Transformational and Transactional Leadership as Predictors of Job Satisfaction, Commitment, Perceived Performance and Turnover Intention (Empirical Evidence from Malakand Division, Pakistan)

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Abstract: The main aim of this research was to know the impact of transformational and transactional leadership on job satisfaction, organizational commitment, organizational citizenship behavior, employees’ perceived performance and turnover intention of public sector universities’ teachers of Malakand division of Pakistan. Data were collected from two hundred and twenty four teachers including lecturers, assistant professors, associate professors and professors. The results of correlation indicated that both transformation and transactional leadership had a significant relationship with job satisfaction, organizational commitment, perceived performance and turnover intention. The results of regression revealed that transformational leadership was a stronger predictor of job satisfaction and organizational citizenship behavior than transactional leadership while transactional leadership was a stronger predictor of organizational commitment, perceived performance and turnover intention than transformational leadership.

Key words: Transformational; transactional; leadership; job satisfaction; performance; turnover intention; Pakistan

1. Introduction.

By definition a leader is a person that possesses some powerful and dynamic traits that lead a nation and that such traits affect the management of an organization (Bono & Judge, 2005) and is considered as driving agent in determining an organizational competitiveness (B. Bass & Avolio, 1993). Therefore, quality of leadership is considered to be of prime importance for organizational change that give it competitive advantage (Parry & Sinha, 2005; Singh & Bhandarker, 2002).

Transactional and transformational leadership theories have received much more importance over the last three decades (Hartog, Muijen, & Koopman, 1997). Burns (1978) was the first to introduce Transactional and transformational leadership theories. Later on Bass (B. Bass & Avolio, 1993; B. M. Bass & Avolio, 1994; Tichy & Devanna, 1986) and so many others extended the work of Burns (1978). Burns (1978) has defined Transformational leadership as transformational leadership is when both followers and leaders are engaged in escalating the morale and motivation of each other. According to (Marzano, Waters, & McNulty, 2005), transformational leadership encompasses four I’s.

a. Idealized Influence
b. Inspirational Motivation
c. Intellectual Stimulation and
d. Individual Consideration

Idealized influence is demonstrated when the leader formulates and articulate the vision and challenging goals and tries to motivate the followers to a greater extent to do their work past their self-interest with a view to attaining the organization’s goals (Dionne, Yammarino, Atwater, & Spangler, 2004). In idealized influence dimension of transformational leadership, leaders are highly respected, admired and trusted by the followers (B. M. Bass & Riggio, 2006). They further added that idealized influence leaders are always willing to take risks and display high level of ethical and moral conduct. In inspirational motivation dimension of transformational leadership, leaders inspire and motivate followers to stick to the organization’s goals by providing clearly communicated expectations (B. M. Bass & Avolio, 1994). According to (B. M. Bass & Riggio, 2006) Intellectual stimulation is displayed when leaders are willing to help the followers to be more creative and innovative. Followers are encouraged to find out new ways to solve problems. In individualized consideration dimension, the leaders pay heed to the followers’ developmental needs of followers and give them support and opportunities for growth. The leader takes care of the needs of followers (B. M. Bass & Avolio, 1994).

Transactional leadership takes place when leaders and followers are engaged in the exchange relationship to meet their own self-benefits (Burns, 1978). Leaders reward followers in exchange for work or service. Schermerhorn et al., (2000) has proposed four dimensions of transactional leadership.

a. Contingent rewards
b. Active management by exception,
c. Passive management by exception, and
d. Laissez-faire

In contingent reward dimension of transactional leadership, the leader makes clear to the followers by self-participation or direction what the followers should do to be compensated for their services (Yukl, 2007). In active management by exception, the follower’s performance is monitored and corrective actions are taken when the followers fail to meet standards (B. M. Bass & Riggio, 2006). In passive management by exception, the leader does not take any corrective action unless the problem arises (B. M. Bass & Riggio, 2006). In laissez-faire facet of leadership, the leader shuns taking any action (B. M. Bass & Riggio, 2006).

1.1 Relationship between Leadership and Commitment

Strong affiliation between an employee and an organization is essential for maintaining workable relationship between them, an employee’s work-related attitude and behavior are required to be major concerns for management. And a manager’s own attitude and behavior can strongly affect those of the employee’s. Positive relationship between organizational commitment and transformational leadership in a diverse organizational cultures and settings has been well established in the extant literature (Allen & Meyer, 1996; Avolio & Bass, 2004; Avolio, Zhu, Koh, & Bhatia, 2004; Meyer, Stanley, Herscovitch, & Topolnytsky, 2002; Walumbwa, Wang, Lawler, & Shi, 2004). Researchers (Bycio, Hackett, & Allen, 1995; Dionne, et al., 2004; Simon, 1994) are unanimous on the view that a leader’s ability of properly practicing transformational styles in management may affect organizational commitment. Similarly, Yukl (2007) contends that transformational leader can majorly affect an organization’s members’ attitudes thereby promoting commitment for the organization’s overall strategies.

1.2 Relationship between Leadership and Turnover Intentions

Turnover is a critical and serious issue (Chan, Yeoh, Limand, & Osman, 2010) and that causes an unwanted upheavals and both direct and indirect cost (Ali, 2009). Employees’ turnover is affected by leadership styles (Gwavuya, 2011). A person who has transformational leadership qualities enjoys admiration, loyalty, trust, and respect of the employees and are willing to work harder than originally expected. While in transactional leadership there are leader-follower exchanges: subordinates follow the instructions and expect positive compensation in return. Transactional leaders are supposed to promote and develop such structures which clearly delineate line of actions for the subordinates and let them assure how they could be benefited by following these orders. Results of the studies conducted by Wells and Peachey (2011) on the relationship between leadership behaviors satisfaction with the leaders, and voluntary turnover intentions revealed significant associations.

1.3 Relationship between Leadership and job satisfaction

No one can deny the role of effective leadership in the growth and better performance of an organization. Whether it is transformational or transactional leadership behavior, its role in the success of an organization is recognized (Laohavichien, Fredendall, & Cantrell, 2009). They help in predicting subordinates’ satisfaction with their leaders, however with varying results. It has been noted that transactional leadership style relationship with job satisfaction and organizational identification is comparatively high as compared to transformational leadership style (Wu & Shiu, 2009). Transformational leader with effective communication skills have been found enjoying higher agreement with employees on the strategic goals of the organization (Berson & Avolio, 2004). Resultantly, such leaders voluntarily help their employees and prevent the occurrence of work-related problems (Berson & Avolio, 2004). The prevalence of this aura ultimately promotes sense of job satisfaction among employees (Nemanich & Keller, 2007). They become more committed and have less turnover intentions (Rafferty & Griffin, 2004; Scandura & Williams, 2004).

1.4 Relationship between Leadership and Employee Performance

Organizational performance is the performance of its employees per say. Demand on performance is subject to continuous flux and, in fact, most organizations survive and prosper when they recognize and accept this challenge. Notwithstanding, this ongoing change is required to be relevant to the demand of the market and be in context that comprises frequent, purposeful adjustments and cumulative in effect (Weick & Quinn, 1999). Employees are required to modify their behaviors both on work routines as well as social practices (e.g., relations with their managers and peers). This daily adaptation is really a challenging task and “to cope with the daily challenge of real-time adaptation, employees selectively retain effective elements of their performance routines and integrate them with new, more efficient ones” (Carter, Armenakis, Feild, & Mossholder, 2012). Change at lower level can be affected through informal communication. However, affecting change at upper level, managers are required to engage the subject through unscheduled, face-to-face and informal employee conversations and ask for their input. “In return, employee-initiated questions and comments can stimulate a sizeable proportion of change-related communication” (Carter, et al., 2012). This approach will encourage the simultaneous
participation of employees and the planned change will be affected smoothly through routine work process. According to Levay (2010) such approaches are techniques of interpersonal exchanges which engender positive reactions in employees thereby making change a distinct reality. On the contrary, when change is forced employees experience stress between the expected behavior that the change demands and the existing potential those employees have. This causes a performance maintenance problem (Kanfer & Ackerman, 1989).

1.5 Relationship between Leadership and Organizational Citizenship Behavior

Research literature is abundant in explaining the relationship between organizational citizenship behavior and leadership styles. These researchers (Boerner, Eisenbeiss, & Griesser, 2007; Geyer & Steyer, 1998; Howell & Avolio, 1993; Schlechter & Engelbrecht, 2006) have mostly discussed leadership styles as a predictor of OCB. It is because it has been established that OCB is largely discretionary and not a formal demand of the organization. However, it is believed that OCB helps employee in the dispensation of task and promote a social and psychological work environment. Parallel to this, transformational leaders possess the potential of motivating the workforce to give priority to collective cause over disintegrated individual interests. Resultantly, “individuals who are intrinsically motivated to fulfill a collective vision without expecting immediate personal and tangible gains may be inclined to contribute toward achieving the shared workplace goal in ways that their roles do not prescribe” (Wang, Law, Hackett, Wang, & Chen, 2005). Through OCB individuals feels elated and their self-concepts are realized. Researchers (Graham, 1991; Podsakoff, MacKenzie, Moorman, & Fetter, 1990) contend that leadership styles and OCB are inter-related.

From the interpersonal relationship point of view, studies (Smith, Organ, & Near, 1983; Williams & Anderson, 1991) have supported the contention that workable superior-subordinate relationship is central to organizational success. Supportive interpersonal relationship with the employees promotes OCB and as a social exchange employees with high levels of OCB are more likely to show commitment with the organization (Smith, et al., 1983; Williams & Anderson, 1991). This provides guiding principles to those who have concern for the success of the organization that leadership styles promote and encourages the elicitation of OCB. Contrarily, “inappropriate leadership styles may trigger negative consequences, which might further increase the sensitivity and susceptibility to misunderstanding that may lead to organizational dysfunction such as decline in work performances, absenteeism and high turnover” (Lian & Tui, 2012).

2. Methods

2.1 Data collection

Data were collected through questionnaire from two hundred and twenty four (224) teachers including lecturers, assistant professors, associate professors, and professors of public sectors universities of Malakand Division, Pakistan.

2.2 Measurement

2.2.1 Perceived Performance

Perceived performance was measured by four items adapted from Teseema and Soeters (2006). Five point likert scale ranging from strongly disagree to strongly agree was used to note the responses.

2.2.2 Organizational Citizenship Behavior

Organizational Citizenship Behavior (OCB) was measured by fourteen items adapted from Podsakoff et al., (1990). Five point likert scale ranging from strongly disagree to strongly agree was used to note the responses.

2.2.3 Organizational Commitment

Organizational Commitment was measured by eight questions adapted from Porter et al., (1974). Five point likert scale ranging from strongly disagree to strongly agree was used to note the responses.

2.2.4 Turnover Intention and Overall Job Satisfaction

Turnover intention was measured by three items adapted from Cummam et al,. (1979). Similarly overall job satisfaction was gauged by 3 items adapted from Cummam et al,.(1979). Five point likert scale ranging from strongly disagree to strongly agree was used to note the responses.

2.2.5 Transactional and Transformational Leadership

Transactional and transactional leadership were measured by using self developed questions. Five point likert scale ranging from strongly disagree to strongly agree was used to note the responses.

2.3 Statistical Tools

Correlation and multiple regression were used to find out the relationship between variables.

2.4 Reliability

All factors showed a reliability of above .78 that is acceptable.

3. Results

The results of correlation given in table 1 indicate a significant positive relationship between transformational leadership and job satisfaction ($r = 0.356, \ p < .01$), transformational leadership and organizational citizenship behavior ($r = 0.399, \ p < .01$), transformational leadership and organizational commitment ($r = 0.309, \ p < .01$), transformational
leadership and perceived performance (r = 0.218, p<.01) and a negative relationship between transformational leadership and turnover intention (r = -0.180, p<.01). Thus the hypothesis that transformational leadership is related to job satisfaction, organizational citizenship behavior, organizational commitment, turnover intention and employees’ perceived performance are accepted in this sample.

Table 1: Relationship between Transformational Leadership and Job Satisfaction, Organizational Citizenship Behavior, Organizational Commitment, Turnover Intention and Employees’ Perceived Performance

<table>
<thead>
<tr>
<th></th>
<th>Transformational Leadership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Satisfaction</td>
<td>.356*</td>
</tr>
<tr>
<td>OCB</td>
<td>.399*</td>
</tr>
<tr>
<td>Organizational Commitment</td>
<td>.309**</td>
</tr>
<tr>
<td>Turnover Intention</td>
<td>-.180**</td>
</tr>
<tr>
<td>Perceived Performance</td>
<td>.218*</td>
</tr>
</tbody>
</table>

Table 2: Relationship between Transactional Leadership and Job Satisfaction, Organizational Citizenship Behavior, Organizational Commitment, Turnover Intention and Employees’ Perceived Performance

<table>
<thead>
<tr>
<th></th>
<th>Transactional Leadership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Satisfaction</td>
<td>.265**</td>
</tr>
<tr>
<td>OCB</td>
<td>.426</td>
</tr>
<tr>
<td>Organizational Commitment</td>
<td>.527**</td>
</tr>
<tr>
<td>Turnover Intention</td>
<td>-.326*</td>
</tr>
<tr>
<td>Perceived Performance</td>
<td>.383**</td>
</tr>
</tbody>
</table>

The results of correlation given in table 2 indicate a significant positive relationship between transactional leadership and job satisfaction (r = 0.265, p<.01), transactional leadership and organizational citizenship behavior (r = 0.426, p<.01), transactional leadership and organizational commitment (r = 0.527, p<.01), transactional leadership and perceived performance (r = 0.383, p<.01) and a negative relationship between transactional leadership and turnover intention (r = -0.326, p<.01). Thus the hypothesis that transactional leadership is related to job satisfaction, organizational citizenship behavior, organizational commitment, turnover intention and employees’ perceived performance are accepted in this sample.

Table 3: Impact of Transformational and Transactional Leadership on Job Satisfaction

<table>
<thead>
<tr>
<th></th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Standard Error of the Estimate</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformational Leadership</td>
<td>.379</td>
<td>.242</td>
<td>.234</td>
<td>1.00115</td>
<td>28.195</td>
<td>.000</td>
</tr>
<tr>
<td>Transactional Leadership</td>
<td>.133</td>
<td>.170</td>
<td>.163</td>
<td>1.05055</td>
<td>22.694</td>
<td>.000</td>
</tr>
</tbody>
</table>

The results of correlation given in table 3 indicate that 24% of the variance in job satisfaction can be accounted for by transformational and transactional leadership styles. Transformational leadership has 29 percent impact on job satisfaction. Therefore, the strongest predictor of job satisfaction is transformational leadership followed by transactional leadership.

Table 4: Impact of Transformational and Transactional Leadership on OCB

<table>
<thead>
<tr>
<th></th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Standard Error of the Estimate</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformational Leadership</td>
<td>.346</td>
<td>.170</td>
<td>.163</td>
<td>1.05055</td>
<td>22.694</td>
<td>.000</td>
</tr>
<tr>
<td>Transactional Leadership</td>
<td>.119</td>
<td>.170</td>
<td>.163</td>
<td>1.05055</td>
<td>22.694</td>
<td>.000</td>
</tr>
</tbody>
</table>

The results of correlation given in table 4 indicate that 17% of the variance in organizational citizenship behavior can be accounted for by transformational and transactional leadership styles. Transformational leadership has 34 percent impact on organizational citizenship behavior. Therefore, the strongest predictor of organizational citizenship behavior is transformational leadership followed by transactional leadership.

Table 5: Impact of Transformational and Transactional Leadership on Organizational Commitment

<table>
<thead>
<tr>
<th></th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Standard Error of the Estimate</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformational Leadership</td>
<td>.297</td>
<td>.242</td>
<td>.234</td>
<td>1.00115</td>
<td>28.195</td>
<td>.000</td>
</tr>
<tr>
<td>Transactional Leadership</td>
<td>.133</td>
<td>.170</td>
<td>.163</td>
<td>1.05055</td>
<td>22.694</td>
<td>.000</td>
</tr>
</tbody>
</table>

The results of correlation given in table 5 indicate that 28% of the variance in organizational commitment can be accounted for by transformational and transactional leadership styles. Transformational leadership has 48 percent impact on organizational commitment. Therefore, the strongest predictor of organizational commitment is transformational leadership followed by transactional leadership.

Table 6: Impact of Transformational and Transactional Leadership on Turnover Intention

<table>
<thead>
<tr>
<th></th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Standard Error of the Estimate</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformational Leadership</td>
<td>.297</td>
<td>.242</td>
<td>.234</td>
<td>1.00115</td>
<td>28.195</td>
<td>.000</td>
</tr>
<tr>
<td>Transactional Leadership</td>
<td>.133</td>
<td>.170</td>
<td>.163</td>
<td>1.05055</td>
<td>22.694</td>
<td>.000</td>
</tr>
</tbody>
</table>

The results of correlation given in table 6 indicate that 30% of the variance in turnover intention can be accounted for by transformational and transactional leadership styles. Transactional leadership has -30 percent impact on turnover intention. Therefore, the strongest predictor of turnover intention is transactional leadership.
Table 5: Impact of Transformational and Transactional Leadership on Organizational Commitment

<table>
<thead>
<tr>
<th></th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Standard Error of the Estimate</th>
<th>F</th>
<th>Sig.</th>
<th>Beta</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformational Leadership</td>
<td>.533</td>
<td>.284</td>
<td>.278</td>
<td>.90017</td>
<td>43.914</td>
<td>.000</td>
<td>9.687</td>
<td>1.486</td>
<td>.000</td>
</tr>
<tr>
<td>Transactional Leadership</td>
<td>.485</td>
<td>.236</td>
<td>.278</td>
<td>.90017</td>
<td>43.914</td>
<td>.000</td>
<td>7.636</td>
<td>1.39</td>
<td>.000</td>
</tr>
</tbody>
</table>

Table 6: Impact of Transformational and Transactional Leadership on Turnover Intention

<table>
<thead>
<tr>
<th></th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Standard Error of the Estimate</th>
<th>F</th>
<th>Sig.</th>
<th>Beta</th>
<th>T</th>
<th>Sig.</th>
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<tbody>
<tr>
<td>Transformational Leadership</td>
<td>.329</td>
<td>.208</td>
<td>.200</td>
<td>.73517</td>
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<td>17.640</td>
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<td>Transactional Leadership</td>
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<td>.100</td>
<td>.278</td>
<td>.90017</td>
<td>43.914</td>
<td>.000</td>
<td>4.334</td>
<td>.539</td>
<td>.000</td>
</tr>
</tbody>
</table>

Table 7: Impact of Transformational and Transactional Leadership on Perceived Performance

<table>
<thead>
<tr>
<th></th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Standard Error of the Estimate</th>
<th>F</th>
<th>Sig.</th>
<th>Beta</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformational Leadership</td>
<td>.301</td>
<td>.091</td>
<td>.083</td>
<td>1.124056</td>
<td>11.043</td>
<td>.000</td>
<td>11.877</td>
<td>.110</td>
<td>.000</td>
</tr>
<tr>
<td>Transactional Leadership</td>
<td>.232</td>
<td>.324</td>
<td>.278</td>
<td>1.124056</td>
<td>11.043</td>
<td>.000</td>
<td>3.248</td>
<td>.010</td>
<td>.000</td>
</tr>
</tbody>
</table>

The results given in table 7 indicate that only 9% of the variance in perceived performance can be accounted for by transformational and transactional leadership styles. Transactional leadership has 23 percent impact on organizational commitment. Therefore, the strongest predictor of perceived performance is transactional leadership.

4. Conclusion and Recommendation

The main aim of this research was to know the impact of transformational and transactional leadership on job satisfaction, organizational commitment, organizational citizenship behavior, employees’ perceived performance and turnover intention of public sector universities’ teachers of Malakand division of Pakistan. Data were collected from two hundred and twenty four teachers including lecturers, assistant professors, associate professors and professors. The results of correlation indicated that both transformation and transactional leadership had a significant relationship with job satisfaction, organizational commitment, perceived performance and turnover intention. The results of regression revealed that transformational leadership was a stronger predictor of job satisfaction and organizational citizenship behavior than transactional leadership while transactional leadership was a stronger predictor of organizational commitment, perceived performance and turnover intention than transformational leadership.

The management of public sector universities can enhance the employees’ job satisfaction, commitment, organizational citizenship behavior and perceived performance and decrease their turnover intention that ultimately culminates in actual turnover by paying special heed towards transformational and transactional leadership styles because both showed a significant relationship with job satisfaction, organizational commitment, organizational citizenship behavior, employees’ performance and turnover intention.

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References


13. : University of Michigan, Ann Arbor, Michigan.


