access to rewards, the singular factor of contingent reward of the leader evaluated by the raters was utilized.

We used age, tenure, and sex as controls. Younger leaders were found to be perceived as less prototypical and to have lower status than older leaders (Buengeler et al. 2016) as people associate older age with more knowledge, higher competency, advanced careers and higher status (Avolio et al. 1990; Kearney 2008; Nishii and Mayer 2009; Pelled et al. 1999), all of which support prototypically perceptions of leaders and may affect satisfaction with the supervision. We control for tenure of the leader because a high job tenure may indicate experience and familiarity with a particular function which also could lead to a greater followers' satisfaction (Shalley and Gilson 2004). Finally, we control for the sex of the leader because current research suggests women, relative to men, are disadvantaged in how they are perceived in formal leadership roles (Eagly et al. 1992). On the other hand, Brands et al. (2015) showed that when networks are perceived to be cohesive (many connections among individuals), it is men who suffer a charismatic leadership disadvantage relative to women. Interestingly, Stempel et al. (2015) found that both transformational leadership and contingent reward were perceived to be more typical of female leaders. Male subjects were assigned a code of one (Male=1) and female subjects zero (Male=0).

Procedures

First, descriptive statistics and correlations between constructs were calculated. Next, ordinary least squares regressions (OLS) were used to test the main effects. Finally, moderating effects were included to test our hypotheses. The variance inflation factors (VIF) were calculated to test for multicollinearity.

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RESULTS

Table 1 presents descriptive statistics and correlations between all variables. Most of our respondents were females (74%), on average 47 years old, with an average of eight years in the current position. On the scale from zero to four, leaders were evaluated, on average, 3.45 in transformational leadership, 3.19 in contingent reward, and 3.19 in satisfaction with the supervision. An examination of correlations revealed that no independent variables were highly correlated with the exception of contingent reward and transformational leadership. However, the variance inflation factor values (i.e., VIF in Table 2) were low and indicate that multicollinearity was not a problem in our models (Coakes 2005; Hair et al. 1998).

Table 1.
Descriptive Statistics and Correlations

	Mean	SD	Min	Max	HR	Male	Tenure	Age	CR	SAT	TL
HR	0.30	15.73	0	1	1						
Male	0.26	0.44	0	1	-0.2	1					
Tenure	8.43	7.22	0	30	0.06	0.29^{**}	1				
Age	46.66	10.08	29	69	0.1	0.02	0.3^{**}	1			
CR	3.19	0.33	2.23	3.83	-0.07	-0.24^{*}	-0.15	0.03	1		
SAT	3.19	0.44	1.76	3.87	0.21	-0.29^{**}	-0.23^{*}	0.05	0.57^{***}	1	
TL	3.45	0.40	2.38	4	-0.06	-0.15	-0.21	0.07	0.71^{***}	0.76^{***}	1

Note. Significance levels: ***<0.01; **<0.05; *<0.10. SD: standard deviation; Min: minimum; Max: maximum; HR: human resources; CR: contingent reward; SAT: satisfaction with supervision; TL: transactional leadership.

A series of OLS regression equations were utilized to test our hypotheses. When entered separately transformational leadership explains more variation in satisfaction with supervision than contingent rewards (Table 2, Model 1 & 2). Introducing transformational leadership to the model while controlling for the effect of contingent rewards (Table 2, Model 3), explained an additional 24% of variation in satisfaction with supervision from Model 1 to 3 and contingent reward was no longer a significant predictor of satisfaction with supervision, supporting our Hypothesis 1. We do not find any evidence of the reverse augmentation.

Table 2.
Estimation of the Satisfaction with Supervision (n=53).

	Model 1		Model 2		Model 3		Model 4		Model 5		Model 6	
	Coeff. (SE)	VIF	Coeff. (SE)	VIF	Coeff. (SE)	VIF	Coeff. (SE)	VIF	Coeff. (SE)	VIF	Coeff. (SE)	VIF
Intercept	1.72***		0.56		0.54		3.44***		0.73*		3.21***	
	-0.34		0.34		0.35		0.15		0.41		0.36	
HR	0.19*	1.08	0.19**	1.07	0.19***	1.08	0.22***	1.13	0.18***	1.08	0.18**	1.08
	0.10		0.07		0.07		0.07		0.06		0.07	
Male	-0.07	1.22	-0.12	1.17	-0.11	1.22	-0.09	1.23	-0.07	1.25	-0.10	1.22
	0.10		0.08		0.08		0.08		0.07		0.08	
Age	0.00	1.11	0.00	1.13	0.00	1.13	0.00	1.13	0.00	1.14	0.00	1.13
	0.00		0.00		0.00		0.00		0.00		0.00	
Tenure	-0.01	1.22	0.00	1.26	0.00	1.27	-0.01	1.34	0.00	1.29	0.00	1.28
	0.01		0.01		0.01		0.01		0.00		0.01	
CR	0.52***	1.08	----	----	0.08	2.13	0.18	2.66	0.19*	2.37	0.08	2.13
	0.10				0.11		0.11		0.10		0.10	
TL	----	----	0.91***	1.08	0.84***	2.13	0.86***	2.14	0.86***	2.13	0.95***	2.42
			0.10		0.14		0.14		0.13		0.14	
CRxTL							0.36*	1.79	----		----	
							0.19					
CRxHR									-0.61***	1.31	----	
									0.17			
TLxHR									----		-0.53**	1.27
											0.23	
Adjusted R2	0.42		0.67		0.67		0.68		0.73		0.69	

Note. Significance: ***<0.01; **<0.05; *<0.10. SE: standard error; VIF: variance inflation factor; HR: human resources; CR: contingent reward; TL: transformational leadership.

In Model 4, we introduced an interaction term between contingent reward and transformational leadership to the model (the predictor variables were all centered around their means). The results show a significant (β=0.358, p<0.10) interaction between contingent reward and transformational leadership on levels of satisfaction with supervision, explaining the variance in the model beyond that attributable to main effects and the coefficient for the interaction effect is quite large, supporting our Hypothesis 2. As Figure 1 illustrates, at very low levels of transformational leadership (2.5 on a 0-4 scale), the relationship between contingent reward and satisfaction with supervision is negative: as contingent reward increases, not accompanied by transformational leadership, satisfaction with supervision goes down. However, when augmented by higher levels of transformational leadership, contingent reward becomes positively related to satisfaction with supervision.

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Figure 1. Augmentation effect of transformational leadership (TL) and contingent reward (CR) on satisfaction with supervision (SAT).
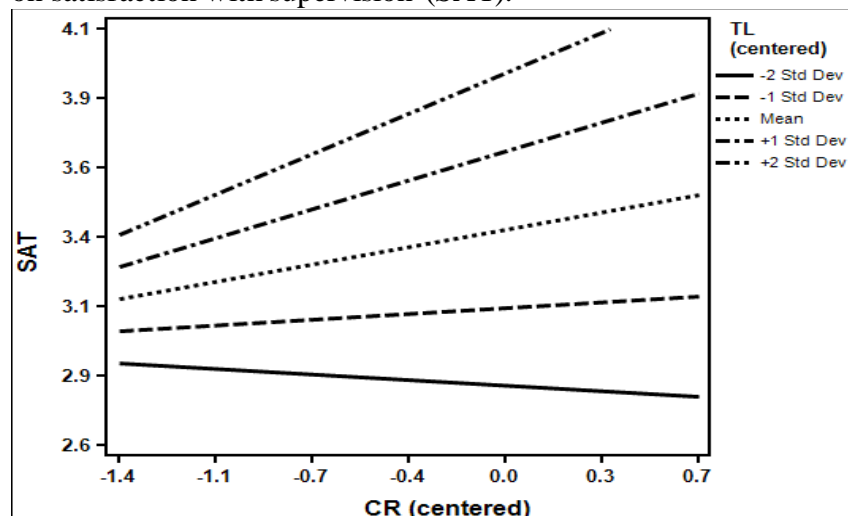
In Model 5 we included an interaction term between contingent reward and the organizational contexts and in Model 6 between transformational leadership and the organizational contexts. The results show that the moderating effect is negative, suggesting that in nonprofit organizations both contingent reward and transformational leadership are more positively related to the satisfaction with supervision than in the for-profit settings. Supporting our Hypothesis 3, in the for-profit context, the effect of transformational leadership on satisfaction with supervision is positive and for every point increase in transformational leadership, satisfaction with supervision goes up by 0.423 (0.949-0.526). In nonprofit organizations, the effect of transformational leadership on satisfaction with supervision is also positive and for every point increase on the transformational leadership scale, the satisfaction with supervision scale goes up by 0.949. Supporting Hypothesis 4, in for-profit settings the effect of contingent rewards on satisfaction with supervision is negative and for every point increase in contingent rewards, satisfaction with supervision goes down by -0.421 (0.192-0.613). In nonprofit organizations, the opposite was observed with contingent reward exerting a positive effect on satisfaction with supervision. For every one-point increase in contingent reward, satisfaction with supervision goes up by 0.192.

DISCUSSION

The relationship between transformational leadership and organizational outcomes (e.g., extra effort, performance) is well established but the relationship between transformational leadership and satisfaction with supervision is an under-researched area. The primary questions of interest in this study are to what extent the interaction of contingent reward and transformational leadership behaviors impacts satisfaction with supervision and how this relationship is impacted by the organizational context answering a call made in previous research (Li et al. 2013; Rowold, Borgmann, and Bormann 2014; Rowold and Rohmann, 2009; Yukl 1999, 2006; Wang et al. 2011).

Our results show that the predictive power of transformational leadership in regard to satisfaction with supervision is primarily due to its overlap with contingent rewards. Results very similar to this have been reported for other organizational outcomes (Judge and Piccolo 2004;

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Wang et al. 2011). The results also suggest that the so-called reverse augmentation hypothesis (contingent reward augments the effect of transformational leadership) does not hold. The results provide additional evidence of Judge and Piccolo (2004) suspicion that transformational leadership is more satisfying to followers than it is effective in leader's performance.

Also, our results indicate that transformational leadership moderates the effect of contingent rewards on satisfaction: at very low levels of transformational leadership the relationship between contingent reward and satisfaction with supervision is negative. This means that as contingent rewards behaviors increase, absent accompanying transformational leadership behaviors, rater satisfaction with supervision decreases. However, when contingent rewards behaviors are augmented with transformational leadership behaviors, contingent reward becomes positively related to satisfaction with supervision. Therefore, for contingent rewards to be effective at increasing follower satisfaction, some minimum level of transformational leadership behavior is required.

Finally, our study answers the calls for research on context and leadership style (Rowold, Borgmann, and Bormann 2014; Rowold and Rohmann, 2009; Yukl 1999, 2006). Previous inconclusive evidence suggest that the effect of transformational leadership and contingent reward may differ in stable vs. constantly changing (Bass 1990), public vs. private (Dumdum et al. 2002), small vs. big (Thach and Thompson 2007), or entrepreneurial organizations (Kang et al. 2015). Our results indicate that in nonprofit organizations both contingent reward and transformational leadership are more positively related to satisfaction with supervision than in the for-profit settings and transformational leadership behaviors have twice the impact on follower satisfaction for nonprofit managers as compared to for-profit managers. This is similar to the results of Rowold, Borgmann, and Bormann (2014) who found that transformational leadership was more important in the nonprofit than in the for-profit sector in predicting job satisfaction and affective commitment in Germany. Contingent reward behaviors had a differential impact on satisfaction in these two contexts. In the for-profit settings contingent reward behaviors had a negative impact on satisfaction, even in the presence of quite high levels of transformational leadership behaviors. However, in nonprofit organizations contingent reward behaviors had a positive impact on follower satisfaction with supervision and higher levels of transformational leadership behaviors creating increased levels of supervisory satisfaction. We attribute the bigger effect of transformational leadership and contingent rewards in nonprofits to the more complex, uncertain, ambiguous, and less stable environment that the nonprofit organizations face (Yukl 1999), to the lower average pay in nonprofits (Rynes et al. 2004), to the smaller size of these companies (Thach and Thompson 2007), and the importance of collective identity in nonprofits (Piccolo and Colquitt 2006). Rowold, Borgmann, and Bormann (2014) found a similar effect for the nonprofit companies in Germany while explaining job satisfaction. Similarly, McMurray et al. (2013) suggested that managers who engage in a combination of transformational and transactional leadership behaviors in nonprofit organizations in Australia are more likely to promote workers' creativity and ultimately organizational innovation.

Managerial Implications

Our study has several important implications for managers in both nonprofit and for-profit organizations. It is interesting that in both settings, transformational leadership behaviors

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are effective at increasing follower satisfaction with supervision. Transformational leadership is even more effective in nonprofit organizations even though overall satisfaction with supervision is higher in regard to for-profit managers.

For leaders who exhibit high levels of transformational leadership behaviors, there is less need for contingent reward behaviors. In for-profit organizations, leaders who use contingent rewards may actually decrease employee satisfaction. This suggests that when employees feel inspired, receive individual consideration and intellectual stimulation form their leaders, they have less need for contingent rewards (e.g., pay raises, bonuses, etc.) to be satisfied with the leadership they receive. It may be that nonprofit managers are able to use fewer contingent rewards like pay increases, bonuses, etc., so that when they do use them, they have more impact. And perhaps transformational leadership behaviors are more motivational for nonprofit followers because like the leaders, they are highly motivated by the mission of the organization.

Our findings also suggest that for-profit managers have a more challenging leadership environment as compared to managers in nonprofit organizations. Perhaps this result could be used to moderate expectations that top managers place on for-profit human resource managers. Since most employees in an organization don't report directly to for-profit human resource managers, their satisfaction is less impacted by the managers' behaviors (whether contingent reward or transformational leadership). For-profit managers may have more impact by encouraging line managers to adopt transformational leadership behaviors.

Limitations and Need for Future Research

As in almost all other studies, we used rater evaluations of leadership behaviors along with rater self-evaluations of satisfaction. This creates the potential for common method variance (CMV) (Podsakoff et al. 2003). However, method bias was reduced in this study by asking questions that were easy for subjects to answer since they pertained to the subjects' own experience with the leader and not to things like an evaluation of the leader's effectiveness. Subjects had high motivation to answer the questionnaire in hopes of improving their job satisfaction, and the survey gave subjects an opportunity for self-expression. Finally, questions were simple and concrete, and the measures used in this study are well developed instruments with proven properties, which suggest that they are likely resistant to CMV (Elangovan and Xie 1999; Spector 1987). Podsakoff et al. (2012) listed: ability, motivation, and task as likely to reduce CMV. Statistically, CMV may either inflate or deflate the strengths of the observed relationships between the constructs. However, with respect to multivariate linear relationships, CMV decreases when additional independent variables suffering from the bias are included in a regression equation and interaction effects cannot be artifacts of CMV. On the contrary, interaction terms can be severely deflated through CMV, making them more difficult to detect through statistical means, making us even more confident in our results (Siemsen et al. 2010). Thus, statistically, CMV is not a problem in this study.

Also, this method of measuring transformational leadership was a subject of the recent critique by van Knippenberg and Sitkin (2013). The main focus of our paper was to explain satisfaction with supervision in two contexts and the relative effect of transformational leadership versus contingent reward as opposed to the direct effect of this construct. Therefore,

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we believe our study makes an important contribution to the literature even if transformational leadership is not perfectly captured by the MLQ. Still, we encourage future researchers to use other dimensions of transformational leadership as it is possible that similar results would be obtained since the dimensions of transformational leadership are highly correlated as observed by Peng et al. (2016) or use alternative measures yet to be developed as recommended by van Knippenberg and Sitkin (2013).

Finally, we only examined the two contexts of nonprofit and for-profit managers. Clearly future researchers will need to examine additional settings to see if the relationships we found persist across contexts.

CONCLUSION

We found support for Bass's (1985a) hypothesis that transformational leadership augments the relationship between contingent reward and satisfaction with supervision, but the reverse is not true. Contingent reward does not predict satisfaction with supervision when controlling for transformational leadership (Bycio et al. 1995). Also, transformational leadership positively moderates the relationship between contingent reward and satisfaction with supervision suggesting that transformational leadership is very satisfying to followers (Judge and Piccolo 2004). It is interesting that across both study settings (for-profit and nonprofits), transformational leadership was positively related to satisfaction with supervision but worked best in nonprofit settings. We also provided evidence to support that leaders in nonprofit organizations may provide contingent rewards as opposed to leaders in for-profit who should not actively provide contingent reinforcement if the goal is to increase followers' satisfaction with the leader.

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