

Impact Of Transactional & Transformational Leadership Styles On Organizational Commitment -A Case of Private Sector Universities Of Karachi

Author's Details:

- ⁽¹⁾**Uzma Rasool Khan**, Assistant Professor, Department Of Business Administration, Jinnah University For Women, Karachi, Pakistan
⁽²⁾**Areeba Saeed Khan**, Student, MBA, 6th Semester, Jinnah University For Women, Karachi
⁽³⁾**Hafiza Wajiha Umer**, Student, MBA, 6th Semester, Jinnah University For Women, Karachi
⁽⁴⁾**Anum Ahmad**, Student, MBA, 6th Semester, Jinnah University For Women, Karachi,
⁽⁵⁾**Kanwal Shan**, Student, MBA, 6th Semester, Jinnah University For Women, Karachi

Abstract:

In the past few years, number of private universities established in Karachi is increased increasing competition considerably in this sector, consequently the issue of employee commitment is also raised; employees leave organization when better remuneration is offered to them, particularly when they are unsatisfied with the work environment of their organization. Effective leadership is one of the main sources of nurturing organizational commitment. Selecting most appropriate leadership style in an organization is a biggest challenge for the management.

The main purpose of this research is to create awareness about transactional and transformational leadership styles and to study their impact on employee commitment in private sector universities of Karachi. Understanding this relationship between leadership styles and organizational commitment can help management to choose an appropriate leadership style in different situations to increase employee commitment towards their organization, that will indirectly higher the profit of the organization.

This research is an exploratory research and primary data has been conducted with 30 respondents. For the data analyses the correlation analysis was applied. This research paper is an effort to find out which leadership style is more appropriate to enhance the organizational commitment. This research will also serve as a guideline for other researchers in future who want to work on this subject

Keywords: Transactional leadership style, transformational leadership style, organizational commitment

INTRODUCTION

In today's competitive business environment, no organization can perform well unless its employees are committed to the organization and its objectives. Organizations want to utilize their employees in the best possible way in order to get maximum benefits from them. On the other hand the workforce of today's organizations is also smarter, more aware and more knowledgeable than ever before, they expect best values for themselves and their services. The problem arises here, in such a competitive environment where employers can't wait to find a person's replacement; employees are also not bound to stick to any one organization if they don't feel themselves fit there. One of the main challenges faced by modern companies is to maintain employee commitment in the current business environment.

In case of higher education sector like universities, this issue is more worthy of taking into consideration due to increasing no. of establishing private universities in Karachi in the past few years that is increasing competition for both employers and employees. Similar to other industries, the private university sector in Karachi is also facing high turnover in its staff, which is usually a result of low organizational commitment of employees. Shortage of employees may affect the performance and profitability of Universities to a great extent.

High organizational commitment has been positively related with positive individual behaviors such as decreased intent to find new jobs and reduction in absenteeism (Meyer & Allen, 1997). In this context, Universities' managements need to adopt certain measures that can increase employee commitment.

Effective leadership can be one solution to this problem. Therefore the purpose of this research is to increase the awareness and knowledge about two different leadership styles i.e. Transactional & Transformational leadership styles and their effects on employee commitment in Private sector universities in Karachi. By understanding this relationship between leadership styles and organizational commitment, policy makers will be in a better position to choose an appropriate leadership style in different situations to increase employee commitment towards their organization, which will indirectly leads to higher profit of the organization. This research will also serve as a guideline for other researchers in future who want to work on this subject.

RESEARCH BACKGROUND

As discussed by Leng, C. *Set al* (2014), Organizational performance can be improved through organizational

commitment; it is one of strong factor of success as highlighted numerous times by the researchers in the past literature. When employees are committed with the organization it reduces the chances that they will leave the organization; they remain the part of organization to work with more effectively and loyalty. On the other hand, If the workforce is not committed in the organization then Job insecurity, low trust, high anxiety and uncertainty will increase in the organization, which would have eventually negative effects on the performance of the organizations.

One way to keep employees committed is the selection of most appropriate leadership style. Kreitner (1995) says that use of leadership behavior can create a significant impact on employees in order to get and increase organization commitment.

There is a revolutionary change in the ways the leadership and its attitudes are defined in the past few years. There are various leadership styles like; charismatic, autocratic, participative, democratic, situational, , transactional, transformational and laissez-faire leadership (Leng, C. S *et al* 2014). A leader should be well aware of different styles for the different circumstances and he should know when and how any particular style can be used. (Rad, A.M.M & Yarmohammadian. M.H, 2006).

There is no particular style that is fit for every situation, a leader may appears to be highly effective and skillful in handling one situation but he may not be as effective in the other circumstances.(Leng, C. S *et al* 2014).

PROBLEM STATEMENT

Due to increasing number of private universities established in Karachi for past few years, the competition is significantly increased in this sector, employee commitment is an issue that is raised as a consequence; employees are choosing to leave organization when better pay is offered, especially when they are not satisfied with the working conditions or environment of their organization.

When employees leave the organization, a series of recruiting, selecting and training process has to be carry out in getting new employees. As stated by (Kenny, B. 2007) when a full time worker is replaced in the private sector it costs approximately 25% of the employee's total annual compensation. Additionally, employee turnover not only affect the company's productivity but it also affects its performance, specifically when it occurs at the critical position in the organization. So companies must have to reduce their employee turnover rate in order to retain their competitiveness in the long run(Leng, C. S *et al* 2014).

To resolve this issue and to keep employees committed towards the organization, various strategies might be chosen by the organization. This study focuses to use the appropriate leadership style (transactional or transformational) to increase employee commitment.

OBJECTIVES OF THE STUDY

The main purpose of this research is to identify the impact of leadership styles of leaders on the employees' commitment in universities of Karachi particularly in private sector. This research will explore the impact of leadership styles, which include Transactional leadership, and Transformational leadership; on employee commitment in private sector universities of Karachi. The relationship between the dependent variables (organizational commitment) and independent variables (Transactional leadership, and Transformational leadership) will be examined in order to answer to the research questions and achieve the objectives of this research:

- To examine the impact of transformational leadership style over organizational commitment.
- To examine the impact of transactional leadership style over organizational commitment.

LITERATURE REVIEW

Leadership is influencing people in getting things done and motivating them to achieve the targeted and most desired outcomes. The leadership effectiveness decides the failure or success of an organization. Different organizations have different leadership styles and they may vary according to different organizational settings and culture (Asrar. A & Kuchinke. K. P, 2016).

In today's competitive business world, effective leadership has become the top priority for every organization to have highest employee engagement and organizational commitment. The organizational success depends upon the leading capabilities of leaders. A business without effective leadership is not able to utilize its resources properly and fails to transform them into competitive advantage (Chan et al, 2014). This study is a step to explore transformational and transactional leadership styles and their impact on employee engagement.

Employee commitment is the positive behavior of employees towards their work, bosses and managers and to the organization as a whole. It is the state in which employees feel themselves motivated, satisfied and committed to the tasks, goals and organizational objectives (Meyer & Allen, 1997). Employee commitment triggers the employee's willingness to exert the best possible effort in goal achievement on organizational behalf (Chan et al, 2014).

According to Mowday (1979), the employee commitment leads employees towards three strong desires, one is to develop positive relationship with the organization, second is to fully accept the values and goals of organization and lastly, an urge to apply efforts for organizational success and to stay committed for long term. (Chan et al, 2014), highlights that there is a positive relationship between the leadership styles and the employee commitment. So in order to maximize the employee commitment and to have the least employee turnover, organizations are very keen to have the best and most appropriate leadership style. In this research transactional and transformational leadership styles have been examined to find out their impact on employee commitment.

Transactional leadership style is a reward based leadership style in which the followers get rewarded reliant to their level of performance. The transactional leadership style is similar as the autocratic leadership style in which the power and authority belong to leaders (Samad. A et al, 2015). Transactional leaders are results oriented and focus on getting best possible outcomes (Bass, 1985). According to (Burns, 1978), transactional leadership style is a tool in which leaders motivate employees and direct them towards goal attainment.

The transactional leadership style follows the concept of management by exception (active or passive) and is based on contingent reward system. In Management by exception (active), the leaders make corrective criticism and monitor the employee's mistakes and errors. These leaders carefully focus on the solutions and enforce those rules that can lessen the employee's mistakes (Ali Hussein, 2015). In management by exception (passive) leaders focus on the problematic areas of business and never get involved until any serious or uncertain situation arises (Laura et al, 2009).

In Contingent rewarding system, the subordinates are rewarded on the basis of their hard work and performance. Consequently, if the leaders believe subordinates not working at their full potential, no reward will be provided to them (Northouse, 2004). (Bass, 1998) highlights that in transactional leadership style there is a rigid relationship between the leaders and employees and this leadership is the dependency of leader's incentives and authority over the competence of follower's performance and hard work.

The transformational leadership style is the charismatic leadership style in which the leader leads employees by giving them a clear vision. The transformational leaders inspire employees by their strong vision and charisma. They have the strong ability of getting things done with their employees and through them. Transformational leaders change the old and traditional beliefs of employees, motivate them and bring out the best in them with the help of their appealing and inspiring personalities (Burns, 1978). Furthermore, the transformational leaders have the capability of influencing employee's by encouraging their creativity, loyalty, devotion and by involving them in decision making process, resulting in higher level of employee commitment (Walumbwa & Lawler, 2003).

Transformational leadership is the relationship of mutual trust and respect between both leaders and followers. This relationship is so strong that employees work beyond rewards just for their leaders. These leaders motivate and encourage employees in such a way that employees develop emotional attachment towards their leaders (Barbuto, 1997). The transformational leadership style is more open, flexible and supportive for the employees, making them more committed and engaged towards their organization (Ashfaq Ahmad et al, 2015).

The transformational leadership style is based on four factors, firstly the transformational leaders are idealized influence leaders and by their charismatic personalities they become role model for their employees (Sharon Clinebell, 2013). Secondly, these leaders show the characteristic of individualized consideration and support the needs of every individual

they are leading to. Thirdly, the transformational leaders are the inspirational motivational leaders and they tend to motivate and inspire the employees by showing them a clear direction and goal. Lastly, they are the intellect stimulator and are inclined to excite the creativity, intellect, innovativeness and problem solving qualities by believing in their opinions and beliefs (Ali Hussein, 2015).

Transactional leadership has been found to have significant relationship with organizational commitment but it is a weak relationship (Alqudah, 2011). Transactional leadership styles that consist of contingent reward, management by exception (passive) and management by exception (active) are weakly related to organizational commitment because employees tend to avoid those leaders who just get involved when problem arises (Ali Hussein, 2015). On the contrary, Hayward, Goss and Tolmay (2004) noticed that transactional leadership has more positive correlation with employee commitment than transformational style.

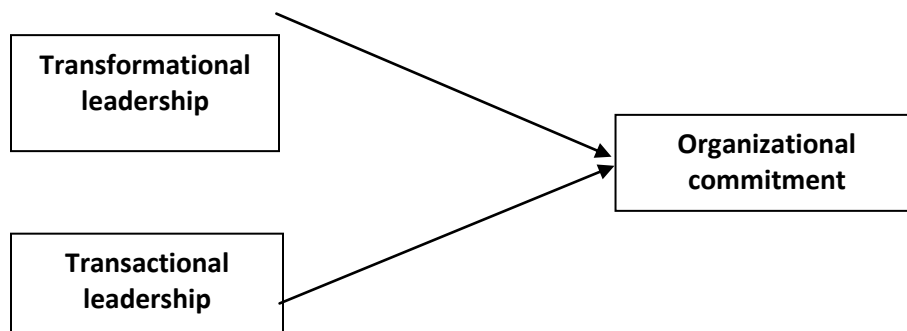
Ali Hussein, (2015) explained that transformational leadership style has positive influence on employee commitment and employees tend to be loyal to their organizations if the leaders are supportive, inspiring and charismatic. Lee (2008) found out that transformational leadership significantly correlates with employees' commitment.

Many other researches on the leadership style and organizational commitment (Marmaya et al, 2011) shows that transformational and transactional leadership both have positive relationship with employees' organizational commitment while employees of Malaysian organization are more influenced by transformational than transactional leadership style (M. Suleman et al, 2011). There is another considerable research available suggesting that the transformational leadership style is moderately associated with organizational commitment in a variety of organizational settings and cultures (Walumbwa and Lawler, 2003)

The results thus obtained in various empirical studies do not show entire consistency with respect to relationship between leadership styles and organizational commitment which therefore stimulates the need of further research.

RESEARCH METHOD

Theoretical Framework



Research Design

The research nature of this study is exploratory research because the purpose of this research is to explore the impact of transactional & transformational leadership styles on organizational commitment. The quantitative research approach is being used and the survey questionnaire is used for the data collection. The research is conducted on small scale and sample size taken for this research is 30. The data is collected from the faculty staff of universities of Karachi. To analyze the data the correlation and regression tests were applied. Regression analysis shows the relationship between the variables in the form of an equation, whereas correlation measures the strength of the linear relationship between the variables.

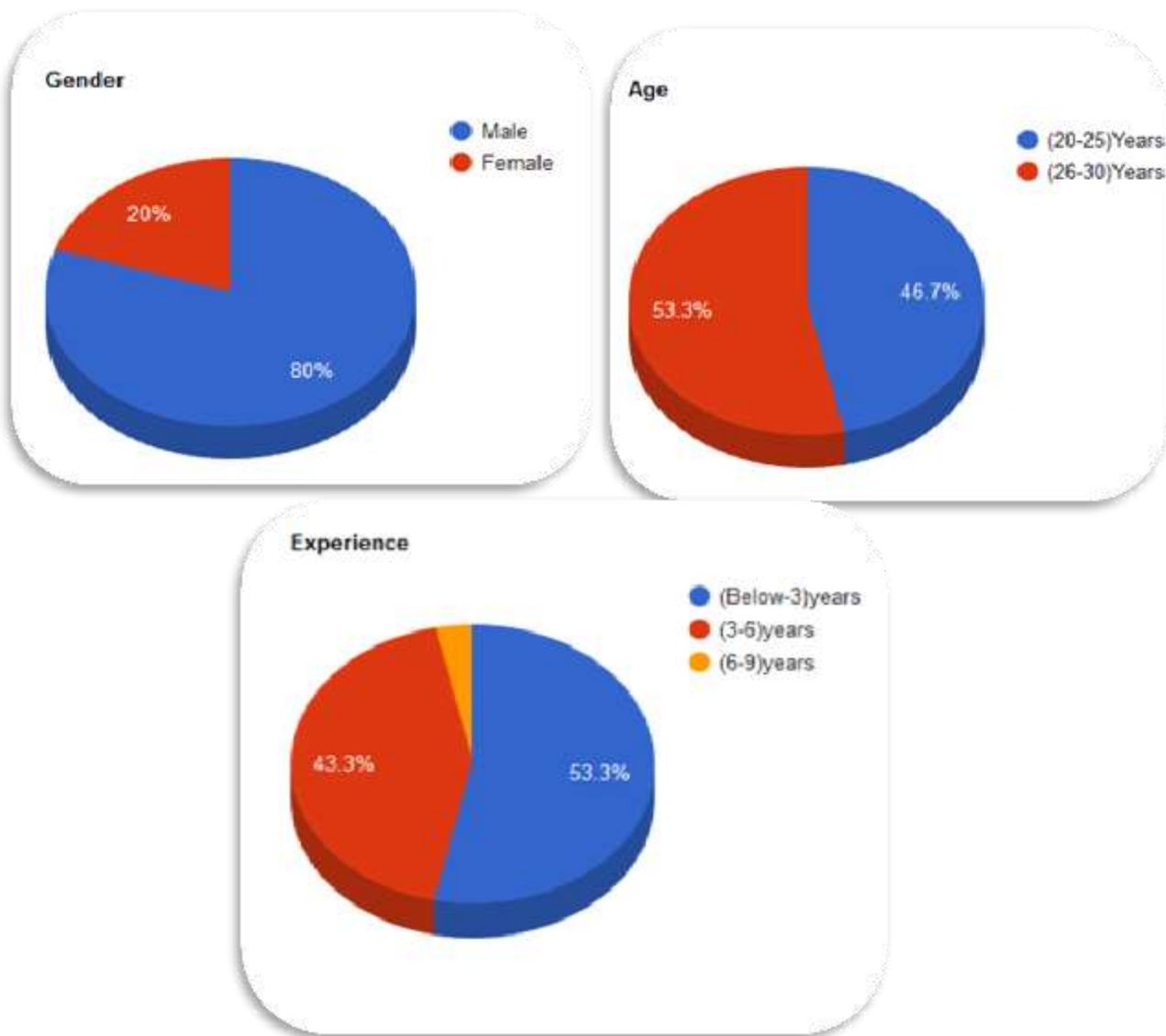
Hypotheses

- H₁:** Transformational leadership style will lead to higher organizational commitment.
- H₂:** Transactional leadership style will lead to higher organizational commitment.
- H₃:** Transformational leadership and Transactional leadership has a significant impact on organizational commitment

RESULTS

Descriptive Analyses

The profiles of 30 respondents were taken for this research. The descriptive analyses displays demographic factors of respondents. From among 30 respondents 24 were male and 6 respondents were female. Moreover, the age factor shows that 14 respondents were in between 20-25 years and 16 were in between 25-30 years. The experience profile of respondents shows that 16 from among 30 were the part of their organization from below 3 years, whereas 13 were from 3-6 years and one respondent was from 6-6 years. The charts are shown below.



Regression analysis

The data was analyzed by applying regression test to observe the impact of transactional and transformational leadership styles on organizational commitment.

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.890 ^a	.792	.776	.17777	1.872

a. Predictors: (Constant), MEAN_TF, MEAN_TS

b. Dependent Variable: MEAN_OC

The Value of Durbin Watson was 1.872 which lies in perfect range of (1.5-2.5). It demonstrates that there was no serious issue of auto correlation.

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.243	2	1.622	51.313	.000 ^a
	Residual	.853	27	.032		
	Total	4.096	29			

a. Predictors: (Constant), MEAN_TF, MEAN_TS

b. Dependent Variable: MEAN_OC

Anova was applied to analyze correctness of hypotheses. Results show that p-value is less than 0.05 so the hypotheses proves to be appropriate.

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.803	.295		2.717	.011		
	MEAN_TS	.376	.097	.447	3.890	.001	.584	1.712
	MEAN_TF	.427	.092	.533	4.639	.000	.584	1.712

a. Dependent Variable: MEAN_OC

$$\text{Organization commitment (OC)} = .803 + 0.376(\text{TS}) + 0.427(\text{TF})$$

The above regression equation illustrates the constant value which is 0.803 shows that increase of 1 unit in Transactional Leadership (IV) will increase OC (DV) by .376, similarly increase of 1 unit in TF (IV) will increase OC (DV) by .427

Correlation Analysis

To check the relations between the variables correlation analysis was applied, so as to classify and analyze the strength of

the direct correlation between the independent and dependent variables. Each Independent variable was interrelated with the dependent variable, the results are shown below

Correlations

		MEAN_OC	MEAN_TS	MEAN_TF
MEAN_OC	Pearson Correlation	1	.791**	.822**
	Sig. (2-tailed)		.000	.000
	N	30	30	30
MEAN_TS	Pearson Correlation	.791**	1	.645**
	Sig. (2-tailed)	.000		.000
	N	30	30	30
MEAN_TF	Pearson Correlation	.822**	.645**	1
	Sig. (2-tailed)	.000	.000	
	N	30	30	30

** . Correlation is significant at the 0.01 level (2-tailed).

CONCLUSION

The main purpose of this study was to examine the impact of transformational and transactional leadership styles on organizational commitment. The results show that how transactional and transformational leadership styles influence employees to get committed to their organizations. Both leadership styles have a positive direct relationship with the organizational commitment. However, the transformational leadership style tends to be more influential in part of organizational commitment. According to the results and findings of this research, the transactional leadership style and transformational leadership style, both are likely to make employees more dedicated and committed towards their organizations. But the transformational leadership seems to dominate the transactional leadership in part of employee commitment.

LIMITATIONS

Though this research proposes some new understandings in Pakistani background, but it also has some limitations and boundaries. The data is collected only from the respondents of Karachi and the sample size of this research was 30 respondents which means that the research is based on very small scale responses. So in coming researches, a wider and large scale study can be accompanied which may include a large number of respondents from other cities of Pakistan as well to have more justified research and to have a better understanding the leadership styles and organizational commitment.

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