Impact of Transformation Leadership on Affective Employee's Commitment

Waqas Amin[1]*, Umair Akram[2], Farrukh Shahzad[3], Mehnoor Amir[4]

[1]School of Economics, Shandong University, Jinan. PR China
27-Shanda nan lu, Jinan. Shandong .China; [2]School of Economics and Management, Beijing University of Posts and Telecommunications PR China; [3]School of Economics and Business Administration, Chongqing University, P.R. China; [4]Management Sciences, COMSATS Institute of Information Technology. Lahore. Pakistan
*E-mail: waqas.amin97@yahoo.com
Tel: +86 13210541883

Abstract

Highly motivated employees of an organization can prove their utility. There are various tools and methods by which employees motivational level can be enhanced. One of these tools is the transformational style of manger. In order to save time and money, this study is conducted in Lahore. 11 Banks (Private and Public) were selected for research purpose. The data was collected through questionnaire. A total of about 200 questionnaires were distributed among different employees, however only 150 employees of bank gave their response.so the response rate was 75 %. The study witnesses the positive and significant association between level of employee's commitment with the organization and transformational leadership style. The research study recommended that mangers should make the best use of their transformational leadership styles in a bid to get the optimum output their employees. It will not only retain the existing employees but would also attract the new employees.

Keywords: Employee's commitment, Transformational leadership, Banking Sector employees

Introduction

Nobody can disagree with the significance of workforces for an organization. Now a day we are facing more competition as compare to past. Some Internal and external forces lead the organization toward efficiency, competency, and then success. Undoubtedly most valuable asset of any organization is its workforce. The core objective of any organization is to make their workforce effective and competent, not only just to hire the labor force. To get the competitive edge organizations should have capability to utilize their resources properly. So as a matter of fact efficient use of all other resources is based on efficient human resources. Human recourse, in fact, is charged with the responsibility of recruiting, training, motivating and retaining employee's human resource department.

To motivate the employees is one of the major functions of human resource department. There are always a large number of factors which can tools up the level of motivation of employees. A few of these functions are external and others are internal. Most important asset of any organization is Transformational leadership (Bass & Riggio, 2006). Organizations with the culture of transformational leadership works more effectively, because it is way better able to adjust to change (Bass & Riggio, 2006). Organizational commitment is broader term for achieving the commitment of worker. Following three elements are the fundamentals of organizational commitment; i.e. Effective commitment, Continuance commitment, Normative commitment.

48

Effective commitment is more important term as compared to others commitment of employees. (Ramachandran & Krishan, 2009) found that commitment of employee significantly affected by leadership style.

Leadership style of an organization can be used to increase the employee's commitment with the firm. As the study is investigating the degree to which transformational leadership style influence the employee's affective commitment in Pakistani banking sector. The study delivers the guide for banking sector to boost up the affective commitment of their employees by applying the concept of transformational leadership. The study also offer tool to hold the worker by enhancing their affective commitment level towards the organization.

Statement of the problem

This study tries to examine the nexus between transformational leadership style and employee commitment.

Objectives of the study

The aim of this paper is to investigate the effect of transformational leadership on affective employee commitment on Banking Sector Organization. The study indicates that transformational leadership can be used to enhance the commitment of employee with the organization.
1.   To check the association between transformational leadership and affective employee's commitment.
2.   To investigate the effect of transformational leadership on affective employees' commitment.

Literature Review

Leadership style affects employee's attitude, employee's motivation level and performance that lead to affect the levels of organizational commitment. Transactional and Transformational are two core leadership styles (Bass, 1985; Stogdill, 1963). Transactional leaders help the followers in recognizing goals, building self-confidence, and acquainted with job description, that boost up their morale to meet with the anticipated performance level. (Lo, Ramayah, & Min, 2009). Management by exception active, management by exception passive and contingent reward are three key components of transactional leaders (Bass & Avolio, 1994). Employee performance, motivation, attitude and work behavior have a substantial effect on commitment of employees, and transformational leadership style is positively associated with the factors which boost up the commitment level of employee and the organization (Dumdum, Lowe, & Avolio, 2002).

Leadership

Leadership is a procedure of communication amongst leaders and subordinates in which leaders endeavors to have an impact on followers to accomplish a shared objective (Yukl, 2008) .Transformational and transactional styles of leadership are more prominent than others (Dionne, Yammarino, Atwater, & Spangler, 2004). Transformational leadership stresses personal development and intrinsic motivation of employees. They try to inline employee's objectives with organization goals. Transformational leadership can be more effective if the leader is self-efficient and can lead with emotion al intelligence to bring positive results (Fitzgerald & S.Schutte, 2010).Transformational leaders look like perfect mediators of change in today's multifarious vigorous business atmosphere, because in high risk-taking situations they can lead their employees really well. Transactional leaders fulfill employee's instant need through   rewards, bonuses, and

praises and gain the acceptability of employees (Northouse, 2010). They occupy employees by presenting rewards and prizes for the achievement towards their anticipated goals (Dionne, Yammarino, Atwater, & Spangler, 2004). An effective leader works for the self-interest of employees and uses the effective reward policy to lead the employees towards goals of organization.

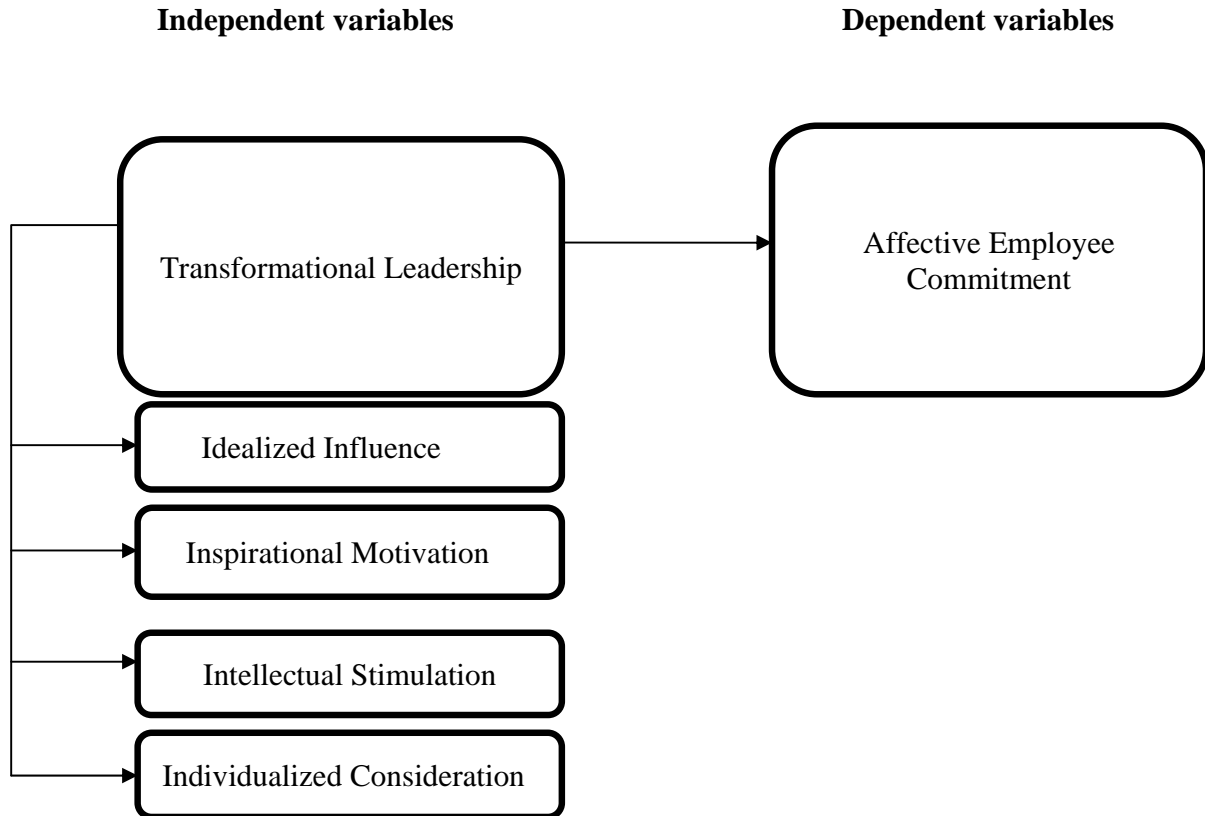### Dimensions of Transformational leadership

Intellectual stimulation, Idealized Influence, individualized consideration and inspirational motivation are four major magnitudes of transformational leadership (Avolio, Bass, and Jung 1997).For the achievements of common goals, transformational leaders motivate their followers to do efforts beyond their interest it is because they formulate the challenging vision and goals (Dionne, Yammarino, Atwater, & Spangler, 2004). In this aspect, Transformational leaders are highly respected, reliable, and appreciated by their employees and act as role model. Leaders with ideal approach take risks and more steady than capricious because they focus on high moral and ethical standards(Bass & Riggio, 2006).In Inspirational motivation, leaders encourage and instigate the employees to oblige to the mission and vision of the association.

In inspirational motivation leaders lead their followers by raising the durable team spirit between them (Antonakis, Avolio, & Sivasubramaniam, 2003; Bass & Riggio, 2006). Rational stimulus is connected with the part of leaders in exciting novelty and ingenuity in their admirers by enquiring conventions and imminent old conditions in different way. Leaders motivate their employees to implement new techniques and approaches to handle old hitches. In individual consideration leaders give exceptional devotion as a mentor to each follower and its need to achieve their goals(Bass & Riggio, 2006). There is a close nexus between single & organizational moments and the styles of leadership (Bass, 1990). These styles are positively correlated with perception of employees about job, and satisfaction of leader and the organization (Felfe & Schyns, 2006; Niehoff, Enz & Grover, 1990). When leaders show job oriented and interactive etiquettes, followers are more satisfied (Castaneda and Nahavandi 1991).

Organizational Commitment

Organizational commitment is always an essential matter that always has a phenomenal significance for organizations. To accomplish its strategic goals organizations always look for devoted human resource. Performance and turnover of employees are dependent on Organizational commitment (Morris and Sherman 1981). Organizational commitment is considered as psychological bond between the employees and organization that assist the organizations to accomplish its objectives (Mowday et al. 1982). Employee's involvement towards achieving the organizational Goals can be identified by its organizational commitment (Mowday et al. 1982; Porter et al. 1974). Organizational commitment is subdivided by Meyer and Allen (1996) in three parts affective, normative and continuance commitment. In continuance commitment, workers are continuously committed towards the organization as they cannot afford to leave the job. In normative commitment workers feel their duties and obligations towards the organization. In affective commitment employees are identified and involved to accomplish the organizational goals (Meyer and Allen 1996). There is positive association between leadership and organizational commitment, and a positive association among three main components of organizational commitment and style of leadership (Shirbagi, 2007). Organizational commitment significantly and positively affected by leadership (Williams & Hazer, 1986).

Theoretical Framework

Independent variables   **Dependent variables**

```
                Transformational Leadership   →   Affective Employee
                                                  Commitment

        →  Idealized Influence

        →  Inspirational Motivation

        →  Intellectual Stimulation

        →  Individualized Consideration
```

Hypothesis
H1: There is a positive relationship between transformational leadership and affective employee's commitment

Methodology
The Research study was conducted in banking sector. Keeping in view the time and money constraints, the study was conducted only in Lahore. Simple random sampling techniques were used. Eleven banks were selected randomly. The main reason for conducting this study in banking sector is that the employees were frequent in English and they could have close interaction with their managers all the time. 200 questionnaires were distributed and 150 questionnaires were received back with a responded of 75%.

Variables
There are two types of variables in the current study
Dependent Variable
The variable of primary interest of study is also known as criterion variable.
• Affective employee commitment

Independent Variables
A variable that affect the dependent or criterion variable and accounts for its variance.
• Idealized Influence
• Inspirational motivation

- Intellectual stimulation
- Individualized consideration

Instruments

The transformational leadership was measured through multi factor questionnaires. It was adopted from (M.Bass & J.Avolio, 1997). The questionnaires comprised of 17 questionnaires. The instruments included four facts of transformational leadership i.e., individual consideration, Inspirational motivation, idealizes influence and intellectual stimulation. Questionnaire of Allen and Meyer (1996) is used to measure employee affective commitment. Five point likert scales was used. These were given as 1 for Never, 2 for Seldom, 3 for some time, 4 for Often and 5 for Always.

Finding and Discussion of Study

This study includes the major findings, recommendations, and implications of these findings for transformational leadership and employees' commitment, contribution of the current study and finally limitation of the study.

Table 1. Reliability Statistics

Cronbach's Alpha	No of Items
.81	23

Table 1 shows the Reliability of the Research study. The Cronbach's alpha appeared to be 0.87 which indicates that we are 87% reliable for our results. As our research study was exploratory this reliability is sufficient.
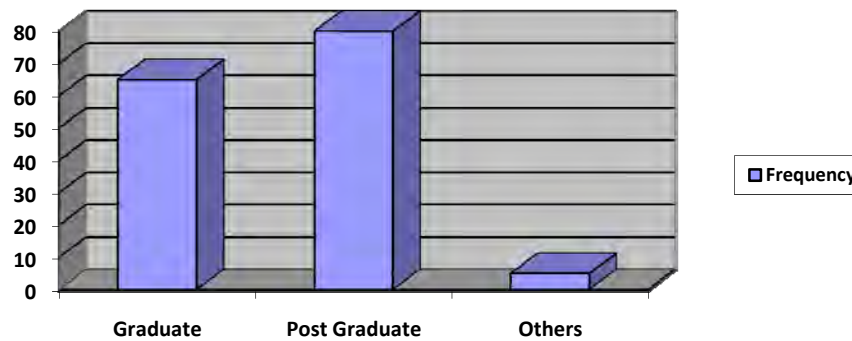

Figure 1 Qualification of Respondents

	Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Graduate	65	43.3	43.3	43.3
Post Graduate	80	53.3	53.3	96.7
Others	5	3.3	3.3	100.0
Total	150	100.0	100.0	

Figure 1 shows the frequency of qualification of respondent. Qualification of respondent shows that there are 43.3% graduates, 53.3% are post-graduate and 33.3% respondents are having some other qualification.
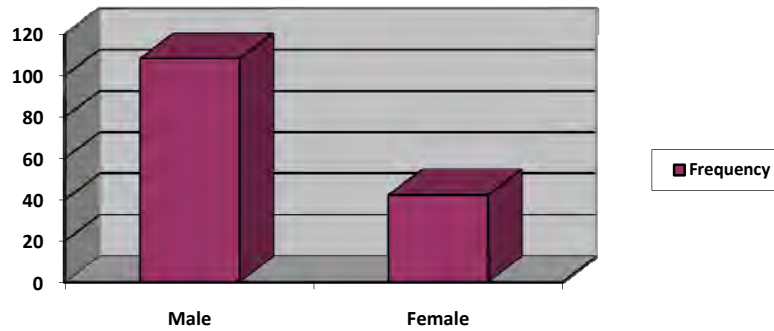

Figure 2 Gender of respondent

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	108		72.0	72.0
Female	42	28.0	28.0	100.0
Total	150	100.0	100.0	

Figure 2 shows the respondent gender. This tells about the Genders of respondent are 72% of male and 28% respondents are female.

Table 2 Name of organization * Gender of respondent Cross Tabulation

	Name of Organization	Gender of respondent		
		Male	Female	Total
	Allied Bank	9	2	11
	Bank Alfalah Ltd	10	2	12
	Fysal Bank	14	5	19
	Habib Bank Ltd	18	7	25
	KASAB Bank	4	3	7
	Muslim Commercial Bank	15	8	23
	Meezan Bank	14	4	18
	Summit Bank	5		7
	SAMBA Bank	1	1	2
	UBL	10	6	16
Total		108	42	150

Table 2 shows the distribution of population among different banks. It shows that out of 150 respondents 108 were male and only 42 were female. Majority of the responded were received from Habib Bank limited, followed by Muslim Commercial Bank limited.

Table 3 Qualification * Gender of respondent Cross tabulation

Qualification		Gender of respondent		
		Male	**Female**	**Total**
	Graduate	51	14	65
	Post Graduate	55	25	80
	Others	2	3	5
Total		**108**	**42**	**150**

Table 3 shows the cross tabulation of gender of respondent and qualification of respondent. It shows that out of 65 graduates, 51 were male and 14 were female. Out of 80 post-graduates 55 were male and 25 were female. We can say that 59.52% of female were post- graduate while 50.92% of male respondent were post graduate.

Table 4 Regression Analysis (Dependent Variable "affective employee commitment)
Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.543	0.295	0.314	0.291

    a. Predictor: (Constant), Transformational Leadership

Estimated results of regression analysis of dependent and independent variables are incorporated in table 4. Value of Correlation coefficient of the regression analysis is R=.543, which represents the affirmative and strong association between affective commitment and transformational leadership. Value of R2 is .295, reflecting that 29.5% variation in dependent variable is because of independent variable and rest is distributed to some other factors.

Table 5 Coefficient

Model		Coefficient	Std. Error	t-statistics	Sig.
1	(Constant)	0.70	0.0578	4.372048	0.00
a. Dependent Variable AEC					

Significance of association between dependent and independent variables are incorporated in table 5. It displays the value of Coefficients Beta, reflecting .70 changes in affective commitment due to one unit change in Transformational Leadership. it also indicates the significant and positive association between employee commitment and transformational leadership.

Affective employee commitment is correlated with idealized influence 28.3%, with inspirational motivation 32%, with intellectual commitment 23.3% and with individualized considerations 34.4%. Idealized influence commitment is correlated with inspirational motivation

56.5%, with intellectual commitment 54% and with individualized considerations 61%. Inspirational motivation is correlated with intellectual commitment 47% and with individualized considerations 23.3%.

Table 6

Variable	1	2	3	4	5
1-Affective commitment	1				
2-Idealized Influence	.283**	1			
3-Inspirational Motivation	.320**	.565**	1		
4-Intellectual Commitment	.233**	.540**	.470**	1	
5-Indivisualized Consideration	.344**	.610**	.233**	.344**	1

**significant at 0.01 level of significance

Importance of the Study

The study will be used at private sector. It will be helpful to find employee commitment towards organization. Transformational leadership style impacts affective employee's commitment. It itself can be used to increase the employee's commitment.

Limitations of the Study

The research was conducted from only public sector. It can be conducted from private sector. Due to cost & time restriction data was collected only from (WAPDA). Research can be conducted on educational sector. Sample size was very small which can be increased. The results of this study have few limitations attached with it and these should be kept in mind. This research study has following limitations. This study can be enhanced to non- financial institutions like, schools, NGO'S etc. The impact of transformational leadership can also be found on normative and continuance commitment. The results of this study have few limitations attached with it and these should be kept in mind.

Conclusion

This study shows that there is positive and strong relationship between transformational leadership and affective employee commitment. It also demonstrates the autonomous effects of all magnitudes of transformational leadership on affective employee commitment which ascertain a strong and significant connection between these two

References

Allen, N. J., & Meyer, J. P. (1996). Affective, continuance, and normative commitment to the organization: An examination of construct validity. *Journal of vocational behavior*, *49*(3), 252-276.

Antonakis, J., Avolio, B. J., & Sivasurbramaniam, N. 2003. Context and leadership: An examination of the nine factor full-range leadership theory using the multifactor leadership questionnaire. *The Leadership Quarterly*, Vol. 14, No. 3, pp. 261-295.

Avolio, B.J., Bass, B.M., & Jung, D.I. 1997. *Replicated confirmatory factor analyses of the multi-factor leadership questionnaire.* Binghamton, NY: Center for Leadership Studies, Binghamton University.

Bass, B. M., & Riggio, R. E. (2006). *Transformational leadership*. Psychology Press.

Bass, B. M. (1985). *Leadership and performance beyond expectations*. Collier Macmillan.

Bass, B. M., & Avolio, B. J. (1994). Transformational leadership and organizational culture. *The International Journal of Public Administration*, *17*(3-4), 541-554.

Bass, B. M., & Avolio, B. J. (1997). *Full range leadership development: Manual for the Multifactor Leadership Questionnaire* (pp. 43-44). Palo Alto, CA: Mind Garden.

Bass, B. M. (1990). From transactional to transformational leadership: Learning to share the vision. *Organizational dynamics*, *18*(3), 19-31.

Bycio, P., Hackett, R. D., & Allen, J. S. (1995). Further assessments of Bass's (1985) conceptualization of transactional and transformational leadership. *Journal of applied psychology*, *80*(4), 468.

Castaneda, M., & Nahavandi, A. (1991). Link of manager behavior to supervisor performance rating and subordinate satisfaction. *Group & Organization Studies*, *16*(4), 357-366.

Dumdum, U. R., Lowe, K. B., & Avolio, B. J. (2002). Transformational and charismatic leadership: The road ahead.

Dionne, S. D., Yammarino, F. J., Atwater, L. E., & Spangler, W. D. (2004). Transformational leadership and team performance. *Journal of organizational change management*, *17*(2), 177-193.

Felfe, J., & Schyns, B. (2006). Personality and the perception of transformational leadership: The impact of extraversion, neuroticism, personal need for structure, and occupational self efficacy. *Journal of Applied Social Psychology*, *36*(3), 708-739.

Fitzgerald, S., & Schutte, N. S. (2010). Increasing transformational leadership through enhancing self-efficacy. *Journal of Management Development*, *29*(5), 495-505.

Lo, M. C., Ramayah, T., & Min, H. W. (2009). Leadership styles and organizational commitment: a test on Malaysia manufacturing industry. *African Journal of Marketing Management*, *1*(6), 133-139.

Morris, J., and Sherman, J. (1981) Generalizability of an organizational commitment model. *Academy of Management Journal, 24(3),* 512

Mowday, R. T. Porter, L. W. & Steers, R. M. (1982) *Employee-organization linkages.* New York: Academic Press.

Niehoff, B. P., Enz, C. A., & Grover, R. A. (1990). The impact of top-management actions on employee attitudes and perceptions. *Group & Organization Studies*, *15*(3), 337-352.

Northouse, P. G. 2010. *Leadership, theory and practice* (5th ed.). Sage, Thousand Oaks, CA.

Porter, L. W., Steers R.M., Mowday, R.T., & Boulian, P.V. (1974) Organizational commitment, job satisfaction and turnover. *Journal of Applied Psychology, 95(5),* 603-609.

Ramachandran, S., & Krishnan, V. R. (2009). Effect of transformational leadership on followers' affective and normative commitment: culture as moderator.

Shirbagi, N. (2007). Exploring organizational commitment and leadership frames within Indian and Iranian higher education institutions. *Bulletin of Education & Research*, *29*(1), 17-32.

Stogdill, R. M. (1963). *Manual for the leader behavior description questionnaire-Form XII: An experimental revision*. Bureau of Business Research, College of Commerce and Administration, Ohio State University.

Williams, L. J., & Hazer, J. T. (1986). Antecedents and consequences of satisfaction and commitment in turnover models: A reanalysis using latent variable structural equation methods. *Journal of applied psychology*, *71*(2), 219.

Yukl, G. (2008). How leaders influence organizational effectiveness. *The leadership quarterly*, *19*(6), 708-722.