

Leadership Styles and Employees' Job Satisfaction: A Case from the Private Banking Sector of Pakistan

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Abstract

This research study shows the relationship of leadership styles with the job satisfaction of employees working in the private banking sector of Pakistan and also depicts which leadership style leaders have adopted most. A questionnaire with five points likert scale was used to collect data on different dimensions of leadership styles and employees' job satisfaction from 230 participants working in five selected private banks of four districts of the province of Punjab, Pakistan. The results showed that there is a significant relationship between transactional leadership style and employees' job satisfaction and this transactional leadership style is more adopted by the leaders as compared to transformational leadership style. The research results are very important for the higher management of targeted banks in terms of to increase employees' job satisfaction they can train their leading staff in branches to adopt transactional leadership style. This research article comes to an end with a brief conclusion, limitations and recommendations.

1. INTRODUCTION

Organization's human capital is getting more importance in today's economy and is

considered the most valuable asset because it plays a major role in the progress of an organization and society as a whole. Though finance is considered the life blood for an organization but the proper management of these financial resources depends upon its human resources. So every organization wants to have the best human resources to

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achieve its objectives but this can only be possible when it has a satisfied workforce because a satisfied workforce exerts more efforts and works hard to achieve organizational objectives (Dorfmann & Zapf, 2001). The more the employees are satisfied with their jobs, the more efforts they will exert to achieve organizational objectives (Blakely *et al.*, 2003), and satisfaction of employees with their jobs has a direct effect on the success of the organization (Shaukat *et al.*, 2012). However, if employees are dissatisfied with their jobs it will show adverse results like withdrawal behavior, growing cost, lowering profits and finally customers' dissatisfaction (Allen & Wilburn, 2002).

The private banking sector of Pakistan is growing gradually but along with this growth the competition is also increasing due to the heavy inflow of multinational banks in Pakistan (Khan, 2013). Thus it becomes imperative for a bank to keep its employees satisfied with their jobs so that it can maintain its position in this competitive banking industry. There are many factors that might contribute to the job satisfaction among employees like wages, accomplishment, independence, acknowledgement, communication, working job conditions, co-workers, job security, and team environment etc. Rad & Yarmohammadian (2006) but Skansi (2000) argues that this is the leadership that has significant relationship with the job satisfaction of employees. Research on leadership domain has been conducted all over the world and leadership styles that have been found most common are

autocratic, bureaucratic, laissez-faire, charismatic, democratic, participative, situational, transactional, and transformational leadership (Mosadeghrad, 2003) but out of all these styles these are the transformational and transactional leadership styles that are mainly related with the job satisfaction of employees (Powell *et al.*, 2008; Ahmad *et al.*, 2013)

1.1 Statement of problem

Different research studies have been conducted in the world on transformational and transactional leadership to determine the significance of their respective relationship with the job satisfaction of employees working in different sectors but results were inconsistent that sometimes showed transformational leadership style as having significant relationship with the job satisfaction and sometimes the transactional leadership style. As far as Pakistan is concerned and especially its private banking sector a reasonable contribution regarding leadership styles and job satisfaction is still needed. Due to this research gap and insufficient information this study tries to determine the significance of relationship of transactional and transformational leadership styles with the job satisfaction of employees working in the banking sector of Pakistan and also shows the leadership style leaders are frequently using as perceived by the employees.

2. LITERATURE REVIEW

2.1 Leadership styles

The literature on leadership shows significant change from time to time. This

literature starts from the theory of “Great Man” and comes to the most recent styles of transactional and transformational leadership and between of these two has been focusing on leader’s traits, behaviors, and the situational/contingency factors.

The theory of “Great Man” is the starting point of the concept of leadership which states that leaders are always born and cannot be made. They have inborn qualities to become leaders that cannot be learnt. The word “Man” was used because initially men were only thought to be leaders (Bolden, 2004). Early research on leadership focused on leadership traits that state that if anybody has traits such as adaptive, ambitious, achievement-orientated, assertive, decisive, energetic, etc, then he is a leader or prospective leader (Stogdill, 1974; McCall, & Lombardo, 1983; Boleman, 2008). After that leadership theories focused on leaders’ behaviors they showed in the past. Their behavioral patterns were studied so that other people could be provided training to act like leaders (Robbins & Coulter, 2009). The next view about leadership came in the form of situational theory. According to this theory leader should analyze the situation and adopt his behavior according to the situational variables to improve leadership effectiveness. Important situational variables include characteristics of the followers, characteristics of the work environment and followers’ tasks, and external environment. Situational theory was sometimes also called as contingency theory (Daft, 2005). But modern literature on leadership generally takes into consideration two main styles of

leadership that are transactional and transformational leadership.

2.2 Transformational leadership

Transformational leadership is what that motivates employees to achieve more rather than what was originally planned. It means to go beyond expectations (Krishnan, 2005). Transformational leadership has high impact on followers and changes their attitude and beliefs for their own interest and at the same time this change in behavior benefits the organization (Bums, 1978). Transformational leadership focuses on promoting development and strategic thinking in the organization and carries on the change process more effectively than others. Transformational leaders take care for others and never discriminate on the basis of race, color, sex, religion, age or social class (Chemjong, 2004). The research on transformational leadership shows that high productivity, a decrease in the rate of job leaving and high level of job satisfaction are all due to this leadership style (Deluga, 1992; Marshall *et al.*, 1992; Masi & Cooke, 2000; Medley & Larochelle, 1995; Sparks & Schenk, 2001).

2.3 Transactional leadership

Transactional leadership is based on leader-follower exchange where the follower acts according to the instructions of leader and leader rewards the followers. The main thing of exchange is compensation which may be positive or negative. Positive like praise or recognition if follower obeys the instructions of leader and negative like disciplinary actions if follower neglects to obey leader’s instructions (Bums, 1978). Transactional

leaders maintain stability in the organization by recognizing followers' needs and desires and then clarifying how those needs and desires will be satisfied in exchange for meeting specified objectives or performing certain duties. This satisfaction of needs improves employees' productivity and morale (Daft, 2005).

Both transactional and transformational leadership showed different relationship with the job satisfaction in different scenarios. In some cases transformational leadership proved itself as having significant relationship with job satisfaction and in other cases transactional leadership showed the same pattern. According to research studies conducted by (Wu, 2009) and (Epitropaki and Martin, 2005) that showed transactional leadership style provided high satisfaction as well as organizational identification compared to transformational leadership style. On the contrary, another study showed that the impact of transformational leadership style on followers' performance and innovation was more than transactional leadership style (Boerner *et al.*, 2007).

2.4 Job satisfaction

Human resources are considered the most valuable assets and a major factor to achieve organizational objectives. Organization can achieve success when its employees are committed and hard worker that can only be possible when they are satisfied with their jobs. Job satisfaction is a way to attract and retain the best people in the organization. A definition of job satisfaction can be; it is a positive emotional response from the assessment of a job or specific aspects of a

job (Smith *et al.*, 1969) or more simply; how much a person likes his/her job or tasks that make up a job (Hugnes *et al.*, 2006). Employees' job satisfaction is very important for organization because it ultimately impacts on its development. Compare to past, employees are more concerned with their jobs now and expect to get more satisfaction. They may make job satisfaction as a base to stay in the current organization or leave it for another (Bosman & Nalla, 2009). Job satisfaction has major impact on employees' productivity (Lim, 2007) and organizations that have satisfied workforce surpass other organizations (Ostroff, 1992).

2.5 Leadership and employees' job satisfaction

There are many factors that may enhance job satisfaction of employees like working conditions, work itself, supervision, policy and administration, advancement, compensation, interpersonal relationships, recognition and empowerment (Castillo and Cano, 2004) but leadership has a major relationship to enhance employees' job satisfaction (Wexley and Yukl, 1984).

The quality of leader-employee relationship has a significant relatedness with employees' job satisfaction (DeCremer, 2003) and employees feel satisfied and comfortable with leaders who are supportive (Yukl, 1971). Employees feel stress when they have to work with a leader who is unsupportive and whose behavior is negative (Wilkinson & Wagner, 1993). Negative leader-employee relationship has various adverse impacts on the employees as it reduces productivity, increases absenteeism and the turnover to the

organization can also be quite high (Keashly *et al.*, 1994; Ribelin, 2003).

3. RESEARCH QUESTIONS AND HYPOTHESIS

This research study is conducted to know about the relationship of leadership styles with the job satisfaction of employees and the leadership style that is most common in practice in the banking sector of Pakistan. Hence the main research questions of this study are:

RQ1: Which leadership style, transactional or transformational, has significant relationship with the job satisfaction of employees working in the private banking sector of Pakistan?

RQ2: Which leadership style, transactional or transformational, leaders have adopted in the private banking sector of Pakistan as perceived by employees?

Hypothesis

Based on above research questions following hypothesis are developed for this research study.

H₁: Transactional leadership style has significant relationship with the job satisfaction of employees working in the private banking sector of Pakistan.

H₂: Transformational leadership style has significant relationship with the job satisfaction of employees working in the private banking sector of Pakistan.

H₃: Transactional leadership style is more adopted by leaders working in the private banking sector of Pakistan as compared to

Transformational leadership style as perceived by the employees.

4. RESEARCH DESIGN AND METHODOLOGY

4.1 Participants

In total, 230 participants from different branches of five private banks (Allied Bank, Bank Alhabib, Bank Alfalah, MCB Bank, and Standard Chartered bank) located in four districts (Lahore, Okara, Sahiwal, and Sargodha) provided data for this research study. Branch managers were excluded to fill in questionnaires because they were assumed as leaders and data was collected from their respective branch staff. Data was collected about 24 branch managers.

4.2 Instrument

Questionnaire was used to collect data on leadership styles, employees' job satisfaction and about demographic characteristics of employees. A five point likert scale ranging from strongly disagrees to strongly agree was used to categorize data on different dimensions of leadership styles and employees' job satisfaction. In this research study Multifactor Leadership Questionnaire (MLQ) was used to measure leadership styles and the instrument was adopted from Avolio (1990). Minnesota Satisfaction Questionnaire was used to measure the level of job satisfaction among employees and instrument was taken from the research study of Sakiru *et al.* (2013). The questionnaire after localizing was tested to check its reliability and results are shown in table 1.

Table 1: Scale reliability

Scale	Cronbach's alpha	No. of items
Transformational leadership	0.718	12
Transactional leadership	0.933	8
Job satisfaction overall	0.977	10
	0.895	30

The results showed all the values were above 0.7 with overall scale reliability value of .895 which shows the instrument is reliable.

4.3 Procedure

All the questionnaires were distributed directly to participants by taking permission from the branch managers of respective branches. Participants were informed about the purpose of research and were assured that all results will remain anonymous. They were given one day to complete the questionnaire and then collected back personally. Total 250 questionnaires were distributed to the banking staff working in different branches of five banks located in four districts of Punjab province and 230 were received back completed in all respect and used for analysis. Convenience sampling technique was used to distribute questionnaires.

5. RESULTS

Table 2: Correlation

		Transactional leadership	Job satisfaction	Transformational leadership
Transactional leadership	Pearson Correlation	1	0.933**	0.136
	Sig. (2-tailed)		0.000	0.474
	N	230	230	230
Job satisfaction	Pearson Correlation	0.933**	1	0.182
	Sig. (2-tailed)	0.000		0.334

First section of the questionnaire contains information about demographic characteristics of employees who provided data and this shows that out of 230 employees 184 (80%) were male and 91% were married. More than 50% of employees (56%) had age above 45 years while 54% had graduate degrees. In terms of working experience 52% employees had more than 20 years of experience but as far as their salaries were concerned 64% were getting monthly salaries of more than Rs. 60,000. Out of 24 branch managers about whom data was collected, 21 were males and just three were females.

The correlation value between transactional leadership and job satisfaction is 0.933 that shows a significant relationship as shown in table 2. This reveals that there is a strong positive correlation between transactional leadership and employees' job satisfaction. However, the correlation value between transformational leadership and job satisfaction is 0.182 that indicates an insignificant relationship. Although this value is also positive but it shows a weak positive correlation between transformational leadership and employees' job satisfaction. This result accepts H₁ and rejects H₂.

	N	230	230	230
Transformational leadership	Pearson Correlation	0.136	0.182	1
	Sig. (2-tailed)	0.474	0.334	
	N	230	230	230

** . Correlation is significant at the 0.01 level (2-tailed)

Descriptive statistics as shown in table 3 indicates that the mean Value of transactional leadership (4.0917) is greater than the mean value of transformational leadership (3.1361) which shows

transactional leadership style is more adopted by leaders as compared to transformational leadership style. This result accepts H₃

Table 3: Descriptive statistics

	Mean	Std. Deviation	N
Transactional Leadership	4.0917	0.27691	230
Job Satisfaction	3.8367	0.32188	230
Transformational Leadership	3.1361	0.35716	230

6. CONCLUSION, LIMITATIONS & RECOMMENDATIONS

This research study shows that the transactional leadership style is more adopted by branch managers in the private banking sector of Pakistan and this is the main leadership style that can increase the employees’ job satisfaction significantly due to strong positive correlation with their job satisfaction. These results are very important for the higher management of the private banking sector and they should train their branch managers to adopt transactional

leadership style to enhance employees’ job satisfaction. But the results of this research study cannot be generalized to the whole banking sector of Pakistan due to limited number of selected private banks with limited sample size of 230. In future, we need to include more banks (private & public) as well as districts from other provinces of Pakistan to further strengthen the results of this research and to generalize the results to the whole banking sector of Pakistan.

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