

IMPACT OF TRANSFORMATIONAL LEADERSHIP ON JOB SATISFACTION & TURNOVER INTENTION, MODERATING ROLE OF ORGANIZATIONAL CULTURE: A STUDY OF BANKING SECTOR IN PAKISTAN.

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ABSTRACT

The aim of this study was to find out the impact of Transformational Leadership Style on job satisfaction and turn over intention moderated by organizational culture in the banking sector of Pakistan. Data was collected from 135 working employees of two foreign and seven local banks of Pakistan. Results indicated that transformational leadership had a positive and significant impact on job satisfaction, while turnover intention was not directly affected by transformational leadership. Results also indicated that organizational culture did not moderate the relationship between transformational leadership and job satisfaction, but the combined effect of transformational leadership and existing organizational culture reduce the turnover intention of employees in the banking sector of Pakistan.

INTRODUCTION

In the last one decade or so, transformational leadership theory got central position in leadership literature. Concept of transformational leadership is universally recognized (Bass, 1999). As per theory of transformational Leadership, leaders strongly influence followers by creating meaningful work (Purvanova, Bono, & Dzieweczynski, 2006). A large number of studies have been conducted on leadership theories specifically on transformational leadership, its impact on individuals and on organizations as well. Transformational leaders strengthen the motivation and morals of their followers (Bass, 1999). It is evident from the past literature that leadership and organizational culture is significantly linked with employees and organizations. Studies suggest that transformational leaders enjoy more benefits than non Transformational leaders (Bolkan & Goodboy, 2011).

Despite other researches, little attention has been devoted on exploring the link between transformational leadership and its impact on followers specifically in Pakistan, and it is also noticed from previous studies, that moderating role of organizational culture in the link between transformational leadership & employee behavior has not being studied yet. Business leaders often experience increased retention and reduced employee turnover by providing training opportunities for their employees that engage them in co-creating the

vision and objectives for the organization in providing excellent customer service (Maier, 2011). Tactical and strategic thinking and culture building by leaders are the key requirements of effective organizations (Bass & Avolio, 1993)

Impact of transformational leadership on organizations and followers is widespread. This is motivational to test its impact on employee attitude moderated by organizational culture. There is a positive link between manager's transformational leadership behavior and employee's behavior (Nguni, Slegers, & Denessen, 2006). Job satisfaction is the most important element of work environment (Ali & Sabri, 2001).

This study intends to test the relationship between transformational leadership, organizational culture and employee attitude in banking sector of Pakistan. The objective of this study is to check the said impact of leadership style in the banking sector of Pakistan. This study could be helpful for leaders to determine how their leadership traits can influence employee attitude. Transformational leadership occurs when leaders get hold of their employees to recognize the mission of the group, and when they motivate and intellectually inspire employees to be their best (Bolkan & Goodboy, 2011).

Transformational leadership is intense on development and progress, solidity, authorization and self-confidence, and in this way transformational leadership is different from transactional leadership (Mohammad, AL-Zeaud, & Batayneh, 2011).

REVIEW OF LITERATURE

Job Satisfaction

Job satisfaction is defined as “the extent to which a job provides general satisfaction to the worker, meets personal and/or professional needs and goals and is congruent with personal values (Aktaruzzaman, Clement & Hasan, 2011). Job satisfaction can also be defined as the emotional reaction of employees towards work based on the comparison of the actual results and the expected ones (Mohammad et al., 2011)

Job satisfaction directly affects productivity of employee and organizational performance. Any job that fulfills one’s expectations the person is satisfied with his/her job (Aktaruzzaman et al., 2011). Intrinsic & extrinsic satisfactions are two facets of job satisfaction. Intrinsic satisfaction is related to job itself, and extrinsic satisfaction is related to the environment in which the job is performed (Bogler, 2001). In this study, job satisfaction will be considered as a general concept. Job satisfaction can be effected by numerous factors including salaries, fringe benefits, self-independence, recognition, achievement, working conditions, communication, colleagues, organizational climate, importance of work, mutual personal contacts and many others (Mohammad et al., 2011).

Turnover Intention

Studies of turnover intention focus on members leaving the organization rather than entering it. Turnover intention is being indirectly affected by job stress leading to job dissatisfaction (Karsh, Booske & Sainfort, 2005). There is an unfavorable implication of turnover intention in human service professions for clients and for companies as well (Ducharme, Knudsen, & Roman, 2008). Turnover intention can directly or indirectly be reduced by coworker support (Roman et al., 2008). Affective commitment and job satisfaction have negative relationship with turnover intention (Carmeli & Weisberg, 2006).

Transformational Leadership

The concept of transformational leadership emerged, when Burns started work on Leadership in 1978. In it he attempted to create a link between the leaders & followers (Mary, 2005). Transformational leadership creates positives changes in followers. Bass and Avolio finally divided leadership into three forms, *laissez-faire*, Transactional and Transformational leadership. Bass argued that Transformational and Transactional leadership are two different concepts and the best

leaders are those who have mixed characteristics of transactional and transformational leadership styles (Judge & Piccolo, 2004). There are four basic dimensions of transformational leadership which are idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Idealized influence deals with the degree to which the leader behaves in admirable ways which creates identification of followers with the leader. Inspirational motivation deals with the leadership trait of motivating employees by providing meanings and challenges at work (Tsai, Chen & Cheng, 2011). Followers are motivated by their inspirational leaders. Intellectual simulation involves behaviors that enable followers to view problems in new perspectives and increases the awareness of the problems; individualized consideration includes the availability of coaching, encouragement and support to the employees (Kark, Shamir & Chen, 2003). An effective leader supports team member’s decisions by ensuring the team members that they have the authority to implement policies by empowering the employees (Carless, Wearing, & Mann, 2000).

Organizational Culture

Organizational culture is defined as “A pattern of shared basic assumptions invented, discovered, or developed by a given group as it learns to cope with its problems of external adaptation and internal integration that have worked well enough to be considered valid and therefore, to be taught to new members as the correct way to perceive, think and feel in relation to those problems” (Schein, 1988). The qualities and characteristics of an organizational culture adopted by the followers are being taught by the leader of the organization (Bass & Avolio, 1993). Organizational culture is influenced by the diverse collection of variables (Witte & Muijen, 1999). Relationship between Organizational culture and overall job satisfaction could be described as a universal pattern (Zavyalova & Kucherov, 2010). Researches consider the concept of organizational culture as an important topic for discussion (Witte & Muijen, 1999). There is a direct relation between level of organizational culture strength and level of job satisfaction (Zavyalova & Kucherov, 2010). In different societies, the connotation of culture is different and its impact on organizations and their development is different as well (Khan & Afzal, 2011). In order to enhance the organizational performance and develop competitive advantage, dynamic organization should consider organizational culture as an important aspect (Khan & Afzal, 2011). Organizational culture and national culture are two different things, but it is not

clear that which one is more important to understand the organization (Ruigrok & Achtenhagen, 1999). Organization's ability to function and perform is being affected by the organizational culture (Khan & Afzal, 2011). For the head office unit and in-unit relationships organizational culture is an important coordination mechanism (Ruigrok & Achtenhagen, 2010). Ogbonna and Harris (2000) measured organizational culture in four dimensions i-e Innovative, competitive, Bureaucratic and community culture. But in this study only innovative and competitive culture will be considered. Organizational performance is directly linked with innovative and competitive culture (Ogbonna & Harris, 2000).

Transformational Leadership and job Satisfaction

Leadership plays a central role in affecting job satisfaction (Mohammad et al., 2011). Organizational leadership have an impact on job satisfaction (Elpers & Westhuis, 2008). Research suggests that employees have higher perceived satisfaction level with transformational leadership style (Hsu & Chen, 2011). School teachers having leader with leadership traits such as information sharing, authority delegation, open channels of communication with teachers, reports greater satisfaction in their jobs (Denessen et al., 2006). Research suggests that the relationship of transformational leadership and work related outcomes such as organizational commitment, perceptions of organizational withdrawal behaviors, and facets of job satisfaction have moderating effect of collectivism (Walumbwa & Lawler, 2003).

Transformational Leadership and Turnover Intention

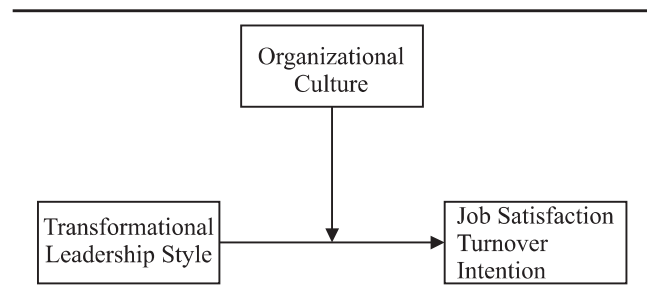
Higher intention to leave is being caused by lower supervisory support, higher job tension, and lower income (Fakunmoju, Woodruff, Kim, LeFevre, & Hong, 2010). If employees get stressed and they don't find support by their leaders they will be burn out which results higher turnover intention. Turnover intention can be reduced by greater satisfaction and by implication of some leadership qualities (Furtado, Batista, & Silva, 2011).

Organizational Culture as a Moderator between Transformational Leadership and Job Satisfaction/ Turnover Intention

Turnover intention is predicted by satisfaction and commitment, while satisfaction and commitment is predicted by job and organization factors (Karsh, Booske, & Sainfort, 2005). Leadership and culture

are linked with organizational performance (Ogbonna & Harris, 2000). Certain deeply fixed models of management behaviors are reflected by corporate culture (Wei, Liu, & Herndon, 2011). Implementation of successful organization practices such as SHRM could be facilitated by an appropriate culture (Wei et al., 2011). Organizational learning culture can moderate the relationship of psychological empowerment and organizational commitment (Joo & Shim, 2010). Fakunmoju et al., (2010) suggested in their study to explore the intervening factors between supervisory support and turnover intention. Cultural forces can moderate the impact of transformational leadership on outcomes (Walumbwa & Lawler., 2003). Based on the literature of previous studies, moderating effect of organizational culture between transformational leadership and job satisfaction/turnover intention will be tested in this study.

THEORETICAL FRAMEWORK



Hypothesis 1. Transformational leadership is significantly and positively correlated with job satisfaction.

Hypothesis 2. High transformational leadership is negatively correlated with turnover Intention

Hypothesis 3. Organizational culture moderates the relationship of transformational leadership and job satisfaction

Hypothesis 4. Organizational culture moderates the relationship of transformational leadership and turnover intention

METHODOLOGY

Data was collected from eight banks in Pakistan, including six local and two foreign banks. Convenience sampling method was used. 200 questionnaires were distributed and 150 were received, out of which 135 were properly filled, so the response rate was 67.5%. All variables were measured by five point likert scale (having end points: 1= strongly disagree, 5= strongly agree). Questionnaire consisted of four variables Transformational Leadership (16 items), Job satisfaction (3 items), Turnover (3 items) and Organizational

Culture (8 items). Scales for all variables were adopted. Correlation and regression analysis was used to analyze the data. Descriptive statistics was used to analyze the demographics of the sample.

Research Instruments

Constructs	Items	References
Transformational Leadership	16	Sosik & Godshalk, 2000
Job Satisfaction	03	Rokhman,(2010)
Turnover Intention	03	Rokhman,(2010)
Organizational Culture	08	Ogbonna & Harris (2000)

TABLE 1
Demographics analysis

Demographic variable	Ranges	Frequencies	%Age
Age	20 or below	11	8.1
	21-25	28	20.7
	26-30	33	24.4
	31-35	29	21.5
	36-40	15	11.1
	41 or above	16	11.9
Gender	Male	81	60
	Female	49	36.3
Education	Bachelors	62	45.9
	Masters	59	43.7
	MS/Phil	11	8.1
	PhD	1	0.7
Tenure	1-5	68	50.4
	5-10	37	27.4
	10 or above	28	20.7
Income level	10000-20000	34	25.5
	20000-30000	48	35.6
	30000-40000	29	21.5
	40000 or above	19	14.1
Marital status	Married	77	57
	Unmarried	51	37.8

n=135

Table 1 shows the demographics composition of respondents. In this study the majority of respondents were males, i.e. 60% and rest of respondents were females. 50% of respondents were having experience in between one to five years, 27.4% are with experience between 5-10 years while the rest of respondents were more than 10 years experienced. Most of the respondents were holding bachelor degree. Majority of respondents were married and fell in age limit of 26-30. 57% were married and most of respondents were getting salaries in

between Rs. 20,000 to Rs. 30,000.

RESULTS

TABLE 2
Correlation Analysis

Variable	Mean	SD	1	2	3	4
1. Transformational Leadership	3.57	.79	(1)			
2. Job Satisfaction	3.77	.94	.720**	(1)		
3. Turnover Intention	2.89	.86	.084	-.111	(1)	
4. Organizational Culture	3.41	.78	.770**	.676**	.121	(1)

p<0.05, N=135; Alpha reliability values are in Parenthesis

Table 2 shows the correlations of independent and dependent variables; transformational leadership is strongly associated with job satisfaction ($p \leq 0.05$, $r = 0.720^{**}$). Same was found by Bogler (2001), ($p \leq 0.01$, $r = 0.56^{**}$) which shows that more the transformational leadership style in banking sector of Pakistan, the more the employees are satisfied with their job. Similarly organizational culture is also positively associated with transformational leadership ($p \leq 0.05$, $r = 0.770^{**}$), whereas there is no association between transformational leadership and turnover intention ($p \leq 0.05$, $r = 0.084^{**}$). This means, employees want to stay in that particular bank if we consider some external factors constant like real salary and better working conditions. The same results were found by Furtado et al., (2011).

TABLE 3
Moderating Analysis

Dependent Variable: Job Satisfaction			
	β	R^2	ΔR^2
Direct Effect: TL	0.720**	0.519	
Moderation			
Step 1			
TL	0.491		
OC	0.298	0.557	
Step 2			
TLxOG	0.266		0.002

Dependant Variable: Turnover Intention			
	β	R^2	ΔR^2
Direct Effect: TL	0.084	0.007	
Moderation			
Step 1			
TL	-0.20		

OC	0.136	0.203
Step 2		
TLxOG	-2.553**	0.188

In Table 3 the Regression matrix shows that there is a direct relationship between transformational leadership and job satisfaction ($\beta=0.720^{**}$, $R^2=0.720$, $\text{sig}=0.000$), but moderation results of organizational culture and transformational leadership indicate that organizational culture has no moderating effect on job satisfaction. Regression analysis shows that there is no direct effect of transformational leadership and turnover intention ($\beta=0.084$, $R^2=0.007$, $\text{sig}=0.330$) but moderation results ($\beta=-2.553^{**}$, $\Delta R^2=0.188$, $\text{sig}=0.000$) indicates that organizational culture is playing a moderating role on the relationship between transformational leadership and turnover intention.

DISCUSSION

Leadership is an important phenomenon in the field of human resource management. Leaders play a vital role in employee satisfaction, transformational leadership and transforms the skills and behavior of the followers, but there are factors which can strengthen or weaken the relationship between transformational leadership and employee satisfaction, e.g. organizational culture. Previously culture has been tested in four dimensions i.e. Innovative, competitive, Bureaucratic and community culture, but in this study only innovative and competitive culture has been assessed. Prevailing organizational culture is a power by which employees are more satisfied with their jobs (Ali & Sabri, 2001). There is significant relationship between transformational leadership style and positive outcomes (Mary, 2005). In this study, the results show the positive and significant relationship between transformational leadership and employee job satisfaction, while the moderator variable i.e. organizational culture does not exist in this relationship. Past studies show that employee task performance can be indirectly influenced by transformational leadership (Tsai, et al., 2011). If a leader talks hopefully about the future, looks at the problems of others in many different angles, help followers in successful accomplishment of their tasks, helping them to develop their strengths, it will definitely enhance employee satisfaction.

Leaders can enhance the satisfaction level of employees by applying transformational leadership style (Hsu & Chen, 2011). In the banking sector of Pakistan, employees get stressed due to extensive work timings. In such situation the managerial support plays a very important role in followers' satisfaction. In the

banking sector of Pakistan, organizational culture is as important as leadership support, but due to high ratio of unemployment innovative and competitive culture does not matter to a lot for employees. Different types of cultures can determine different levels of job satisfaction in different organizations (Zanyalova & Kucherov, 2010).

Results also show that there is no direct impact of transformational leadership on turnover intention specifically in Pakistani banking sector. The reason is again the high unemployment ratio in Pakistan. Employees in Pakistan try to continue their jobs because there are no sufficient jobs available for educated people, so transformational leadership style does not have reportable impact on turnover intention. As far as moderating variable is concerned, organizational culture moderates the relationship of transformational leadership and turnover intention. Transformational leadership style, along with the effects of innovative and competitive culture, has a negative and significant impact on turnover intention in the banking sector of Pakistan. Leaders have more transformational traits, and branches have more innovative and competitive culture, which helps to minimize the turnover intention of employees.

LIMITATIONS OF THIS STUDY

This study has some limitations. First, although the random sample of banking was collected but due to some economic problems like inflation and unemployment, employees seems to be satisfied with their jobs and they are reluctant to respond according to their true feelings. If we encourage respondents to respond in a natural way, the results can be more specific. The second major problem is related with sampling; data which was collected from 135 working employees of seven local and foreign banks located in Rawalpindi, we could have expanded the sample to more banks and other cities as well. Another limitation is that the cultures of foreign and local banks are different and this study does not assess the impact of these different cultures on employee satisfaction and their turnover intention.

CONCLUSION AND FUTURE RECOMMENDATIONS

The main purpose of this study was to examine the impact of transformational leadership style on job satisfaction and turnover intention via organizational culture. Results of this study show that the said leadership style has positive and significant results on employees' job satisfaction and organizational culture does not exist between these two variables. Results also indicate that

transformational leadership style has no direct impact on turnover intention of employees of banking sector of Pakistan but the combined effect of transformational leadership and innovative and competitive culture minimizes the turnover intention. Managers of banking sector of Pakistan should adopt more transformational leadership traits to increase job satisfaction of employees, and to reduce turnover intention in employees. Managers should facilitate them with innovative and competitive culture within the organization, so that employees can excel in their respective field. In future, the comparative study should be carried out to examine the impact of varying culture in foreign and local banks.

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