

# Impact of Leadership Styles on Organizational Commitment in Pharmaceutical Companies of Pakistan

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## Abstract

The basic aim of this research is to examine the association between Styles of leadership (servant leadership and transformational leadership) and organizational commitment. Two hundred (200) questionnaires were distributed and 133 questionnaires were received back depicts 66.5% reply rate. A non-probability convenience sampling technique was used to collect data. This study is limited to the pharmaceutical companies working in Pakistan, and the respondents are employees of pharmaceutical companies working at different hierarchical level of management. Questionnaires were distributed randomly to local and MNC's pharmaceutical companies. This study used multiple regression models for testing hypotheses. It was found that there is no significant relationship between servant leadership and organizational commitment whereas transformational leadership has significant direct association with organizational commitment. This study has practical implications for management to enhance employees concerns and improve ethical behavior. Moreover management must know that their management style have significant impact on employee's performance that is associated with firm's financial performance.

**Keywords:** Servant leadership, Transformational leadership, Organizational commitment, Pharmaceutical companies

## 1. Introduction

In today's hyper turbulent environment, organizations are challenged on regular basis to make strategic change in response to the dynamic customer demand, technological advancements, and competitive activities. To be competitive and cope with the advancement in the market place, organizations need to familiarize their structures and processes in a flexible way. Leadership is considered to be an important aspect of any organization. Transformational leadership and servant leadership has got substantial attention in the contemporary research. The concept of transformational leadership has been introduced by Burns (1978) and later on further explored by Bass (1985). The conception related to servant leadership was originally introduced by Greenleaf (1977). The debate on both styles of leadership devise that both styles are similar on several grounds while certain deference's do found there between them. The primary focus of transformational leadership is usually on achievement of organizational objectives and

on the other side servant leadership primary focus is on people rather than organization. They know that these people will make them enable to achieve organizational objectives, if they feel comfortable and their concerns are respected, they exhibit organizational commitment. According to Clegg, Kornberger & Rhodes (2007), due to the primary focus of servant leadership on people it is distinguish more ethical, they put more efforts on their followers interests as compare to own interests Matteson & Irving (2006).

The main purpose of this study is to test that whether it's transformational leadership or servant leadership that widely explicate employees organizational commitment of pharmaceutical sector in Pakistan.

## **2. Literature Review**

### *2.1 Servant Leadership*

The concept of “servant leader” was presented by Greenleaf (1977) in the literature of management. According to Greenleaf, servant leaders promote followers’ welfare by accomplishing basic human needs and emphasizing the necessity of moral protections to guide responsible leadership behavior. Servant leaders encourage followers to develop intelligently, be creative, self-manage and serve people. Servant leadership encourages and promotes interest of the followers in the first place Barbuto & Wheeler (2006) and Greenleaf (1977). Servant leadership basically focuses upon their followers holistic needs, independence and progress Graham (1991). Ehrhart (2004) have two main distinctions i-e followers or employees concerns and behaving ethically. He stated that both types of leadership are similar on many grounds but servant leadership is not all about accomplishment of organizational objectives it do fulfill its moral obligations and ethical behaviors.

Servant leaders likely to raise followers’ organizational commitment through the leaders’ own commitment and concern for followers’ ideas and suggestions, allow them to take part in making decisions, and the development of personal and professional growth of followers. Drury (2004) have found strong positive relationship between organizational commitment and servant leadership.

### *2.2 Transformational Leadership*

This type of leadership pulls and direct followers intrinsically towards achievement of long run organizational objectives. This style of leadership changes the perception and beliefs of their followers to enhance follower’s involvement and commitment in the organization Shamir, House, & Arthur (1993). It’s the sort of engagement between followers and leadership that enhance morality and motivational level of each other. The transformational leadership affect followers in such a way that they develop trust, admiration towards leadership and exhibit loyalty to the organization Bass (1985). According to Charles & Katherine (2007) there is considerable association between organizational commitment and transformational leadership. This study also argue that transformational leadership has impact on organizational commitment.

In all of the past papers it’s evident that both styles of leadership have impact on organizational commitment Bhatia (2004) and Stone, Russell & Patterson (2003).

### *2.3 Organizational commitment*

The concept of organizational commitment has recently evolved in management and attracts significant response in studying workplace behaviors and attitudes Meyer & Allen (1991) and Mathieu & Zajac (1990), as it is associated with two important organizational problems, one is employees intention to leave organization followed by actual decision to quit the organization Allen & Meyer (1996). Organizational commitment includes employee’s organizational loyalty, eager to be the part of organization, willingness to do level best for organization, and the extent to which employees perceive organizational goals and values their own Bateman & Strasser (1984). Organizational commitment is associated with a psychological condition of employees attachment with the organization Meyer, Allen & Smith (1993). Mowday et al. (1979) further describes that affective commitment is “when the employee identifies with a particular organization and its goals in order to maintain membership to facilitate the goal” cited in Gul, S. et al., (2012). In order to measure the organizational commitment they developed a scale, widely used in past studies for its measurement. This research work has also adopted the same scale used by Mowday et al. (1979) in their study.

### 3. Theoretical Framework

Both leadership styles are the explanatory variables and organizational commitment as dependent variables in this study, as it has strong association with organizational success, effectiveness and efficiency in past studies (see figure 1).

(Insert figure 1 here)

On the basis of these connections of organizational commitment, this study develops the following hypotheses.

#### 3.1 Hypotheses

H1: Servant leadership has significantly positive association with organizational commitment.

H2: Transformational leadership has significantly positive association with organizational commitment.

### 4. Methodology

#### 4.1 Participants

This study includes pharmaceutical companies of Pakistan as population. Data from participants' working at different hierarchy levels were collected through questionnaires.

#### 4.2 Procedure

Total two hundred questionnaires were distributed and 133 were received back, showing a response rate of 66.5%. The study uses non-probability convenience sampling technique for data collection. Responses for all variables were measured using 5-point Likert scale (5) strongly Agree (4) Agree (3) neither Agree nor Disagree (2) Disagree (1) Strongly Disagree. The data were analyzed using SPSS 20<sup>th</sup> version.

#### 4.3 Measures

##### 4.3.1 Servant Leadership and Transformational leadership

Servant leadership was measured through scale Ehrhart (2004), that consist of 14 items. These items consist of "My supervisor does what she or he promises to do", "My supervisor emphasizes the importance of giving back to the community", "My supervisor makes the personal development of department employees a priority".

Transformational leadership was measured through the scale of 7 items developed by Carless, Wearing, & Mann (2000). Items include "My supervisor communicates a clear and positive vision of the future", "My supervisor treats staff as individuals, supports and encourages their development",

"My supervisor instills pride and respect in others and inspires me by being highly competent".

##### 4.3.2 Organizational Commitment

This study used the scale developed by Mowday et al. (1979) to measure employee's organizational commitment. The rationale behind this questionnaire adoption is its validity and reliability and its wide range of use in past research on organizational commitment by many authors, so this study also use the same scale which includes items like "I am willing to put in a great deal of effort beyond that normally is expected in order to help this organization to be successful". "I talk up this organization to my friends as a great organization to work for"; "I find that my values and the organization's values are very similar".

### 5. Results & Discussion

Table 1 show demographic characteristics of the participants' responded, while table 2 depicts means, SD and Pearson correlation among the dependent and explanatory variables. Regression analysis was used to test the hypotheses, with the leadership style (i.e. servant and transformational leadership) as the independent variables and the organizational commitment as dependent variable, table 3 show results for the tests.

Table 1 shows the demographic profile of survey respondents. Most of the respondents were aged between 21 to 30 years, consist approximately 48% of the total sample, respondent aged between 31 to 40 consist of 41% , and the age

from 41 to 50 years consist 11% of the sample size. Moreover gender of respondents includes 86% males and 14% females. Gender of supervisor includes a response rate of 91% male and 9% female. Duration with the present supervisor includes 21.8% respondents with less than one year of, 60.9 % had 2-5 years of duration with present supervisor, 11.3 % had 6-10 years of time with present supervisor, and 6 % had more than 10 years of duration with existing supervisor. Moreover, duration of job with existing organization includes 23.3% respondents with less than one year, 48.1 % had 2-5 years of duration with current organization, 21.1 % had 6-10 years of duration with current organization, 2.2 % had 11-15 years of time with current organization and 5.3% had more than 15 years of period with existing organization. Furthermore, 57.9% of respondents had academic qualification of graduate level degree (14 years), 40.6% of respondents had master level (16 years) and 1.5% of respondents had MS/PhD.

Data were collected from all managerial levels and non- managerial levels, with response rate of 15%, 53.4%, 27.8%, and 3.8% for non-mangers, lower level management, middle level management and top management respectively.

(Insert table 1 here)

Table 2 presents descriptive statistics (i.e. mean and standard deviation) and correlations among the variables. Mean for servant leadership is 4.11 and standard deviation is 0.65. The average rating for transformational leadership is 4.20 and standard deviation is 0.56. Whereas, the mean value of organizational commitment is 4.24 and the standard deviation is 0.48, all these variables were measured using 5-point Likert scale (i-e 1 to 5).

The **correlation** between servant leadership style and organizational commitment ( $r = 0.553$ ,  $p < 0.01$ ) and the correlation between transformational leadership style and organizational commitment ( $r = 0.661$ ,  $p < 0.01$ ) showed significantly positive relationship (see Table 2). As correlation ranges from -1 to +1, so both values suggest a moderate level of correlation i.e. 0.553 and 0.661. Correlation of 0.553 suggests that both variables i.e. servant leadership and organizational commitment are 55% positively correlated to each other. While, transformational leadership and organizational commitment are 66% ( $r = 0.661$ ) correlated to each other.

(Insert table 2 here)

To analyze the hypothesized relationship between the explanatory variable leadership styles and dependent variable organizational commitment we use multiple regression. Results shows that  $H_1$  has been rejected, with insignificant positive relationship was found between servant leadership and organizational commitment ( $\beta = 0.005$ ,  $p > 0.05$ ) whereas between transformational leadership and organizational commitment ( $\beta = 0.566$ ,  $p < 0.05$ ), which shows that  $H_2$  has been accepted. The  $R^2$  of the multiple regression analysis is 0.438, which means that 44 % of the variation in dependent variable organizational commitment is due to the independent variable leadership styles. This value of  $R^2$  means that change in leadership style can bring significant changes in the employees' organizational commitment level.

(Insert table 3 here)

## 6. Conclusion

The basic aim of this research is to examine the association between Styles of leadership (servant leadership and transformational leadership) and organizational commitment. Two hundred (200) questionnaires were distributed and 133 questionnaires received back depicts 66.5% reply rate. A non-probability convenience sampling technique was used to collect data. This study is limited to the pharmaceutical companies working in Pakistan, and the respondents are employees of pharmaceutical companies working at different hierarchical level of management. Questionnaires were distributed randomly to local and MNC's pharmaceutical companies. This study used multiple regression models for testing hypotheses. It was found that there is no significant relationship between servant leadership and organizational commitment whereas transformational leadership has significant direct association with organizational commitment. This indicates that transformational leadership is considered suitable for managing pharmaceutical companies. Literature review about servant leadership and transformational leadership shows some fundamental similarities between these theories. We can say that, servant leadership and transformational leadership are not opposing theories, as both of them describe exceptional styles of leadership.

This study has practical implications for management to enhance employees concerns and improve ethical behavior. Moreover management must know that their management style have significant impact on employee's performance that is associated with firm's financial performance.

### 6.1 Implications and Limitations

In organizational growth, performance and development the role of employees cannot be understated, they are most precious asset organization have among many others. This argument means that organizational leadership should be capable enough to motivate employees and lead by example for the effective and efficient achievement of organizational goals. This study manifested that transformational leadership is more crucial than servant leadership in relation with organizational commitment. Moreover the findings of this research recommend that pharmaceutical sector leadership should enhance their ethical behavior level and concern for followers. Supervisors in the pharmaceutical companies need to provide such an environment to their subordinate where they can develop themselves personally and professionally. Nevertheless they also need to enhance their moral and social responsibility besides the achievement of personal and organizational goals. This research shows that supervisor in pharmaceutical companies' more inclined towards achievement of organizational goals and provide followers a clear vision for the future which is obvious for any profit oriented organization. For example, this study reveals that subordinates who worked with transformational leaders' exhibit more commitment towards the organization.

The main limitation of this research is about the sampling technique that it does not target particular group. The respondents are employees of pharmaceutical companies working at different hierarchical level of management. Questionnaires were distributed randomly to local, and MNC's pharmaceutical companies. So, generalizability to a specific setting is another limitation. As a result, it may have affected the current results. Moreover, most of the respondents are confused over the servant leadership and transformational leadership and this might have affected some of the relations studied. Moreover most of the participants responded were in limbo about transformational and servant leadership that might also have potential impact on the results.

### 6.2 Recommendation for future research

The study needs to be conducted in other business contexts, outside of the pharmaceutical setting. Within the pharmaceutical context, our study can be conducted in MNC's specifically. Those results will probably unveil the impact of leadership styles on organizational commitment in particular setting. The study of moderators and mediators, such as job satisfaction, job security and other related variables may have impact on organizational commitment.

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Figure: 1 Theoretical Framework

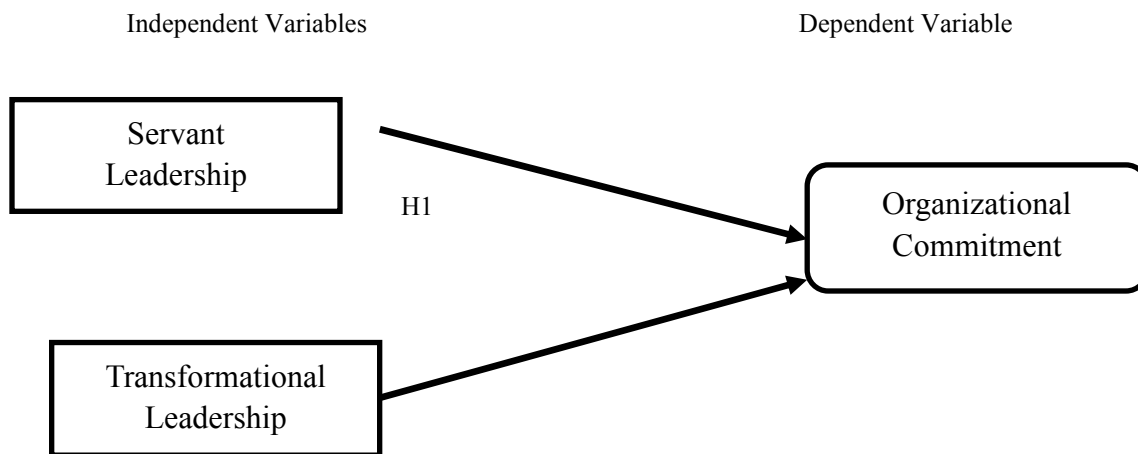


Table 1: Demographics Profile

Variable	Characteristic	Frequency	Percentage
Age	Less than 20 years	0	0
	21-30 years	64	48.1
	31-40 years	55	41.4
	41-50 years	14	10.5
	More than 50 years	0	0
Gender	Male	114	85.7
	Female	19	14.3
Gender of supervisor	Male	121	91
	Female	12	9
Tenure of job with current supervisor	Less than one year	29	21.8
	2-5 years	81	60.9
	6-10 years	15	11.3
	More than 10 years	8	6
Tenure of job with current organization	Less than one year	31	23.3
	2-5 years	64	48.1
	6-10 years	28	21.1
	11-15 years	3	2.2
	More than 15 years	7	5.3
Academic Qualification	Matriculation/O-Level	0	0
	Intermediate/A-Level/Diploma	0	0
	Graduation (14 years)	77	57.9
	Masters (16 years)	54	40.6
	MS/PhD	2	1.5
Position	Non-Managerial Level	20	15
	Lower Level Management	71	53.4
	Middle Level Management	37	27.8
	Top Level Management	5	3.8

Table 2: Descriptive Statistics and Correlation Matrix

	Mean	SD	SL	TFL	OC
SL	4.11	0.65	1		
TFL	4.20	0.56	0.883**	1	
OC	4.24	0.48	0.553**	0.661**	1

Note: \*\*. Correlation is significant at the 0.01 level (2-tailed), All items used a 5-point Likert Scale with (1= Strongly Disagree and 5 = Strongly Agree)

Table 3: Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.843*	.241		7.655	.000
1 SL	.005	.089	.007	.056	.955
TFL	.566*	.103	.656	5.511	.000

\*all values are significant  $p < 0.05$ , ns = not significant, a. Dependent Variable: OC, N=200