IMPACT OF TRANSFORMATIONAL LEADERSHIP STYLE ON AFFECTIVE EMPLOYEES' COMMITMENT: AN EMPIRICAL STUDY OF BANKING SECTOR IN ISLAMABAD (PAKISTAN)

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Abstract

Employees are considered to be the most valuable assets of organization. In order to valuably utilize that asset their commitment level should be increased; and leadership style is one of the determinants which can influence the commitment level of the workforce. The purpose of this study is to examine the impact of transformational leadership style on employee affective commitment in banking sector. 4 banks and 293 employees of the banks were selected for study purpose. Findings of the study show that there is significant and positive relation between transformational leadership and employees' affective commitment. The study provides a tool to retain the employee by stimulating their level of affective commitment to the organization. This study recommended that leaders have to adapt transformational leadership style in order to increases the level of affective commitment in the employees of banking sector and provides practical implications for researches interested in exploring the employees commitment with respect to leadership in broader context.

Key Words: Transformational Leadership, Affective Commitment, organizational Commitment, Banking Sector, Employees, Pakistan, Islamabad.

INTRODUCTION

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Organization Strive for lasting success. Success of an organization is dependent on many factors ranging from external to internal; work force is considered to be one of the most important determinants of organizational competitiveness. Capability of an organization to properly utilize the resources put the company on competitive edge. As a matter of fact human recourse is the major driving force of exploitation of all other resources. Human recourse, in fact, is considered to be the vital asset of the organization. Acquiring, maintaining and retaining best workforce is an important success factor in today's organizations. The objective of the organization is not only to acquire workforce but they are looking for an efficient and effective labor force.

Getting workforce that can offer best return is now becoming need of time. Commitment of workforce toward organization is considered essential. Research proves that organizational commitment is equally important for both employees and organizations. Organizational commitment is an important factor and has received a significant worth in studies being carried on in different work settings, because it has been considered as a major factor in determining the organizational performance (Ricketta 2002) and effectiveness (Lashinger 2001). Meyer and Allen (1979) have divided Organizational commitment into three basic components− affective, normative and continuance commitment, out of which affective commitment is more important for employees when they feel their identification with respect to organization. The degree to which employees show their emotional intimacy with organization is largely influenced by leadership style. Ramchandran and Krishnan (2009) found that there is leader and style of that leader is one of the most important determinants of employee's commitment.

Leadership can affect many work related behaviors like, employee's attitude, motivation and performance all of which can affect the levels of organizational commitment (Bass 1985 and Stogdill 1963). Bass (1985) and Stogdills (1963) proposed that there are two main styles of leadership i.e. transformational and transactional.

Transactional leaders encourage followers to achieve predictable degree of performance by serving them to be familiar with job responsibilities, recognize goals and build up self-reliance about meeting the desired performance stage (as cited by Chiun et al. 2009). According to Bass and Avolio (1994) there are three components which are occupied by transactional leaders' i.e. management by exception active, management by exception passive and contingent reward. Transformational leaders bring a positive change in those who follow them. They are mostly vigorous, keen, ardent and paying attention on the success of every member of the group. As past research shows that commitment is affected by employees attitude, their work behavior, motivation and performance and transformational leadership is positively linked with all these which enhance the level of commitment both at employees as well as at organizational level (Dumdum et al. 2002).

As the study is examining the extent to which employee's affective commitment is influenced by transformational leadership style with respect to Pakistani Banking sector. To the best of researchers' knowledge no research has been carried in this regard with respect to Pakistani context which provides a substantial research gap.

The study provides the guideline with which employee affective commitment is enhanced by appropriate exhibition of transformational leadership style in banking sector of Pakistan. The study also provide tool to retain the employee by stimulating their level of affective commitment to the organization. Based on above discussion the study poses the following research question. How transformational leadership style affects the affective employee's commitment? The objective of the study is to

show the impact of transformational Leadership style on employees' affective Commitment toward organization.

THEORETICAL BACKGROUND

Organizational commitment is an important issue that has been and would always been of great importance for organizations. Organizations are always looking for the committed human resource in order to achieve its strategic objectives. As noted by Morris and Sherman (1981) Organizational commitment is an indicator of employee's performance & turnover. It helps organizations to attain its goals as it is the psychological bond between the individuals and organization (Mowday and McCade 1979). It is the relative strength of an employee's identification with and involvement within an organization (Mowday et al. 1982 and Porter et al. 1974).

Meyer and Allen (1979) subdivided the concept of commitment in three parts: affective, normative and continuance commitment. Continuance commitment is that commitment in which employees are continually working for organization because they cannot bear the cost to leave the organization. In normative commitment employees continually works for the organization because they feel their obligations to live in the organization. Affective employee's commitment is the identification and involvement of the individuals in achievement of organizational goals (Meyer and Allen 1997).

There are numerous factors of organizational commitment such as organizational culture, leadership style, job satisfaction, personal characteristics (age, gender, race, job tenure etc.), employees' power their attitude, work behavior, motivation and performance. One personal and organizational factor that is considered as key antecedent of organizational commitment is leadership (Mowday et al. 1982). Shirbagi (2007) states that there is positive relationship between leadership and overall organizational commitment; he also found positive relationship of leadership style with three components of organizational commitment. (Williams and Hazer 1986) states that Leadership has positive and significant impact on organizational commitment. As Stogdill (1963) and Bass (1985)

proposed two types of leadership style i.e. transformational leadership and transactional leadership styles. Transformational leadership has shown significant and positive relationship with organizational commitment while transactional leadership does not positively and significantly correlates with organizational commitment (Lee 2004).

Transformational leaders have great ability to influence organizational commitment by promoting the values which are related to the goal accomplishment, by emphasizing the relation between the employees efforts and goal achievement and by creating a greater degree of personal commitment on part of both follower's as well as leaders for the achievement of ultimate common vision, mission and goals of the organization (Shamir et al. 1998). Transformational leaders motivate subordinates to accomplish more by focusing on their values and provide guidelines for aligning their values with the values of the organization (Givens 2008).

Bass (1998) describes that there are further four facets of transformational leadership– charismatic leadership, inspirational motivation, intellectual stimulation and individualized considerations which are interrelated to each other. Bass (1985) found that Charismatic leadership is further divided into two components on the basis of its attributes one is charisma and other is idealized influence. Inspirational leaders motivate their followers; he influences their commitment and loyalty towards organization by giving their actions a particular direction, building self-reliance and rousing their faith in grounds. Idealized influence makes the followers aware of their importance toward work and provokes keenness, thrill, emotional attachment and commitment toward common goals. Individualized consideration helps out the employee by mounting and educating them. He defines that employees are encouraged by focusing on their logical deliberation and confronting assumptions in intellectual stimulation.

Many researchers have studied relationship between leadership style and organizational commitment and have found that leadership style has significant effect on the commitment level of employees. All these findings are given in different work setting considering many other factors as well. Like, Davenport (2010) found that personality type and Leadership style both are important predictors of organizational commitment. He found that employees with internal locus of control are more committed towards organization/s; similarly employees who follow transformational leaders are also more committed towards their organizations. Similarly Shukui and Xiaomin (2009) found that transformational leadership has positive relationship with employees' commitment but when organizational culture operates between transformational leadership does not positively influence the organizational commitment.

Mert et al. (2010) states that transformational leadership style positively effect organizational commitment of followers. Similar findings were given by Tseng and Kang (2008) when they found that there is positive and significant relationship between transformational leadership style and organizational commitment. Charisma, intellectual stimulation and individualize consideration factors of transformational leadership are more significantly related with organizational commitment and job satisfaction (Emery and Barker 2007). Transformational leadership is positively correlated with the organizational commitment (Avolio et al. 2004). Chiun et al. (2009) states that Different angles of transformational leadership have positive relationship with organizational commitment. Jean Lee et al., (2004) conducted research to find out effects of leadership style on organizational commitment; there results revealed that transformational style of leaders has direct bearing on commitment level of employees.

When considering impact of transformational leadership style on the facets of organizational commitment (Normative, Continuance and Affective Commitment) very little literature is available on the specific issue. Ekeland (2005) found that transformational leadership has positive effect on follower's affective commitment. Transformational leadership has a positive effect on followers' affective and

normative commitment when culture plays a moderating role between them (Ramachandran and Krishnan 2009). Transformational leadership has significant relationship with affective commitment (Chandna and Krishnan 2009)

As transformational leadership is combination of four leadership traits, i.e. idealized influence, individualized consideration, intellectual stimulation and inspirational motivation. Various researchers have found relationship of these traits with commitment. Transformational leadership in its all behaviors is positively and significantly related to continuance commitment, normative commitment and affective commitment (Tseng and Kang 2008). (Chiun et al. 2009) states that three components of transformational leadership i.e. idealize influence, inspirational motivation and intellectual stimulation have positive direct relationship with affective commitment. Individualize consideration has positive relationship with affective commitment as well as normative commitment; similarly intellectual stimulation is positively correlated with both affective and normative commitment (Kent and Chelladurai 2001).

The study aims to thrash out the impact of transformational leadership style of leaders on affective commitment of employees. Using the up given literature following hypothesis can be formulated:

H: Transformational leadership positively affects the affective employees Commitment.

INSERT FIGURE-1 HERE

METHODOLOGY

Population, Sample & Sampling Technique

Banking sector was taken for the this study due to regular interaction between managers (Leaders) and employees in it, so there would be a direct impact of managers leadership style on the behaviors of employees. Population of this study is the banking employees. Questionnaire was used as a tool of data collection. Using simple random sampling technique, four banks (MCB Bank, Habib Bank Limited, United Bank Limited, Allied Bank Limited) were selected. 293 questionnaires were distributed in those branches/banks and 210 questionnaires were received back with a response rate of 71.67%.

Instrumentation

The transformational leadership was measured through multifactor's leadership questionnaires (MLQ) designed by Bass and Avolio (1997) consisting of 17 items. Four facets of transformational leadership were used in MLQ; individualized consideration, inspirational motivation, idealized influence and intellectual stimulation. 5 items for individualize consideration, 4 items for idealized influence, 4 items for inspirational motivation and 4 items for intellectual stimulation were used. Five point likert scales ranging from 1 for never, 2 for seldom, 3 for sometime, 4 for often and 5 for always was used for that purpose. Affective employee's commitment was measured through affective commitment questionnaire of Allen and Meyer (1996) consisting of 6 items. Five point likert scale was used ranging from (strongly disagree = 1 to strongly agree = 5). The overall cronbach's alpha (both of affective employees' commitment and transformational leadership) was amounted to 0.802.

Data Analysis

Data collected through questionnaire was analyzed by using SPSS 17.0

FINDINGS AND CONCLUSION

Findings of the study are given below:

INSERT TABLE-1 HERE

Table 1 shows the demographical information of respondents. This table reveals information regarding Age, gender, qualification, and work experience. Table shows that majority of the respondents (54%) belong to the young age bracket (20-30), 40% belong to age bracket of 31-40 years, 4% belong to age bracket of 41-50 years of age and only 2% of the respondents belong to the age group of above 50. This table also shows respondents division according to gender, it shows that majority of the respondents (60%) are male and only (40%) are female respondents.

When respondents are divided according to their qualification, table shows that majority of the respondents were holding masters degree (79%), only 10% of the respondents belong to the group having bachelors degree, similarly only 10% of the respondents were holding degree above masters, very few of them were having no degree and hold only certificates i.e. 1% having Intermediate level of education. When respondents were inquired about their work experience (94%) of the respondents were having work experience less then 10 or equal to 10 years, employees having work experience between 11-20 years were only (4%) of the respondents and those employees who were having work experience of more than 20 years were only 1%.

INSERT TABLE-2 HERE

Results in Table 2 show the model summary of regression analysis of Independent variables and dependent variable. R value of the table shows the Correlation coefficient (r) of the analysis (r=.543), it show that there is strong and positive relationship between transformational leadership and affective commitment. R2 shows the change in dependent variable due to independent variable, value shows in table (R2=.295) which shows that that 29.5% of the change in dependent variable is due to independent variable and rest can be attributed to other factors.

INSERT TABLE-3 HERE

Results in Table 3 show the significance of relationship between Independent variables and dependent variables. It shows (Unstandardized Coefficients Beta) value that if there is one unit change in Independent variable what would be unit change in dependent variable, the results show that if one there is one unit change in Independent variable (Transformational Leadership) there would be .70 change in dependent variable (affective commitment). It also shows that there is there is significant relationship between transformation leadership and employees commitment (p=.000<.05)

INSERT TABLE-4 HERE

Results in Table 4 show the model fitness. F value of the table shows that there is model fit (between Independent and dependent variables).

DISCUSSION

Findings show that there is significant relationship between Transformational leadership style and affective employees' commitment. It also shows the independent affects of all dimensions of Transformational leadership which also prove that there is significant and positive relationship between transformational leadership and employees' affective commitment.

LIMITATIONS AND FUTURE IMPLEMENTATION OF THE STUDY

Findings of the study reveal that transformational leadership style brings positive changes in the behaviors of employees. In the presence of leader with transformational leadership style there would be higher level of employee commitment. So this study in itself can be used in organizations to increase commitment level of employees. But in order to generalize the results of the study this study should be conducted in various cities, different culture and in various parts of the country at different organizational levels; as this study is conducted on four banks and only one city was selected for study. Similarly the sample size of the study is very small which should be increased in order to increase generalizability of the study. This study can further be enhanced by considering other dimensions/facets of commitment i.e. normative and continuance commitment and other leadership styles. This study can also further hit upon in non-financial organizations in Pakistan.

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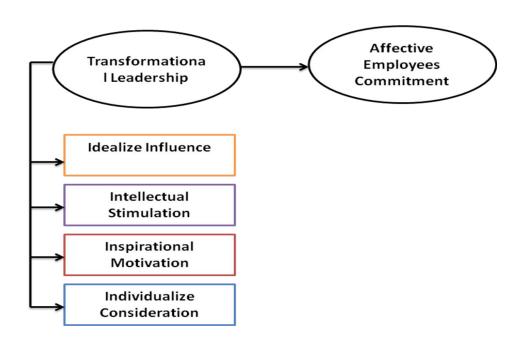
Figure-1 *Research Model*

Table1. Descriptive Statistics of Respondents

		Frequency(f)	**Percentage**
Age	20-30	114	54%
	31-40	84	40%
	41-50	9	4%
	>50	3	2%
Gender	Male	126	60%
	Female	84	40%
Qualification	Intermediate	3	1%
	Bachelors	21	10%
	Masters	165	79%
	Above Masters	21	10%
Work Experience (Years)	1-10	198	94%
	11-20	9	4%
	Above 20	3	2%

Table 2. Regression Analysis (dependent variable "affective employee commitment

		Model Summary		
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.543a	.295	.291	.40064

a. Predictors: (Constant), TL

Table 3 Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.232	.319		3.862	.000
	TL	.707	.076	.543	9.323	.000

a. Dependent Variable: AEC

Table 4 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13.951	1	13.951	86.912	.000a
	Residual	33.387	208	.161		
	Total	47.338	209			

a. Predictors: (Constant), TL

b. Dependent Variable: AEC