Exploring the Relationship between Transformational, Transactional Leadership Style and Organizational Commitment among Nigerian Banks Employees

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Abstract

The study investigated the relationship between transformational, transactional leadership style and their dimensions on the organizational commitment among Nigerian banks employees. The targeted population consisted of all employees in banks in Ibadan. The sample was made up of 80 employees from 10 banks randomly selected. The instrument used for the study was tagged Multifactor Leadership Questionnaire (MLQ) and Organizational Commitment Questionnaire (OCQ). Correlation coefficient and multiple regressions were used to analyze data. The results of the study showed that there is positive relationship between Transformational, transactional Leadership and organizational commitment. Results also revealed that the impact of transactional leadership styles on the commitment of banking employees in Nigeria is more effective than the transformational style. The study recommended that managers should positively reward the employees with praise or recognition when they perform at or above expectations. Similarly, negative rewarding approach should also be used in the form of correction, coercion, criticism, and/or other forms of punishment, when performance is below the expected standard

Keywords: Transactional, Transformational, Leadership, Organizational commitment, Bank, Nigeria.

Introduction

Banking sector is an engine of economic growth and development globally, Nigeria inclusive. Ebong (2006) observed that the banking sector promotes economic growth through its role

of mediating between the economic units that have surplus funds and those that require such funds to support their investment. He pointed out that "By pooling together such savings, banks are able to achieve economies of scale with beneficial effects for their borrowing customers". However, for the Nigerian banking sector to play its vital roles of development in the economy, the need for effective leadership that subscribes to proper business ethics is fundamental. Olayiwola (2009) posited that in the Nigerian banking sector, for instance, poor corporate governance (unethical practices) is identified as one of the major factors in virtually all known instances of a financial institution's distress in the country. This implies that a lack of proper ethical standards in public or private sector organizations is detrimental to development of a nation.

For every organization who wants to remain and wax stronger in a global market competitive environment must engage the service of good leaders. The effective leadership style certainly improves organizational productivity. Ojokuku, Odetayo and Sajuiygbe (2012) confirmed that leadership style is the major determinant of any organization success especially in Nigerian banks. Leadership is about having vision and being able to transform that vision into action by influencing others to perform at higher levels and promoting the importance of organizational and interpersonal citizenship behaviors. 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. According to Jago (1982) "Leadership is expressed or displayed through interaction between people and necessarily implies its complement, followership. For one to influence, another must permit himself to be influenced" He pointed out that different leaders have their own distinctive leadership styles that have proved to be closely associated with their organizational performances and outputs.

Hartog, Muijen and Koopman, (1997) noted that transactional leadership and transformational leadership have gained currency and attention over a period of last few decades. They argued that transformational Leadership and Transactional Leadership both are directly related with numerous workplace outcomes such as job satisfaction, group performance, employee's performance, and organizational commitment. Abdul, Ausnain and Munawar (2012) also agreed that both transformational and transactional leadership have positive significant effect on organizational commitment. Researches (Luchak and Gellatly, 2007; and Paré and Tremblay, 2007) revealed that organizational commitment is positively associated with work efforts, organizational performance and negatively related to absenteeism and employees turnover. Bass (1985) described transformational leadership style as 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. While Ivey and Kline (2010) stated that, "Transactional leadership is characterized by leader-follower exchanges, whereby leaders exchange things of value with followers to advance both the leaders' own and followers' agendas". It is therefore, indispensable to study transactional and transformational leadership styles and their impact on Nigerian banks employees' commitment.

Relevant Literature Review and Hypotheses

The notion of leaders and of leadership has been around for many centuries and there is a plethora of practitioner-based books on the topic (Russell, 2011). According to Kouzes and Posner, (2003) Leaders must embrace the importance of change and treating employees better in order for an organization to thrive in a global and competitive society. They noted

that in highly competitive, rapidly changing environments, caring and appreciative leaders are the ones to bet on for long-term success. Ebong (2006) described leadership as that kind of direction, which a person can give to a group of people under him in such a way that these will influence the behavior of another individual, or group. Ngodo (2008) perceived leadership to be a reciprocal process of social influence, in which leaders and subordinates influence each other in order to achieve organizational goals. Leadership style therefore is defined as an interaction process among individual groups that includes a structured or restructured situation, members' expectations and perceptions (Bass *et al*, 2003). While Jeremy *et al.*, (2012) viewed Leadership style as the combination of traits, characteristics, skills and behaviours that leaders use when interacting with their subordinates. Many researchers (Abdul *et al*, 2012; Greenburg and Baron, 2009 and Bass and Avolio, 1994) agreed that transformational and Transactional are the types of leadership that both directly related with organizational commitment.

Transformational Leadership Style

Transformational leadership has become the most frequently researched and supported theory over the past two decades (Avolio, Walumbwa, and Weber, 2009; Judge and Bono, 2000) because of its demonstrated influence on increasing followers' positive attitudes, behaviors, and levels of performance. Transformational leadership provides the vision mission and consciousness of the industry or any organization which creates the high level of ability and expertise. 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. Transformational leadership has been defined as "leader behaviors that transform and inspire followers to perform beyond expectations while transcending selfinterest for the good of the organization" (Avolio et al., 2009,). Schuster (1994) stated that transformational leadership appeals to higher motivation, while improving the quality of life for the members of an organization. Transformational leader is able to motivate his followers, to strive for excellence without the use of power or authority, by inspiring them through his passion and deep thinking. Pounder (2008) also explained that the effect of transformational leadership on subordinates centers on three leadership outcomes: (a) the ability of the leader to generate extra effort on the part of those being led, (b) subordinates' perception of leader effectiveness, and (c) their satisfaction with the leader. Transformational leaders are able to exercise influence in two primary areas, which appeal to the mind and the heart: 1) deep thinking and 2) empathy. Using these influences, a transformational leader is able to motivate followers to act on their own behalf and for the needs of others. In transformational leadership, the leader empathizes with the developmental needs of his/her followers.

The intrinsic characteristics of transformational leaders, as described by Dixon (1998), are the main drivers behind effective behaviours. Dixon's study revealed that a leader's behaviour is influenced by four factors: self- confidence, integrity, honesty, and personal values. The primary driving force behind effective performance is the leader's ability to connect his or her life experiences with transformational behaviours. Once such connection is established, it leads to external transformation, resulting in organizational transformation.

According to Burn (1978) the four dimensions of transformational leadership are idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. *idealized influence*, is the degree to which the leader behaves in admirable ways that cause followers to identify with the leader. *Inspirational motivation* is the degree

to which the leader articulates a vision that is appealing and inspiring to followers. *Intellectual stimulation* is the degree to which the leader challenges assumptions, takes risks, and solicits followers' ideas. While individualized consideration is the degree to which the leader attends to each follower's needs, acts as a mentor or coach to the follower, and listens to the follower's concerns and needs.

Transactional Leadership Style

Transactional leadership styles involve motivating followers through the exchange of rewards, praises, and promises. According to Burns (1978) "Transactional leadership occurs when one person takes the initiative in making contact with others for the purpose of an exchange of valued things". Bass (2008) viewed transactional leaders as those who lead through social exchange. While Ivey and Kline (2010) stated, "Transactional leadership is characterized by leader-follower exchanges, whereby leaders exchange things of value with followers to advance both the leaders' own and followers' agendas". This leadership behavior is when the leader concentrates on the subordinates "deviances, mistakes, and errors and then taking corrective actions as quickly as possible when they occur" (Avolio, Bass and Jung, 1999). Transactional Leadership, also known as managerial leadership, focuses on the role of supervision, organization, and group performance; transactional leadership is a style of leadership in which the leader promotes compliance of his followers through both rewards and punishments.

Leaders using transactional leadership as a model pay attention to followers' work in order to find faults and deviations. This type of leadership is effective in crisis and emergency situations, as well as when projects need to be carried out in a specific fashion. Bass, (2008) asserted that Transactional leaders use an exchange model, with rewards being given for good work or positive outcomes. Conversely, people with this leadership style also can punish poor work or negative outcomes, until the problem is corrected. Hargis et al, (2010) stated that Transactional leaders are concerned with processes rather than forward-thinking ideas. These types of leaders focus on contingent reward or contingent penalization. Contingent rewards (such as praise) are given when the set goals are accomplished on-time, ahead of time, or to keep subordinates working at a good pace at different times throughout completion. Contingent punishments (such as suspensions) are given when performance quality or quantity falls below production standards or goals and tasks are not met at all. Management-by-exception focuses on leadership as a negative behavior. This leadership behavior is when the leader concentrates on the subordinates "deviances, mistakes, and errors and then taking corrective actions as quickly as possible when they occur" (Avolio & Bass, 2004). Management-by-exception maintains the status quo, intervenes when subordinates do not meet acceptable performance levels, and initiates corrective action to improve performance (Hackman, 2009).

Relationship between transformational leadership style, transactional leadership style and organizational commitment.

Previous research on the relationship between transformational, transactional leadership styles and organizational commitment are mixed. For instance, Ojokuku, Odetayo and Sajuyigbe, (2012) examined the impact of leadership style on organizational performance with special reference to Nigerian banks. They found that transformational leadership has positive relationship with performance while transactional leadership had negative relationship with performance. Webb (2003) also conducted a study on president's leadership

behavior associated with followers' job satisfaction, motivation toward extra effort in various schools, colleges and universities. The results of the study showed that there was significant and positive association between the motivation and transformational leadership. Whereas, transformation leadership has significant and negative relationship with motivation. Similarly, a study conducted by Howell and Avolio (1993) confirmed that contingent reward leadership had a negative impact on the followers' performance. Bass, (2008) also confirmed that transactional leadership style has a negative impact on performance and satisfaction.

However, Abdul *et al*, (2012) who examined the impact of transformational and transactional leadership styles on motivation of employees in Pakistan discovered that both transformational and transactional leadership styles have positive impact on motivation. Judge and Piccolo (2004) also agreed that both transformational and transactional leadership have positive relationship among followers' motivation. Similarly, Charles and Katherine (2007) investigated a significant relationship between leadership styles- transformational and transactional and transactional leadership and their components have positive and significant association with organizational commitment. Ibrahim et al (2010) also discovered that there was a significant correlation between transactional and transformational and organizational commitment. Therefore it is hypothesized in this study that:

- H1: There is no significant relationship between transformational leadership style dimensions and organizational commitment
- H2: There is no significant relationship between transactional leadership style dimensions and organizational commitment

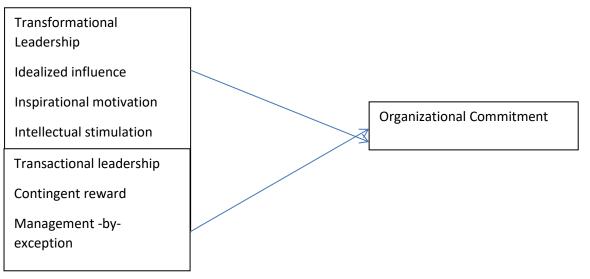


Figure 1: Conceptual Model Source: Designed by researchers

Methodology

The research adopted for the study was descriptive study survey. The instrument used for the study was tagged Multifactor Leadership Questionnaire (MLQ) and Organizational Commitment Questionnaire (OCQ). The targeted population consisted of all employees in banks in Ibadan. The sample was made up of 80 employees from 10 banks randomly selected. A4- point likert scale was employed.

For the measurement of leadership styles, the study uses the Multifactor Leadership Questionnaire (MLQ), which is one of the most widely used and tested measures of transformational and transactional leadership. Antonakis, Avolio, and Sivasubramaniam (2003) and Avolio et al. (1995) document its sound psychometric properties. Transformational leadership style was measured by Four (4) subscales which are Idealized influence, Individualized Consideration, Inspirational Motivation, and Intellectual Stimulation. Transactional leadership style was measured by two (2) subscales which are Contingent Rewards, and Management-by-Exception. Responses were recorded on 5-point likert scale, 0 "not at all", 1 "once in a while", 2 "sometimes", 3 "fairly often" and 4 "frequently, if not always". Reliability of each subscale is shown in table 1. Correlation coefficient and multiple regression were used to analyze data.

Table 1

Scales	Items	Reliability
Idealized influence	5	.79
Individualized Consideration	4	.80
Inspirational Motivation	3	.81
Intellectual Stimulation	5	.78
Contingent Rewards	6	.80
Management-by-Exception	4	.82

Organizational Commitment Questionnaire: Fifteen (15) items from the questionnaire developed by Porter et al. (1974) were used to measure organizational commitment. Responses were recorded on 5 point likert scale from 1 "Strongly Disagree" to 5 "Strongly Agree". The scale showed good Reliability of .85.

Data Analysis And Result Interpretation

Table 2.

Descriptive statistics for dependent variable and independent variables.

Descriptive statistics for dependent variable and independent variables.				
Mean	Standard deviation			
4.3125	0.72205			
4.5375	0.57244			
4.3000	0.71865			
4.3000	0.71865			
4.2875	0.76628			
4.3250	0.77582			
4.6250	0.62871			
4.2625	0.70699			
4.3125	0.58668			
	Mean 4.3125 4.5375 4.3000 4.3000 4.2875 4.3250 4.6250 4.2625			

It can be deduced from table 2 above that transactional leadership has highest mean (4.6250) followed by transformational leadership (4.5375). This indicates that management of Nigerian banks employed transactional leadership style to induce their followers to perform as expected.

Table 3.

Correlation of Transformational	and Its Dimensions With	Independent Variable
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Variables	Organizational commitment	r
Transformational leadership	Pearson correlation by (2-tailed)	0.507**
Idealized influence	Pearson correlation by (2-tailed)	0.915**
Inspirational motivation	Pearson correlation by (2-tailed)	0.793**
Intellectual stimulation	Pearson correlation by (2-tailed)	0.842**
Individual consideration	Pearson correlation by (2-tailed)	0.901**

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

From table 3 above shows that transformational leadership has positive and significant relationship with organizational commitment (r = 0.507, p < 0.01). This implies that transformational leadership predicts organizational commitment among Nigerian banks employees. Idealized influence has positive, high and significant relationship with organizational commitment (r = 0.915, p < 0.01). Inspirational Motivation has also positive and significant relationship with organizational commitment (r = 0.793, p < 0.01). Intellectual Stimulation has also positive and significant relationship with organizational commitment (r = 0.842 p < 0.01). Individualized Consideration has positive, high and significant relationship with

organizational commitment (r = 0.901, p < 0.01). This indicates that transformational and its dimensions have positive and significant relationship with organizational commitment. This means that transformational leadership and its dimensions predict organizational commitment.

Therefore, hypothesis one which says that there is no significant relationship between transformational leadership style dimensions and organizational commitment is rejected.

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Variables	Organizational commitment	r		
Transactional leadership	Pearson correlation by (2-tailed)	0.899**		
Contingent reward	Pearson correlation by (2-tailed)	0.829**		
Management – by- exception	Pearson correlation by (2-tailed)	0.573**		

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Correlation o	f Transactional and its dimensions with Independent Variable	
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Note: ** Correlation is significant at 0.01 level (2-tailed)

Table 4 shows that transactional leadership has positive, high and significant relationship with organizational commitment (r = 0.899, p < 0.01). This implies that transactional leadership predicts organizational commitment among Nigerian banks employees. Contingent reward has

positive, high and significant relationship with organizational commitment (r = 0.29, p < 0.01). management by exception has also positive, moderate and significant relationship with organizational commitment (r = 0.793, p < 0.01). This indicates that transactional leadership

and (7 - 0.795, p < 0.01). This indicates and

its dimensions have positive and significant relationship with organizational commitment. This

means that transactional leadership and its dimensions predict organizational commitment among

Nigerian banks employees. Therefore, hypothesis 2 which says that there is no significant relationship between transactional leadership style dimensions and organizational commitment is

rejected.

Table 5.

Multiple regression analysis table showing independent variables and organizational commitment.

Variables	Coefficient	Std.error	Т	Sig.	R ²	F	Р
Constant	0.249	0.294	0.848	0.399			
Transformational	0.103	0.071	1.446	0.158			
leadership					0.814	167.971	P<.01
Transactional	0.851	0.056	15.156	0.000			
leadership							

Table 5 shows that transformational leadership and transactional leadership contribute 81.4% to organizational commitment and jointly significant (F (2, 78) = 167.971; R² = .814; P<.01). this implies that both independent variables explain 81.4% variance of organizational commitment while remaining 18.6% could be due to the effect of extraneous variables. Transformational leadership has positive impact on organizational commitment but insignificant (β = 0.103; t = 1.446; Pns). While, transactional leadership is independently significant predictor of organizational commitment (β = 0.851; t = 15.156; P<.01). This implies that transformational leadership has not significantly induce Nigerian banks employees to commit to work as expected and this result is contrary to the finding of Ojokuku et al, (2012) who found that transformational leadership has significantly impacted on employee's commitment. This result is conform to Abdul *et al*, (2012); Ibrahim et al (2010); Charles and Katherine (2007); Judge and Piccolo (2004); and Barbuto (2005) findings who pointed out that transformational and transactional leadership and their components have positive and significant association with organizational commitment.

Conclusion and Recommendation

The present study examined the relationship between transformational, transactional leadership style and their dimensions on the banking employees' commitment in Nigeria. The results of the study showed that there is positive relationship between Transformational Leadership with the employees commitment but insignificant. Therefore, this style of leadership is not significantly inducing employees' commitment. However, the results of the study showed that the impact of transactional leadership styles on the commitment of banking employees in Nigeria is more effective than the transformational style.

The study recommended that since the transactional leadership is based on contingent reward and punishment behaviour, therefore managers should positively reward the employees with praise or recognition when they perform at or above expectations. Similarly, negative rewarding approach should also be used in the form of correction, coercion, criticism, and/or other forms of punishment, when performance is below the expected standard.

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