

# Leadership Styles, Turnover Intentions and the Mediating Role of Organizational Commitment

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## Abstract

The aim of this research article is to investigate the association between leadership styles, organizational commitment and turnover intentions. In particular, this study focuses on the mediation effect of organizational commitment on the association between styles of leadership and turnover intentions. One hundred and seventy (170) questionnaires were distributed and one hundred and twenty one (121) questionnaires were returned, indicating a response rate of 71.2%. A non-probability convenience sampling technique was used to collect data. The population of this study consists of the insurance sector of Pakistan. Employees working at different hierarchal level were targeted, comprising non-managerial and managerial levels including upper, middle, and lower level management. The data were analyzed by using statistical package of SPSS 20th version. It was found that there is negative insignificant association between turnover intentions and transactional and transformational leadership styles. Also, organizational commitment mediated the association between styles of leadership and turnover intentions. Managers should be aware of the advantages and disadvantages of different leadership styles as these may affect organizational commitment of subordinates and eventually, positive or negative effect on turnover intentions.

**Keywords:** Styles of Leadership, Employee Turnover Intentions, Organizational Commitment, Insurance Companies, Pakistan.

## 1. Introduction

Leadership plays a crucial role in increasing performance of organizations and individuals. For the stockholders best interest leaders must produce best products and services by obtaining, developing and spreading optimal resources of an organization because they are liable for the improvement and accomplishment of strategic organizational decisions. According to Polychroniou (2009) managers in today's hyper turbulent business environment must need to design and implement variety of processes, team based tasks, and projects. A leader has to provide the followers what is needed to keep them productive and proceed towards the shared vision. However employees will be de-motivated and will have lack of trust if their leaders fail to provide what was promised before. Therefore for moving followers onward, focus on their internal and external needs is necessary for the leaders. Leaders developed a future vision; then they adjust the organizational and individual objectives by communicating this vision and motivating them to overwhelmed obstacles being faced in achieving their individual and organizational objective Robbins (2003). A capable leader provides direction for the organization and lead followers towards achieving desired goals.

Several moderating variables like job satisfaction components needs to be studied for investigating the relationship between turnover and leadership Clemens, Milsom, & Cashwell (2009); Harris, Wheeler, & Kacmar (2009) and Wells & Peachey (2011). The mediating role could be played by Organizational commitment between style of leadership (transformational and transactional leadership) and turnover intentions Wells & Peachey (2011). Present study examines the mediating role of organizational commitment over the association between styles of leadership i.e. transformational and transactional and turnover intentions in the context of Pakistani insurance industry.

### *1.1 Research Questions*

- What is the association between styles of leadership and turnover intentions?
- Does organizational commitment mediate the association between styles of leadership (transformational and transactional leadership) and turnover intentions?

## **2. Literature Review**

### *2.1 Leadership*

According to Yukl (2002) leadership is the process by which shared objectives can be achieved through facilitating individual and collective efforts, it is also a process of what and how things can be done effectively by influencing others. Since 1990 the majority of leadership research has been focused on the transformational and transactional leadership. Transformational and transactional leadership were further developed by Bass (1985).

### *2.2 Transformational Leadership(TFL)*

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, & Arthu, (1993). It's the sort of engagement between followers and leadership that enhance morality and motivational level of each other. According to Bass (1985) transformational leadership affect followers in such a way that they develop trust, admiration towards leadership and exhibit loyalty to the organization Gul, S. et al., (2012).

According to Bass (1998) it is indicated in the literature that in order to reduce intentions of voluntary turnover, TFL is a key factor. It was found in a study by Martin & Epitropaki (2001) that an intention of voluntary turnover decreases with the increase of TFL.

### *2.3 Transactional Leadership (TRL)*

Transactional leaders are those people who have task oriented objectives and who emphasize on work standards, and take care of time to complete all organizational tasks Burns (1978). When behaviors are performed in accordance with the desires extrinsic rewards are given to employees and short term contingent exchanges are the focus of TRL. Through negotiating contracts, clarifying responsibilities, recognition and rewards and specifying expectations in order to achieve the expected performance TRL develops the basis for association between employees and leaders Bass (1985).

Transactional leadership gives followers clarity about rules and standards to protect the status quo and involves closely in monitoring and correcting followers' errors to ensure short-term success Bass (1985); Bass & Avolio (1995); House (1971) and Yukl (2002). Thus, transactional leadership encourages followers to carry out and understand their work in terms of strategic means stressing rules, responsibilities, expectations, stability, avoiding errors, and a concrete, short-term plan.

### *2.4 Turnover Intentions*

Employee turnover intention has received substantial consideration in industrial and organizational psychology Campion (1991). Turnover intentions are the thoughts of the employee regarding voluntarily leaving the organization Whitman (1999). It has been discovered according to Abbasi & Hollman (2000) and Watrous, Huffman, & Pritchard (2006) that as for the organization is concerned employee turnover can result in terrible negative concerns. The effects on decreases in morale, intervention in efficiency and customer relations by turnover should be reduced by organizations because turnover does not have only the effects of financial costs Abbasi & Hollman (2000). Similarly according to Watrous et al., (2006) the effect of turnover on performance of organizations must be reduced. Turnover intentions, or intentions to quit a job, have been found to be one of the best predictors of actual quitting

Griffeth, Hom, & Gaertner (2000). There are many components to make employees produce turnover intention such as job satisfaction, organizational commitment, and environment and so on. The best predictor of actual turnover according to Griffeth *et al.*, (2000) was found to be Intent to turnover. Turnover intention was also measured by Kelloway, Gottlieb, and Barham's (1999) using 4-item scale. In this study the scale designed by Kelloway, Gottlieb, and Barham's (1999) has been used in order to find out turnover intentions of the employees. This scale has been widely used in the previous research as well. A person's intention to quit seems to be negatively related to organizational commitment Angle & Perry (1981).

### *2.5 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". 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.

Organizational commitment could play a mediating role between leadership style (transformational and transactional) and turnover intentions Wells & Peachey (2011). Wells & Peachey (2011) use job satisfaction as a mediator between leadership behavior and turnover intentions and recommended organizational commitment as a mediating variable for the future work, which this study is going to do.

## **3. Theoretical Framework**

The conceptual framework is given at the end of the paper (see figure 1) showing how independent variable leadership style, dependent variable turnover intentions and mediator variable organizational commitment are related to each other and influence each other, on the basis of this framework the following hypothesis can be established:

### *3.1 Hypotheses*

- H1: significant inverse association exists between transformational leadership and turnover intentions.
- H2: significant inverse association exists between transactional leadership and turnover intentions.
- H3: significant inverse association exists between organizational commitment and turnover intentions.
- H4: significant positive association exists between transformational leadership and organizational commitment.
- H5: significant positive association exists between transactional leadership and organizational commitment.
- H6: Organizational commitment mediates the relationship between turnover intentions and leadership styles.

## **4. Methodology**

### *4.1 Participants*

The population of this study consists of the insurance sector of Pakistan. Employees working at different hierarchical level were targeted, comprising non-managerial and managerial levels including upper, middle, and lower level management.

### *4.2 Procedure*

Total one hundred and seventy (170) questionnaires were distributed, where 121 questionnaires were returned, indicating a response rate of 71.2%. A non-probability convenience sampling technique was used to collect data. All participants were assured that their data would be treated anonymously and assured them that the responses will be kept confidential in order to provide candid responses. Questionnaires were distributed by personally visiting and by mail to the respondents. 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.

#### 4.3 Measures

##### 4.3.1 Transactional Leadership and Transformational leadership

Podsakoff et al., (1990) scale was used to measure transformational leadership consisting of 17 items. Cronbach's alpha for transformational leadership was measured 0.884. Transactional leadership is measured using the 6 items scale of Podsakoff et al., (1990). Cronbach's alpha for transactional leadership was measured 0.810.

##### 4.3.2 Organizational Commitment

Mowday et al., (1979) introduced measurement scale for organizational commitment of the employees. This study also adopted the same scale due to its wide usage in the past studies Cronbach's alpha for organizational commitment measured was 0.722.

##### 4.3.3 Turnover Intentions

Turnover intention was measured by Kelloway, Gottlieb, and Barham's (1999) often used 4-item scale. Cronbach's alpha for turnover intentions was measured 0.775.

## 5. Results & Discussion

The demographic characteristics of respondents are discussed below. Table one includes mean, standard deviations, and Pearson correlation amongst studied variables. This study used regression analysis for testing hypothesis, with the leadership styles as the independent variables and the organizational commitment as the mediator and turnover intentions as the dependent variable and results are shown in Table 2.

First to discuss the demographic profile of survey respondents, greater part of the respondents were aged between, 21-30 years comprising 69.4% of the sample, aged between 31-40 were 22.3% and between the age 41 to 50 showing 5.8%. Gender of respondents includes 89.3% males and 10.7% females. Gender of supervisor includes a response rate of 94.2% male and 5.8% female. Duration with the current supervisor includes 29.8% respondents with less than one year of, 56.2 % had 2-5 years of duration with current supervisor, 13.2 % had 6-10 years of duration with current supervisor, and 0.8 % had more than 10 years of duration with current supervisor. Moreover, duration of job with current organization includes 27.3% respondents with less than one year, 58.7 % had 2-5 years of duration with current organization, 13.2 % had 6-10 years of duration with current organization and 0.8 % had more than 15 of duration with current organization. Furthermore, 3.3% of respondents had intermediate/A-levels/diploma, 40.5% of respondents had academic qualification of graduate level degree (14 years) and 56.2% of respondents had master level (16 years).

Mean for transformational leadership was 4.17 and standard deviation was 0.59. The average rating for transactional leadership was 4.12 and standard deviation was 0.67. Whereas, the mean value of organizational commitment was 4.12 and SD was measured 0.53. Furthermore, mean for turnover intentions was 2.06 and standard deviation was 0.84 using 5 points scale.

The association between TFL and organizational commitment ( $r = 0.646$ ,  $p < 0.01$ ) as well as the correlation between transactional leadership style and organizational commitment ( $r = 0.494$ ,  $p < 0.01$ ) revealed positive relationship (see Table 1). As correlation ranges from -1 to +1, so both values suggest a positive moderate level of correlation i.e. 0.646 and 0.494. Correlation of 0.646 suggests that both variables i.e. transformational leadership and organizational commitment are 64% positively correlated to each other. While, transactional leadership and organizational commitment are 49% ( $r = 0.494$ ) correlated to each other. Similarly association between turnover intentions and TFL ( $r = -.319$ ,  $p < 0.01$ ) and correlation between turnover intentions and TRL ( $r = -0.356$ ,  $p < 0.01$ ), both these values suggests a negative moderate level of correlation between the variables. Also turnover intentions has a negative moderate level of correlation with organizational commitment ( $r = -0.456$ ).

Baron and Kenny (1986) postulate three conditions for the support of mediation which are as follows:

- (1) Mediator must have significant association with the independent variable, here in this case between organizational commitment and leadership styles.
- (2) The direct relationship between the forecaster and its outcome in the first step has to be significant, here can be seen in our case between leadership style and turnover intentions.

- (3) In the equation in step two, by the addition of mediator its value of  $\beta$  should be significant, while the  $\beta$  for the independent variable should go down by a significant amount. Moreover for the situation of full mediation in existence of the mediator the association between forecaster and outcome should never be significant in equation's second step.

Hence all the conditions of mediation were found met for both transformational leadership and transactional leadership with organizational commitment as mediator and turnover intentions as dependent variable. So H6 has been accepted means that organizational commitment mediates the relationship between both leadership styles and turnover intentions.

Results shows that all the hypothesis has been accepted as H1 (i.e. inverse association exist between transformational leadership and turnover intentions) has been accepted, with significantly inverse relationship appears between turnover intentions and TFL.

Similarly ( $\beta = -0.447$ ,  $p < 0.05$ ) between turnover intentions and TRL, which shows that H2 (i.e. inverse significant association exist between transactional leadership and turnover intentions) has been accepted. Similarly between turnover intentions and organizational commitment ( $\beta = -0.717$ ,  $p < 0.05$ ), which shows H3 (i.e. inverse association exist between organizational Commitment and turnover intentions) has been accepted. H4 has also been accepted (i.e. positive association exist between organizational commitment and TFL) shown by ( $\beta = 0.610$ ,  $p < 0.05$ ) and between organizational commitment and TRL ( $\beta = 0.395$ ,  $p < 0.05$ ), which shows that H2 (i.e. positive association exist between organizational commitment and TRL) has been accepted.

## 6. Conclusion

### 6.1 Implications and Limitations

One of the most valuable asset organization have are employees of the organization. Consequently, it becomes the core area of concentration for the leadership to lead in a way that enhance employees motivation level for effective and efficient accomplishment of the organizational objectives such as profitability, productivity, growth and its image. This study finding reveals that respondents were found more inclined towards transformational leadership in regarding their commitment and turnover intentions than transactional leadership. Moreover the finding of this study also reveals that insurance companies operating in Pakistan have to focus on contingent rewards behavior and contingent punishment behavior. Supervisors in the insurance companies need to provide such an environment to their subordinate where they can develop themselves personally and professionally. This research shows that supervisor in insurance 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. In this study for example, it was found that, subordinates who worked with transformational leaders did feel more committed within insurance companies setting.

The respondents are employees of insurance companies working at different hierarchical level of management. Questionnaires were distributed randomly to local and private insurance companies. So, generalizability to a specific setting is a limitation.

### 6.2 Recommendation for Future Research

Future research should focus on other organizational contexts besides insurance companies for possible generalizability of the results. Followers' perception of leadership styles in MNC's will be a great contribution to this study and it would be interesting to see if there is more inclination towards transactional leadership instead of transformational leadership, This study should also be replicated by targeting specific management hierarchy, to find whether the same behavior is persistent there too or not. Finally, the study of moderators and mediators, such as organization citizenship, job satisfaction, job security and other related variables should be conducted.



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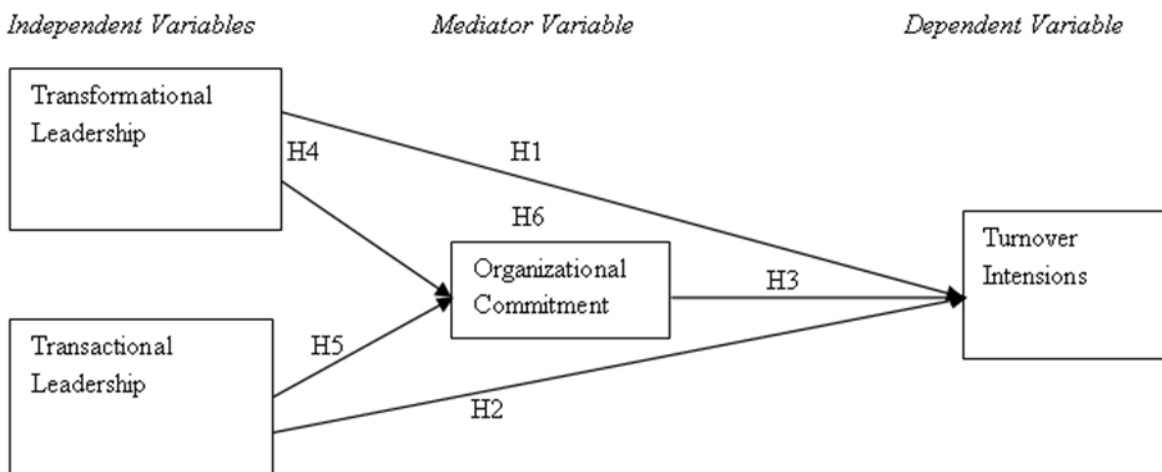
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Figure1: Theoretical Framework



	Mean	SD	TFL	TRL	OC	TI
TFL	4.17	0.59	1			
TRL	4.12	0.67	0.754**	1		
OC	4.12	0.53	0.646**	0.494**	1	
TI	2.06	0.84	-0.319**	-0.356**	-0.456**	1

Table 1: Descriptive Statistics and Pearson Correlations

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)

	OC			TI		
	B	R <sup>2</sup>	ΔR <sup>2</sup>	β	R <sup>2</sup>	ΔR <sup>2</sup>
Direct Effect: TFL						
Step 1: TFL	0.610* (0.000)	0.417	0.412	-0.471* (0.000)	0.102	0.094
Indirect Effect: TFL						
Step 1: OC				-0.717* (0.000)	0.208	0.201
Step 2: TFL				-0.061(ns) (0.691)	0.209	0.195
Direct Effect: TRL						
Step 1: TRL	0.395* (0.000)	0.244	0.238	-0.447* (0.000)	0.127	0.120
Indirect Effect: TRL						
Step 1: OC				-0.717* (0.000)	0.208	0.201
Step 2: TRL				-0.218(ns) (0.065)	0.230	0.217

Table 2: Mediated Regression Analysis

P-values are in parenthesis, \*all values are significant at p<.05, ns=not significant, n=170