Leadership Styles and Job Satisfaction

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Abstract

Low compensation in the retail sector is adversely affecting employee satisfaction and turnover. Leadership style is important for motivating employees and increasing their satisfaction level. This study has examined the effect of transformational and transactional leadership styles on job satisfaction in selected retail outlets of Slough, United Kingdom. The adapted questionnaire was administered to the employees of the retail outlets. The sample size was 270 and the response rate was 85%. The study found that transformational leadership style has a positive effect on job satisfaction, whereas transactional leadership style has an insignificant effect on job satisfaction. Therefore, it can be argued that the transformational leadership style is more effective in the retail sector of Slough, United Kingdom.

Keywords: *Transformational leadership; transactional leadership; job satisfaction.*

Introduction

The retail industry is rapidly evolving all over the world. An effective hiring process, training strategies, retention of employees along with effective leadership style is essential for an organization (Chaudhuri, 2015). Leadership theories emphasize on improving relationships between leaders and employees. In comparison to other leadership styles, transformational

leadership is more effective in increasing employee commitment, performance and job satisfaction (Banks, McCauley, Gardner & Guler, 2016).

Employees in the retail sector have long working hours and low compensation as compared to other sectors. This is causing low employee satisfaction and high turnover (Haque et al., 2015). Thus, an effective leadership style is necessary for improving organizational performance (Haque et al., 2015). This paper examines the influence of two leadership styles (i.e. transformational and transactional leadership) on job satisfaction of the employees working in retail outlets of the United Kingdom.

Literature Review

Leadership is critical for organizational success (Bryant, 2003). Leadership styles vary between industries and organizations (Zahari & Shurbagi, 2012). Leadership styles also vary from situation to situation (Lok and Crawford, 2004). Most leaders adapt their leadership style in accordance with the demand and working environment of an organization (Zahari & Shurbagi, 2012). The two prominent leadership styles are discussed in the next section.

Transformational Leadership

Transformational leader are a source of inspiration and vision for subordinates and bringing change in an organization (Burns, 1978; Weber, 2009). Past research suggests that this leadership style enhances organizational performance, motivation and employees' morale in an organization (Weber, 2009). This study has measured transformational leadership style based on the "Four I's" developed by Bass and Riggio (2006). The discussion on the four dimensions related to transformational leadership styles follows. The inspirational motivation dimension suggests that transformational leaders motivate and inspire their subordinates to complete challenging assignments by sharing their vision and strategies with employees (Bass & Riggio, 2006). The idealized influence dimension suggests that transformational leaders influence their subordinates by being role models (Bass & Riggio, 2006; Weber, 2009). The intellectual stimulation dimension implies that transformational leaders intellectually stimulate employees to solve challenging problems in a creative manner. Moreover, the individual consideration dimension implies that transformational leaders act as mentors and facilitators for subordinates (Bass & Riggio, 2006).

Transactional Leadership

Transactional leaders motivate their subordinates through an exchange process. Subordinates that accomplish their job requirements are rewarded while others are punished. Therefore, transactional leaders focus on motivating employees through the punishment and reward mechanism.

Past studies have concluded that employees tend to endure the transactional leadership style for a short duration due to the reward and punishment aspects associated with it (Naidu & Van der Walt, 2005; Saleem, 2015). This study has measured the transactional leadership style based on contingent rewards, management by exception and laissez-faire leadership. The contingent rewards dimension implies that transactional leaders set targets for their subordinates and reward them for achieved goals (Judge & Piccolo, 2004). In management by exception, transaction leaders evaluate employees on the basis of achieved and expected goals (Judge & Piccolo, 2004). Moreover, the laissez-faire leadership dimension suggests that transactional leaders delegate powers to their employees and only intervene if required.

Job Satisfaction

Job satisfaction refers to the pleasure derived while doing a job. Supervisors face a major challenge in ensuring that their subordinates are satisfied with their jobs. A satisfied worker is more efficient and effective in an organization (Haque & Aston, 2016; Haque et al., 2015).

Subordinates will be more satisfied if they are treated well (Aziri, 2011; Haque, Faizan & Cockrill, 2017). Individuals' job satisfaction level is visible from their attitude towards their work. Highly satisfied employees have a positive and favorable attitude towards their work while unsatisfied workers have a negative attitude towards their job (Armstrong, 2006).
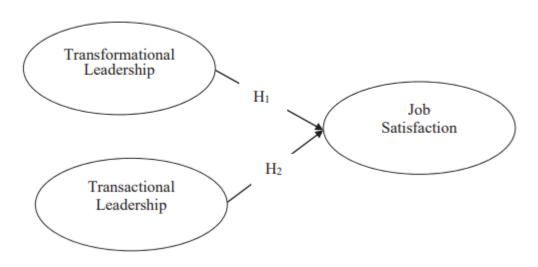
Retail Sector

An effective transformational leadership style is important for smooth store operations. The retail sector gives preference to managers with such leadership qualities (Brown et al., 2016). Transformational leaders have confidence and are trusted by employees. This leads to high productivity and performance (Carless & De Paola, 2000). Retail operations are complex and highly demanding which requires managers with effective leadership qualities (Barling, Loughlin, & Kelloway, 2002).

Research Framework

Based on previous discussion a conceptual framework has been developed which is depicted in Figure 1.

Figure 1: Research Framework

Transformational Leadership and Job Satisfaction

Prior studies indicate that job satisfaction significantly depends on the leadership style (Barling et al., 2002). Flexible organizations have a participative management style with an interactive environment and a satisfied workforce (Gong, Huang, & Farh, 2009). The transformational leadership style is highly effective in enhancing job satisfaction (Lok & Crawford, 2004; Medley & Larochelle, 1995). Research indicates that transformational leadership also improves employee perception and commitment towards the organization (Ojokuku, Odetayo, & Sajuyigbe, 2012; Barling, Weber, & Kelloway, 1996).

It has been argued that both transactional and transformational leadership effect the satisfaction level of employees (Lok & Crawford, 2004). However, transformational leadership has a greater impact on job satisfaction as compared to transactional leadership (Awamleh & Al-Dmour, 2004).

Prior research has concluded that transformational leaders believe in empowering employees which enhances their motivation and satisfaction level (Herman & Chiu, 2014; Top, Akdere, & Tarcan, 2015).

H1: *Transformational leadership is positively associated with job satisfaction.*

Transactional Leadership and Job Satisfaction The transactional leadership style involves rewards and punishments. The transactional leader rewards workers that have achieved the desired targets (Saleem, 2015). On the contrary, workers that underperform are punished. Rewards can be in the form of promotion and salary increments. Punishments may be in the form of termination and a cut in salary increments (Jansen, Vera, & Crossan, 2009). Past research has argued that this leadership style may not be effective in all situations (Bryant, 2003). Under transactional leadership, employee motivation depends on transactions (i.e. rewards and punishments). Therefore, transactional leadership will adversely affect performance and satisfaction in the long run (Hartog, Muijen, & Koopman, 1997; Hater & Bass, 1988).

Some studies have argued that neither transactional nor transformational leadership styles are capable of improving employee motivation and satisfaction level. Epitropaki & Martin (2005b) suggests that employees prefer the inspiration and consideration aspects of transformational leadership. Moreover, employees also favor the contingent rewards aspect of transactional leadership. On the contrary, some studies have found that both the leadership styles positively affect employees job and career satisfaction (Jansen, Vera, & Crossan, 2009). Epitropaki & Martin (2005a) found that effectiveness of transactional and transformational leadership styles varies from one situation and industry to another.

Prior studies have found that transactional leadership tends to be more effective in the short term as compared to the long term (Medley & Larochelle, 1995). Moreover, individual consideration (a trait of transformational leadership) has a similar effect. Leaders who are more considerate tend to enhance employee performance in the short term (Epitropaki & Martin, 2005b).

H2: *Transactional leadership positively influences job satisfaction.*

Research Methodology

This study has adopted a quantitative research approach and a positivist stance. The primary data was collected through an adapted questionnaire distributed among employees working in the retail sector of Slough, United Kingdom. The valid sample size was 270 and the non-response rate was 15%.

Instrument development

The questionnaire for this study was adapted from Bass & Riggio (2006). The questionnaire contains 10 items related to transformational leadership, seven items related to transactional leadership and three items related to job satisfaction. The constructs and items used in the questionnaire are attached in Appendix 1.

Results

Respondents Profile Table 1 contains the age, marital status, gender, education, ethnicity and job level of the respondents.

Table 1: Respondents Profile			
Variable		**Number**	**Percentage (%)**
Age	18 to 24 Years	50	19
	25 to 34 Years	70	26
	35 to 44 Years	90	33
	45 to 54 Years	50	19
	55 Years or older	10	4
Marital Status	Single	150	55
	Married	110	41
	Did not Responded	10	4
Gender	Male	100	37
	Female	170	63
Education	Below High School	40	15
	High School	180	66
	Bachelor	40	15
	Master	10	4
Ethnicity	White/European	110	41
	Asian	120	45
	Black	20	7
	Prefer not to answer	20	7
Job level	Team Leaders	30	11
	Managers	20	7
	Cashiers	130	49
	Others	90	33

Descriptive Analysis

Skewness and kurtosis analyses were used to analyze univariate normality. In addition, Cronbach's alpha values measure the internal consistency of the adapted constructs. In addition, correlation analysis was used to measure the distinctiveness of the adapted constructs. The summary of results is presented in Table 2.

Table 2: Descriptive Analysis						
	Mean	Standard Deviation	Cronbach Alpha	1	2	3
Transformational. L(1)	4.251	1.090	.83	1		
Transactional. L (2)	4.100	1.030	.74	-.27	1	
Job Satisfaction (3)	3.950	1.220	.75	.86	-.89	1

Table 2 shows that transformational leadership (Mean= 4.251, SD= 1.09, SK=-1.10) has the highest Skewness followed by transactional leadership (Mean= 4.10, SD= 1.03, SK=- 1.01) and job satisfaction (Mean = 3.95, SD=1.22, SK=-0.99). Similarly, job satisfaction has the highest Kurtosis (Mean = 3.95, SD=1.22, KT=-1.09) followed by transactional leadership (Mean= 4.10, SD= 1.03, KT=-1.05) and transformational leadership (Mean = 4.25, SD=1.09, KT=0.78). Since all the values of Skewness and Kurtosis ranged between ± 3.5, therefore, the adapted constructs fulfill the requirements of univariate normality (Mardia, 1970).

The Cronbach's alpha of transformational leadership (α=0.83, Mean= 4.251, SD= 1.09) is the highest followed by job satisfaction (α=0.75, Mean = 3.95, SD=1.22) and transactional leadership (α=0.74, Mean= 4.10, SD= 1.03). Since these values are greater than 0.70, therefore, they have acceptable internal consistency (Coakes & Steed, 2009).

The highest correlation coefficient is -0.89 between transactional leadership (Mean= 4.10, SD= 1.03) and job satisfaction (Mean = 3.95, SD=1.22). Moreover, the lowest correlation coefficient is between transformational leadership (Mean= 4.251, SD= 1.09) and transactional leadership (Mean = 4.10, SD=1.030) is -0.27. The correlation values suggest that the adapted constructs are unique and distinct (Coakes & Steed, 2009).

Multiple Regression Analysis

Multiple regression analysis was used to estimate the model. The summarized results are presented in Table 3.

Table 3: Multiple Regression Results					
	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std.Error	Beta	T	Sig
Constant	0.580	1.474		0.393	0.698
Transformational Lead	0.267	0.024	0.911	10.990	0.00
Transactional Lead	0.030	0.059	0.043	0.519	0.608

Dependent Variable: Job Satisfaction, R^2= .835, Adjusted R^2=.821, F = 60.770, p< 0.05.

The results suggest that the predictor variables (i.e. transactional and transformational leadership) explain 82.1% of the variance in job satisfaction. Moreover, the adjusted R2 =.821, F = 60.770, p.05).

Discussion

The following sections contain the discussion of results and their relevance to the previous literature.

Transformational Leadership and Job Satisfaction

The first hypothesis states that transformational leadership positively effects job satisfaction. The regression results suggest that the hypothesis was accepted (refer to Table 3). The finding is consistent with the previous literature. The inspirational motivation dimension of transformational leadership suggests that transformational leaders motivate and inspire their subordinates to complete challenging assignments by sharing their vision and strategies with employees (Bass & Riggio, 2006). The idealized influence dimension of transformational leadership suggests that transformational leaders influence their subordinates by being role models (Bass & Riggio, 2006; Weber, 2009). The intellectual stimulation dimension of transformation leadership implies that transformational leaders intellectually stimulate employees to solve challenging problems in a creative manner. Moreover, the individual consideration dimension implies that transformational leaders act as mentors and facilitators for subordinates (Bass & Riggio, 2006).

Transactional Leadership and Job satisfaction

The second hypothesis states that transactional leadership positively effects job satisfaction. The regression results suggest that the hypothesis was not accepted (refer to Table 3). Past research has argued that this leadership style may not be effective in all situations (Bryant, 2003). Under transactional leadership, employees' motivation depends on transactions (i.e. rewards and punishments). Therefore, transactional leadership will adversely affect employee performance and satisfaction in the long run (Hartog, Muijen, & Koopman, 1997; Hater & Bass, 1988).

Some studies have argued that neither transactional nor transformational leadership style is capable of improving employee motivation and satisfaction level. Epitropaki & Martin (2005b) suggests that employees prefer the inspiration and consideration aspects of transformational leadership. Moreover, employees also favor the contingent rewards aspect of transactional

leadership. On the contrary, some studies have found that both the leadership styles positively affect employees job and career satisfaction (Jansen, Vera, & Crossan, 2009). Epitropaki & Martin (2005a) found that effectiveness of transactional and transformational leadership styles varies from one situation and industry to another.

Prior studies have found that transactional leadership tends to be more effective in the short term as compared to the long term (Medley & Larochelle, 1995). Moreover, individual consideration (a trait of transformational leadership) has a similar effect. Leaders who are more considerate tend to enhance employees' performance in the short term (Epitropaki & Martin, 2005b).

Conclusion

This study has measured the effect of transformational and transactional leadership style on job satisfaction in selected retail outlets of Slough, United Kingdom. We found that transformational leadership positively effects employees job satisfaction. In addition, it was also found that the transactional leadership style has an insignificant effect on job satisfaction. Thus, it was concluded that transformational leaders are more effective in the retail sector of Slough, United Kingdom. The study has several limitations. It has only examined a few retail outlets. Future studies may be based on other cities in the United Kingdom. While we have not measured the influence of leadership styles on the level of management future studies may examine the same. In addition, future research may also explore how sub-dimensions of leadership effect job satisfaction.

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Appendix 1: Constructs and Items used in the Questionnaire

Transformational Leadership
Inspirational motivation (2 Items)
1. My manager encourages employees to become good team players.

2. My manager has clear understanding and inspires with his/her future plans

Idealized influence (3 Items)
1. My manager leads by example.

2. My manager talks about his values and beliefs.

3. My manager is a facilitator.

Intellectual stimulation (2 Items)
1. My manager has stimulated me to look at things in new ways.

2. My manager thinks about old problems in new ways.

Individual consideration (3 Items)
1. My manager considers my personal feelings.

2. My manager communicates freely.

3. My manager is aware and pays attention to my needs and concerns.

Transactional Leadership
Contingent reward (3 Items)
1. My manager tells us what to do if we want to be rewarded for our work.

2. My manager gives me special recognition at my good performance.

3. My manager is a teacher.

Management by exception (2 Items)
1.My manager expects best performance and will not settle for second best.

2.My manager tells us the standards we need to know to carry out our work.

Laissez-faire leadership (2 Items)
1. My manager does not care much what others do unless the work is absolutely essential

2. My manager does not challenge status quo.

Job Satisfaction (3 Items)
1. Considering everything, I am satisfied with my job.

2. I am happy with the opportunity to get a better job in this company.

3. I am happy to recommend job to my friends or family.