



## TRANSFORMATIONAL – TRANSACTIONAL LEADERSHIP AND EMPLOYEES' JOB SATISFACTION

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### ABSTRACT

*The present study tries to evaluate relationship between transformational - transactional styles leadership and employees' job satisfaction in public sector organizations. According to the literature, leadership style of the managers and employees' job satisfaction are positively associated each other. Therefore two hypotheses were formulated for the study project.  $H_1$  - there is a strong positive relationship between transformational leadership and employees' job satisfaction and  $H_2$  - there is a negative relationship between transactional leadership and job satisfaction. Cross sectional data were used to examine the relationship between the studied constructs. Employees from service sectors (Public administration and education) were the sample. Self-administrated questionnaires were issued among conveniently selected samples of 149 to measure the variables. Correlation coefficient and regression techniques were used to test the hypotheses.  $H_1$  ( $r=0.702$ ) was accepted and  $H_2$  ( $r= 0.328$ ) was rejected.*

**Keywords:** Transformational Leadership, Transactional Leadership, Job Satisfaction, Public Sector.

### 1 INTRODUCTION

Leadership style and job satisfaction have been a theme to many researchers for several decades. Employees' perception about leader's qualities or behavior leads to various favorable and unfavorable behavior in the organizations. Perceived leadership style and practice style may differ due to the system adopted in the organization such as communication, believe on transparency, nature of the employees and etc. however the perceived leadership style of the leaders is one of the reasons behind the subordinates' satisfaction or dissatisfaction on their job.

A substantial number of researches have accumulated on transformational and transactional leadership theory. Both types of leadership are practiced in organizations. Burns(1978) introduced transformational leadership theory and Bass(1985) developed it based the conceptualization of burns' theory. Bass (1985) register his disagreement in relation to some of the properties of Burns' theory. He says transformational and transactional leaderships are not in the opposite side of a single continuum. Since they are separate theories, a best leader must practice both in an organization to attain intended goals. In practice, employees who are working in the organizations possess different characteristics, expectations and needs therefore different mechanism is needed to influence their behavior.

In Sri Lanka, the state sector employs a large number of employees to provide various profits oriented or non -profit oriented services to the citizens. Public administration, education in all levels, health and etc. are nonprofit making and essential services offered to the people in the nation.

Most of the government departments provide services to the society, but everyone could observe that the customer care of the departments is not at the appreciated level in many circumstances. Employees in the public sectors do not know the value of the service, the vision of the organization and the important of the customer satisfaction. Generally leaders in the government departments fail to articulate the vision and objectives of the organization among the employees. They are trying to keep distance from the employees physically as well as mentally. The distance created by leader and the system cause different perception about the practices in the departments. Ultimately, employees understand the fact to match his/her own value system. This study designed to measure how does the different perception about the leadership style of the heads of the departments affect the job satisfaction of the employees.

## 2 LITERATUR REVIEW

There are many theories seemed in the literature on leaders' behavior. A greater number of researches carried out around transformational and transactional leadership. James Burns firstly described transformational leadership in 1978, it represents a leadership style in which leaders demonstrate charisma and shared vision among followers (Burns, 2010.) As being a role model to the followers, followers or employees realize the vision is practical and dedicate their energy to achieve the vision. Transformational leaders articulate their vision by clear communication. Moreover, transactional leadership valued reward and monitoring system. Transformational and transactional theory looks at leader behavior in a different perspective. Relationship between a leader and follower is determined by many factors. According to Lai (2007) Transformational leaders influence follower by charisma and follower accept the vision of the leader as theirs, therefore, stimulating others to produce exceptional work whereas transactional leadership is more of a "give and take" working relationship – rapport between leader and follower is established through exchange, such as a rewards system for meeting particular objectives. Conger and Kanungo (1998) cited in Judge and Piccolo (2004) say both of the leadership styles connect to what the leader and follower gives one and another. Transformational leaders focus higher order intrinsic needs whereas transactional leaders focus on the proper exchange of resources. The theory undergone several revision, the recent model consists of four dimensions of transformational leadership and three dimensions of transactional leadership (Judge and Piccolo, 2004).

Transformational – transactional leadership comprises many constructs/dimensions, these dimensions they have been used by researchers to measure leadership style that is practiced by managers in work places. Bass (1985) described four dimensions of transformational leadership such as idealized influence (attributed and behavioral), inspirational motivation, intellectual stimulation and individual consideration.

Idealized influence refers to charisma of the leader. To what extent the leader is able to role model and exhibit moral and ethical principles to influence behavior of the followers (Avolio and Bass, 1995).

Inspirational motivation is described as extent to which a leader is also capable of being a cheerleader, so to speak, on behalf of his or her followers (Lai, 2007), so the leaders demonstrate enthusiasm and optimism, and emphasize commitment to a shared vision (Avolio and Bass, 1995).

Intellectual stimulation connects to innovation and creativity, in the way of solving problems they induce followers to find innovative solutions (Avolio and Bass, 1995).

Individual consideration relates to caring followers wellbeing and developmental needs. Here leaders perform their roles as coaches and mentors. Individual needs and preferences in the group are taken into consideration. Therefore leaders establish two way communication system (Avolio and Bass, 1995).

Transactional leadership highly associated with reward, monitoring and controlling followers. Leaders maintain psychological distance with followers. Sense of active membership in the group is missing due to the attempt made by the leaders to achieve goals. Generally two major dimensions of the transactional leadership examined in the researches contingent reward, management by exception whereas some researchers separately looked at management by exception as active and passive, and Laissez-faire.

Contingent reward refers to the extent to which effective transaction and exchange is set-up between leader and followers. Here, employees or followers are motivated to perform the task on the implicit or explicit agreement between leaders and followers.

Management-by-exception describes whether leaders act to either prevent (active management) or resolve (passive management) problems as they arise. The absence or avoidance of any leadership behaviors is termed "laissez-faire leadership." Howell and Avolio (1993), pointed out difference between active and passive management- by –exception is time related intervention of leaders in solving problem faced by the employees. The active leaders are proactive therefore anticipate problem and have their eyes on behavior of the employees, so they are able to take corrective actions before the problems become serious. On the other hand, passive leaders wait until behavior becomes problem. The third dimension of transactional leadership is Laissez-faire, describes as no leadership, this type of leaders avoid decision making. Some researchers noted that Laissez-faire is not under transformational or transactional leadership therefore it should be considered separately (Avolio, 1999; Bass, 1998).

Bass (1997) says transactional leadership as a necessary leadership practice to managers to attain desired outcomes.

### 2.1 Job Satisfaction

Job satisfaction is one of the most frequently studied work attitudes. There are more than 12,000 job satisfaction studies published by the early 1990 (Kinicki et al., 2002). A sizeable amount of work in the job satisfaction literature has been devoted to developing conceptual and operational definitions of the job satisfaction construct, including overall or general job satisfaction and satisfaction with facets of jobs such as the work itself, co-workers, supervision, pay, working conditions, company policies and procedures and opportunities for promotion (Oshagbemi, 2003). There are many determinants of job satisfaction in the management related literature and categorized into two broad headings such as content and context factors. Job satisfaction is described as the positive feeling held by the employees on their job.

### 2.2 RELATIONSHIP BETWEEN TRANSFORMATIONAL – TRANSACTIONAL LEADERSHIP AND JOB SATISFACTION

Relationship between leadership style and job satisfaction studied by many authors with different samples from various discipline such as health, education, industries and business organizations (Dobbins & Zaccharo, 1986; Jensen, White, & Singh, 1990; Bruns & Shuman, 1988) All these studies confirmed that leadership influences job satisfaction of employees.

Fernandes, & Awamleh, (2004) studied the extent to which both of the leadership style are associated with job satisfaction using sample of 141 employees who are working international companies in U.A.E. and found transformational leadership style of

managers positively related with employees' job satisfaction and transactional leadership style also positively associated with job satisfaction.

Judge & Piccolo (2004) examined a wide range of previous studies and reported that transformational leadership and transactional (contingent reward) both have strong validity.

Stumpf (2003) did study using 126 professional in USA and found that 30% of variation in job satisfaction is explained by transformational leadership whereas only 8% of variation in job satisfaction is explained by transactional leadership.

Yavirach,(2012) examined using samples of university employees in Thailand and found that subordinates' job satisfaction had higher direct effects from transactional leadership than transformational leadership. Alamir(2010) studied 502 employees from six private organization and revealed that transformational and transactional leadership has a positive impact on both job satisfaction and organizational commitment.

Research finding of Saleem(2015) revealed that transformational leadership has a positive impact on job satisfaction and transactional leadership has a negative impact on job satisfaction.

A research carried out by Nguni, Slegers & Denessen(2006) shows transformational leadership dimensions to have strong effects on teachers' job satisfaction, organizational commitment, and organizational citizenship behavior at the same time Job satisfaction appears to be a mediator of the effects of transformational leadership on teachers' organizational commitment and organizational citizenship behavior..

### **3 PROBLEM STATEMENT**

Leadership style practiced by the leaders is one of the major determinants of job satisfaction. Employee perception causes positive or negative feeling about job. Especially employees' perception about leader influences their job behaviour. On the other hand, every government sector organization in Sri Lanka needs to satisfy large number of customers. So their quality of service highly affects the society. Due to the nature of the services, the service providers are considered inevitable part in deciding service quality. It was proved that satisfied employee will look after their customer in good manner. Therefore job satisfaction is one of the factors that enhance the wellbeing of the society through providing better services. This study is trying to answer the following question. Is there any relationship between perceived leadership styles (transformational or transactional) and the job satisfaction of the employees?

### **4 SIGNIFICANCE OF THE STUDY**

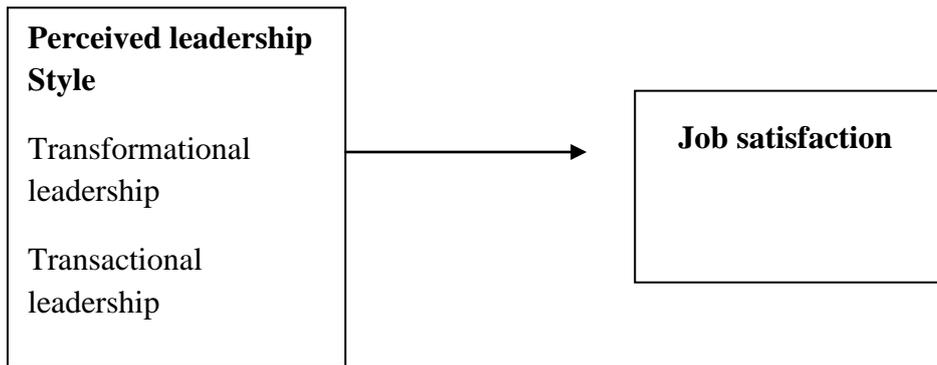
Theories of leadership and job satisfaction say factors other than non -financial benefits are more instrumental than financial means. Free education, health service and public administration related services are offered at free of charge to all population in Sri Lanka by the government. In government sector, managers are working with financial limitations. They cannot give financial rewards (without approval) to the employees to motivate them to achieve goals. Salary level of government sector employees in comparing with cost of living is at moderate level. But job offers other benefits such as pension, job security and etc. however, job satisfaction of government sector employees largely influenced by the leadership style of the Heads of the sections. Transformational leadership theory specifies idealized influence, inspirational motivation, intellectual stimulation and individual consideration as the ways to influence employees to achieve shared vision. Therefore it is obvious if managers practice transformational leadership could receive greater outcome.

Employees and leaders relationship has been changing from relational to transactional due to the socio, economic and technological factors in worldwide. However, employees expect reasonable return from the organizations for their effort. Therefore transactional leadership theory has validity in the government sector. With all these thoughts, the present study addresses transformational and transactional leadership style and their association with job satisfaction of public sector employees. Finding of the study supports to gain more knowledge in the area of leadership

### **5 OBJECTIVES OF THE STUDY**

- To identify the relationship between transformational leadership style and job satisfaction of the employees.
- To identify the relationship between transactional leadership style and job satisfaction of the employees
- To find out the impact of leadership styles on Job satisfaction

## 6 CONCEPTUAL MODEL



## 7 HYPOTHESES

H<sub>1</sub>- there is a strong positive association between transformational leadership and job satisfaction

H<sub>2</sub>- there is a negative relationship between transactional leadership and job satisfaction

## 8 METHODOLOGY

Necessary data for this study have been collected through self-administered questionnaire. The statements in the instrument cover demography of the respondents, their immediate heads of the sections' leadership style and their job related feelings. Convenient sampling method was used to select sample respondents from government departments. 200 questionnaires were distributed among employees who are working in education and public administration sectors. 149 responses were received.

**Transformational leadership :** Transformational leadership was measured by Multifactor Leadership Questionnaire developed by Bass & Avolio (1995). 20 statements given to the subordinates which describe leaders' behavior in the organization in relation to attainment of organizational goals and dealing with subordinates. Twelve statements were given to measure intellectual stimulation, inspirational motivation and individualized consideration and eight items were given to measure idealized influence. Transactional leadership also measured by Multifactor Leadership Questionnaire developed by Bass & Avolio (1995). It consists of five statements to measure contingent rewards and management-by-exceptions.

**Job Satisfaction:** the Minnesota Satisfaction Questionnaire was used to measure job satisfaction of the employees. This is a 20-item questionnaire rated on a 5-point Likert type scale with anchors 1 = "Very Dissatisfied" and 5 = "Very Satisfied". The internal consistency reliability of the job satisfaction scale was found to be .82. (Ünuvar, 2006).

Though the standard questionnaires were used (with small modification) to measure the response of the sample employees. Prior to the analyses, all variables were examined for accuracy of data entry and missing values. Missing cases were excluded from the data while carrying out analyses.

Table 1 Reliability of the Instrument

Constructs	Number of items	Cronbach's Alpha (α)
Transformational Leadership	20	0.81
Transactional Leadership	5	0.79
Job Satisfaction	20	0.82

Source: Survey Data

## 9 RESULTS AND DISCUSSION

### 9.1 DESCRIPTIVE STATISTICS

Among the respondents 63% are male and 37% are female and their age ranges are 25-34years (18%), 35-44years (38%), years 45- 54 (44%) years. Majority of the sample reported their practices transactional leadership style (66%) whereas 34% pointed out their Heads of the section are transformational leaders. The level of qualifications amongst the sample was 32.3% of the sample have G.C.E(A/L) qualification; 52.4% of sample completed Bachelor degree and 15.3% of sample are working with master degree. At the same time 64% of sample employees commented their Heads of the department are transformational leaders whereas 36% reported their Heads of the department are transactional leaders. Among the total sample 52% of female and 48% of male are satisfied on their job..

Table 2 RELATIONSHIP BETWEEN LEADERSHIP STYLES AND JOB SATISFACTION

Variables	r	r <sup>2</sup>	Significance
Transformational leadership & job satisfaction	0.702**	0.492	0.000
Transactional leadership & job satisfaction	0.328*	0.108	0.021

Source: Survey Data

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

\*Correlation is significant at the 0.05 level (2-tailed).

Relationship between independent and dependent variables has been explained using the correlation coefficient. According to the hypothesis 1 transformational leadership style and job satisfaction are positively related to each other  $r=0.702$  at 1% significant level. 49% of variation in job satisfaction is explained by transformational leadership style. Therefore  $H_1$  was accepted. Further the value of  $r$  is 0.328 in the second analysis shows that there is a positive low correlation exists between two variables. 10.8% of variation in job satisfaction is explained by transactional leadership practices. Therefore  $H_2$  was rejected.

## 10 CONCLUSION

Previous studies on transformational and transactional leadership and job satisfaction give mixture of outcomes. All empirical studies reported positive association between transformational leadership and job satisfaction whereas transactional leadership studies revealed positive or negative association. Here statement given by Bass (1997) is suitable to recall. Transactional leadership practices are also necessary to attain organizational goals. The present study confirmed previous studies carried out by Fernandes, & Awamleh, (2004).

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