

THE IMPACT OF TRANSFORMATIONAL AND TRANSACTIONAL LEADERSHIP STYLES ON THE MOTIVATION OF EMPLOYEES IN PAKISTAN

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Abstract. The role of leadership is very important in building a sustainable business and community organization. The purpose of this study is to find out the association of transformational and transactional leadership with the motivation of employees. The study uses a data consisted of the employees of all private and public banking sector of Pakistan. These banking employees have been randomly selected for ensuring the involvement of various demographic variables. The results of the study show positive and significant relationship between the independent variables transformational and transactional leadership with the dependent variable motivation.

Keywords: Transformational leadership, Transactional leadership, Motivation, Banking sector

JEL classification: M12, M16, M54, N20

I. INTRODUCTION

The effective leadership style certainly improves organizational productivity. Different leaders have their own distinctive leadership styles, that have proved to be closely associated with their organizational performances and

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outputs. Helpful leadership styles are always a part of an organization, where it can confirm to be an asset when a positive kind of planned arrangement is necessary. According to Bass (1985), the transformational leadership style is a systematic way by which subordinates or fellows praise and appreciate their leaders. Resultantly, this style enhances their motivational level, which leads to organizational productivity.

Bass and Avolio (1994) are of the opinion that the transformational leadership produces the interest among the group and followers to observe their occupation through new perspective. Transformational leadership provides the vision mission and consciousness of the industry or any organization which creates the high level of ability and expertise. In addition, that kind of leaders mobilizes the employees to see their own interests that makes the organization fruitful. The growth and determination for sustainability are a need and necessity for approximately every segment.

Therefore, through managers or leaders effective behaviour of an organization can increase its outcome and improve productivity. Without desirable leadership style, it is almost impossible for the firms to achieve their objectives. Therefore, this study will explore that what kind of leadership style is most useful for the organization and then it will be easy to carry on with that style in banking sector of Pakistan.

II. LITERATURE REVIEW

Williams (2009) pointed out that leadership creates understanding and recognition of a group's undertaking, purpose and make the workers to know beyond their own wants and needs for the good of the cluster. The style in which leaders inspire their subordinates is called Transformational Leadership Style (Greenburg and Baron, 2009). Robbins *et al.* (2007) was of the opinion that through contingent reward employees add on the success of a target.

Judge and Piccolo (2004) concluded that there emerges a positive relationship among followers' motivation, transformational leadership and contingent reward.

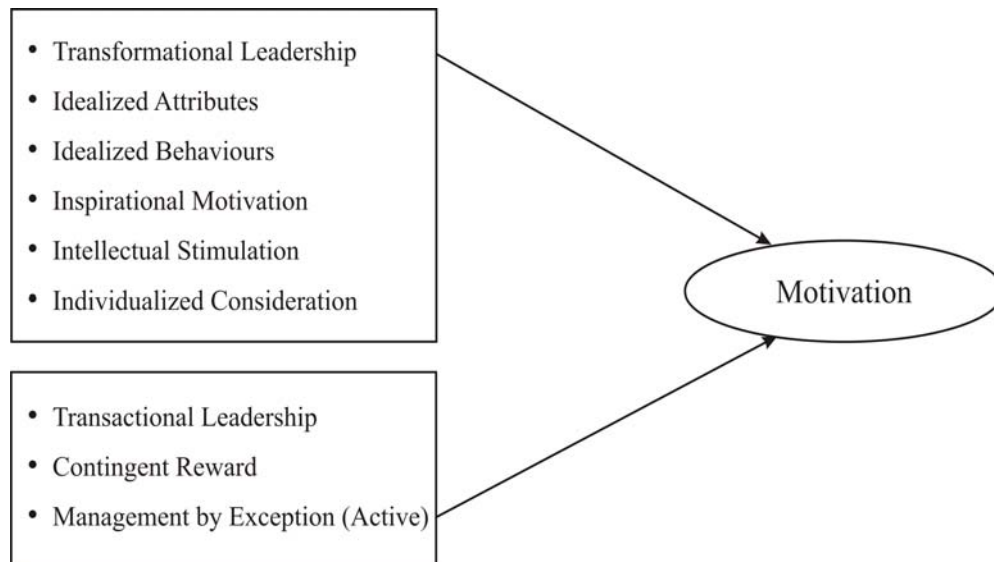
Barbuto (2005) pointed out that transformational leadership and its components have positive and significant association with intrinsic motivation and there is a negative association with individualized consideration. Furthermore, transactional leadership and its components have significant and positive relationship with intrinsic motivation.

Webb (2003) has conducted a study on president’s leadership behaviour associated with followers’ job satisfaction, motivation toward extra effort in various schools, colleges and universities. The results of the study show that there is significant and positive association between the motivation and transformational leadership. Whereas the contingent reward has significant and positive relationship with motivation while management by exception active and passive have significant and negative relationship with motivation.

This study uses the following model for observing the relationship between transformational and transactional leadership styles on the motivation of banking employees in Pakistan.

FIGURE 1

Relationship between Transformational and Transactional Leadership Styles



III. METHODOLOGY

The present study is descriptive in its nature based upon a personally administered questionnaire. In the light of various studies conducted on this topic, the MLQ was selected to conduct this study. Before conducting the study, a pilot test was conducted to make the instruments more effective. The standardized (MLQ) questionnaires were modified to make it more responsive. Population includes all major demographic variables. Sample of 475 banking employees working in the Punjab Province was gathered

through random sampling. The response rate was approximately above 80% and 26 questionnaires rejected as they were incomplete. Finally 350 questionnaires were selected for analysis purpose.

TABLE 1
Demographic Characteristics of Respondents (N = 350)

Characteristics	N	Percent	
Age (Years)	20-24	47	13.43
	25-29	170	48.57
	30-34	66	18.86
	35-39	29	8.28
	40 and above	38	10.86
Experience (Years)	1-4	113	32.29
	5-9	109	31.14
	10-14	78	22.29
	15-19	29	8.28
	20-24	9	2.57
	25-29	5	1.43
	30-36	7	2.00
Level of Job	Entry level	83	23.71
	Middle level	237	67.71
	Top level	30	8.57
Qualification	Graduation	98	28.00
	Master	220	62.71
	Others	32	9.14
Marital Status	Single	170	48.57
	Married	180	51.43
Gender	Male	264	75.43
	Female	86	24.57

Some descriptive tests were applied to find out the characteristics of the respondents such as gender, age, designation, qualification, experience and

the sector in which they are currently serving whether public or private. The results of the study are presented in Table 1.

Descriptive statistics for dependent variable and independent variables are presented in Table 2.

TABLE 2
Descriptive Statistics for Dependent Variable and Independent Variable

	Mean	Std. Deviation
Transformational Leadership	2.9951	0.55786
Idealized Attributes	2.9712	0.63522
Idealized Behaviours	3.0000	0.75165
Inspirational Motivation	3.1124	0.68289
Intellectual Stimulation	2.9092	0.55726
Individualized Consideration	2.9829	0.65882
Transactional leadership	3.1745	0.63465
Contingent Reward	3.2023	0.71550
Management_by_Exception (Active)	3.1466	0.68101
Laissez Faire	2.4613	1.10385
Management by Exception (Passive)	2.4326	0.95224
Passive/Avoidant	2.4469	0.97022
Motivation	4.1942	1.01525

Transformational leadership has positive and significant impact on Motivation ($r = 0.313$, $p < 0.01$). Idealized Attributes has positive and significant relationship with Motivation ($r = 0.356$, $p < 0.01$). Idealized Behaviours has positive, moderate and significant relationship with Motivation ($r = 0.246$, $p < 0.01$). Inspirational Motivation has also positive, moderate and significant relationship with Motivation ($r = 0.237$, $p < 0.01$). Intellectual Stimulation has also positive, moderate and significant relationship with Motivation ($r = 0.202$, $p < 0.01$). Individualized Consideration has positive, moderate and significant relationship with Motivation ($r = 0.286$, $p < 0.01$).

Correlations of transformational and its traits with independent variables are presented in Table 3.

TABLE 3

Correlation of Transformational and its Traits with Independent Variable

Motivation		
Transformational leadership	Pearson Correlation	0.313**
	Sig. (2-tailed)	0.000
Idealized Attributes	Pearson Correlation	0.356**
	Sig. (2-tailed)	0.000
Idealized Behaviours	Pearson Correlation	0.246**
	Sig. (2-tailed)	0.000
Inspirational Motivation	Pearson Correlation	0.237**
	Sig. (2-tailed)	0.000
Intellectual Stimulation	Pearson Correlation	0.202**
	Sig. (2-tailed)	0.001
Individualized Consideration	Pearson Correlation	0.286**
	Sig. (2-tailed)	0.000

Note: ** Correlation is significant at 0.01 level (2-tailed)

The present study shows that there is positive and significant association between Transformational Leadership and Motivation. The results of the study reveal that there is significant and positive relationship between Idealized Attributes and Motivation. The study indicates that there exists a positive and significant relationship between Idealized Behaviour and Motivation. Furthermore, there exists a positive and significant relationship between Inspirational Motivation and Motivation and there emerges a positive and significant association between Intellectual Stimulation and Motivation. There exists a positive and significant relationship between 'Individualized Consideration' and Motivation.

The results of the study show that there exists a positive and significant relationship between Transactional Leadership and Motivation and there is positive and significant relationship between 'Contingent Reward' and Motivation while a positive and significant relationship between Management by Exception (Active) and Motivation is also observed.

Correlation of transactional and its traits with independent variable are presented in Table 4.

TABLE 4
Correlation of Transactional and its Traits with Independent Variable

Motivation		
Transactional leadership	Pearson Correlation	0.362**
	Sig. (2-tailed)	0.000
Contingent Reward	Pearson Correlation	0.295**
	Sig. (2-tailed)	0.000
Management by Exception (Active)	Pearson Correlation	0.378**
	Sig. (2-tailed)	0.000

Note: ** Correlation is significant at 0.01 level (2-tailed)

Transactional Leadership has positive and significant relationship with Motivation ($r = 0.362, p < 0.01$)

Contingent Reward has also positive and significant relationship with Motivation ($r = 0.295, p < 0.01$)

Management by Exception has positive and significant relationship with Motivation ($r = 0.378, p < 0.01$)

The relationship between the components of transformational leadership styles (which include idealized attributes, idealized behaviour, individualized consideration, intellectual stimulation and inspirational motivation) and motivation of the employees of banking sector in Pakistan appears to be positive and significant.

Furthermore, the study reveals a positive and significant relationship between the components of transactional leadership styles (which include contingent reward and management by exception) and motivation of the employees of banking sector in Pakistan.

V. CONCLUSIONS

The present study tries to analyze the relationship between transformational and transactional leadership styles on the motivation of banking employees in Pakistan. The results of the study show that there is positive and

significant relationship between Transformational Leadership with the motivation. Therefore, employees are motivated with this style of leadership. However, the results of the study show that the impact of transactional leadership styles on the motivation of banking employees in Pakistan is more effective than the transformational style. The study concludes that there should be transactional leadership in the employees of banking sector. When the employees will be more motivated they will work hard and then organizational productivity will go up.

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