

HOW TRANSFORMATIONAL LEADERSHIP EFFECT EMPLOYEE'S COMMITMENT IN BANKS

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Abstract

Organizations have always been in search of high caliber individuals since last few decades; however, to keep employees with distinctive capabilities committed is a matter of visionary leadership. Various studies have discovered novel ways of fabricating desired motivational levels among group members, one of those techniques which has been more viable towards employee commitment is transformational style of a figurehead. Due to financial and time restraints employees of 12 banks from private as well as public sector of Lahore city were taken as a population sample. Survey questionnaire technique was used for data collection; self-administered questionnaires were distributed among 200 bank employees with 77% response rate. Analysis of the data revealed a positive connection among transformational leadership style and employee commitment. Present study suggest a transformational leadership style as a precursor for the attainment of an elevated level of commitment which will further become accommodating towards retaining and captivating high stature employees.

Key words:

Employee's commitment, Transformational leadership, Banking Sector employees

Introduction:

The relevance of human personnel towards organizational goals cannot be denied. Due to economic, political and technical advancement corporations are cladding competition in almost each industry. Intramural as well external elements of the organization pave the way towards its competitive advantage. One of the most valuable assets any organization can hold is its human resource. The responsibility of a human resource department commences from recruitment and selection but it is considered scrappy, until the deployment of workforce is not completed effectively and efficiently. Resource utilization is a matter of efficient planning, and a competent work force will ensure an appropriate utilization of key financial as well as intangible assets.

The premises of human resource management include recruitment and selection, training and development appraising the desired performance, motivating as well as keeping in hand the skilled work force. Although a great deal of research studies can be found on the importance of personnel for the organization. However, a lot can be done to identify promising factors for, motivating employees to exert their best level of efforts. Divergent constituents can be found which help out in the modeling of desired behaviors and organizational key professionals. Some of these components are identified as internal while few are classified as external. Transformational supervision plays a commentative character towards the development of skilled human resources (Bass and Riggio, 2006).

Adaption of change is becoming crucial requirement for survival of any business entity (Bass and Riggio, 2006). As nothing is pervasive as a change itself. There is a rapid transposing of doing the work, rotation of workforce rules, variety of duties which are reshaping the structure of the organization. This upgrading cannot be achieved without the help of transformational leadership. Getting compliance toward the goals and objectives of the firm demands commitment from each member of the organization. Scholars and theorist of management has listed there types of commitment: Effective commitment, continuous commitment and normative commitment. Any sort of these employees engagement is beneficial for the firm in long run as will short run. However, leadership and management style has a great impact towards employee involvement (Ramachandran&krishan, 2009). Effective supervision style results in high satisfaction and dedication from the members of the organization. Through present study an empirical attempt was made to get a connection between members effective commitment and transformational supervisory role. The study was conducting in a banking sector in particular so the finding of present research can be applied to the management of banking sector specifically and also can be generalized on any other business sector of Pakistan. The administration of any financial institution can adopt a transformation leadership style to promote effective commitment among its members.

Statement of the problem:

To what extent a transformational leadership style has an impact on employee commitment.

Objective of the study:

- 1) To investigate the relationship between transformational leadership and employees effective commitment.
- 2) To examine the level of impact a transformational leadership has towards an effective commitment.

Literature review:

The management and leadership techniques have performed collision towards financial performance of the firm. Meanwhile, to be competitive long run in today's dynamic world a proper inclusion of work force during decision making and implementation is a rationale of competitive advantage. A pair of leadership style transformational and transactional is widely known terms in the area of efficient leadership (Bass, 1985; Stogdill, 1963). Transactional leadership focus on goal accomplishment through identifying objectives, scheming how to achieve those goals, nurturing employees with the sense of responsibility, detail outline of each task and with a proper control mechanism to reach desired outcomes (Lo et al., 2009). There are few more characteristics of transactional leader that segregate traditional leadership from new models of leadership (Bass and Avolio, 1994). To ensure required level of commitment environmental conditions, intrinsic factors are combined with play their part towards ingenious performance of an individual which in turn build the basis for workforce commitment.

Leadership:

Leadership as contrast to traditional management focus on followers profoundly. As a leader one has the potential to influence the mindsets of his or her followers to achieve his strategic vision (Yukl, 2008). Transactional and transformational leadership has the capability to address the personal issues of employees while having a deep insight on their self-esteem needs. Through admiration and recognition of manpower a transformational supervisor leads his followers towards higher performances. He builds a strong culture of learning through cooperation and motivation of individuals (Fitzgerald et al., 2010). In a static environment where there are few challenges a traditional management can work well, however, in today era of instability and uncertainty a high visionary leadership is a must ingredient for a successful enterprise. There are two aspects of leadership, one is transactional where monetary achievements awards and coercion are the basic drives used by supervision (Northhouse, 2010). Here goals are set by the upper management and directions are delegated to the subordinates for the accomplishment of pre-planned tasks (Dionne et al., 2004).

Dimensions of Transformational Leadership

The immensity of transformational leadership can be classified on the basis of cognitive or rational inducement apotheosized impact, personnel contemplation (Avolio et al., 1997). Transformational leaders are distinct in the respect that they work for the individual well-being and consider this duty as an obligation. Whole work force heed towards the common goals of the organization. They place the vision of their leader over and above their personal interests. Transformational leader is admired and cherished by his followers from bottom of their

heart. Risk taking and facing challenges is a definite trait of transformational leader. Taking latest chances and composing the attitudes of his followers is the foremost responsibility of a transformational leader (Bass et al., 2006).

Espirit de corps is considered a great motive behind successful team performance. Individuals fueled with solidarity behaviors come up successfully with every unique situation (Antonakis et al., 2006).

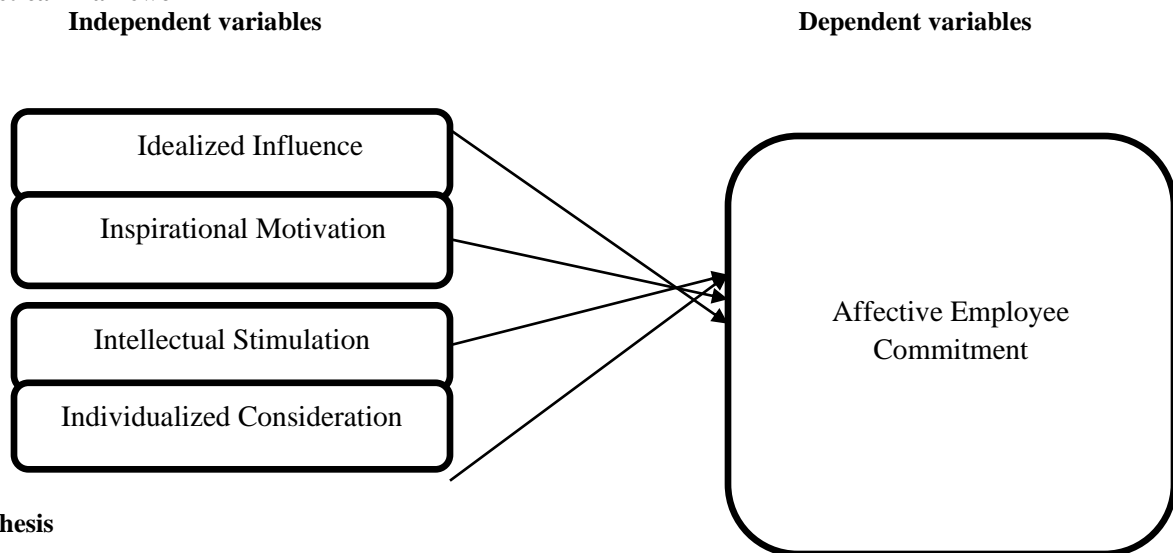
Transformational Leader identifies the niches from the market and guide the workforce to take consideration of the low morale through team learning while coping with challenging environment. Followers' gratification is the result of a leader's morale building among individuals (Castaneda et al., 1991). The organizational prominence is influenced by the healthy leader member exchange relationship (Felfe et al., 1990).

Organizational Commitment

Skilled work force has always been appreciated by the human resource department. Human resource management tries to create a strategic fit between organizational goals and human resource distinct capabilities, still worker dedication is another managerial dilemma that needs to be sort out. Enormous research learning is being developed by the devoted scholars in the field of organizational commitment (Morris and Sharma, 1981). Employee commitment is a sort of emotional and psychological fellowship between an enterprise and its workers (Mowday et al., 1982). The time and efforts taken by employees during extra role behaviors displays the commitment with their establishment.

Meyer and Allen during 1996 have portrayed three distinct strains of organizational commitment. Which are called as affective, continuance and normative commitment? Continuous commitment ties the employees with the organization after a sedulous cost benefit analysis. If quitting the job is not righteous for the carrier of an employee, he or she will continue with his current job, whilst in normative commitment employees feel a sense of obligation to stay with the organization for a longer time period. In affective commitment employees develop a sense of fondness towards organization. This endearment demands the employees to be devoted with their jobs (Shirbagi, 2007). On the basis of past studies a positive and significant relationship between affective commitment and transformational leadership is extracted (Williams and Hazer, 1986).

Theoretical Framework



Hypothesis

H1: There is an association between transformational leadership and employee perceived performance

Methodology:

Present study is empirical in nature which was administered in banking sector of Pakistan. Due to time and cost constraints work force of 12 different banks were selected for research investigation. Simple random sampling was selected for the segregation of samples from the population. Two hundred questionnaires were issued among the randomly selected employees with the positive response rate of 78 percentile.

Dependent Variable

The variable of dominant interest of study is also known as criterion variable. Affective commitment is grasped as a dependent variable for the present study.

Independent Variables

A variable that affect the dependent or criterion variable and accounts for its variance. Following elements form transformation leadership are taken as Independent variables:

- Idealized Influence
- Inspirational motivation
- Intellectual stimulation
- Individualized consideration

Instruments

The concept of transformational leadership style was sustained with the help of a five pointslikert scale. It was adopted from (M.Bass & J.Avolio, 1997). The questionnaires comprised of 17 items. The instruments included four facts of transformational leadership i.e., individual consideration, Inspirational motivation, idealizes influence and intellectual stimulation. Questionnaire of Allen and Meyer (1996)is used to measure employee affective commitment. Five point likert scales was used. A point 1 to 5 were used as a notion for Never, Seldom, some time, Often and last was for Always.

Analysis

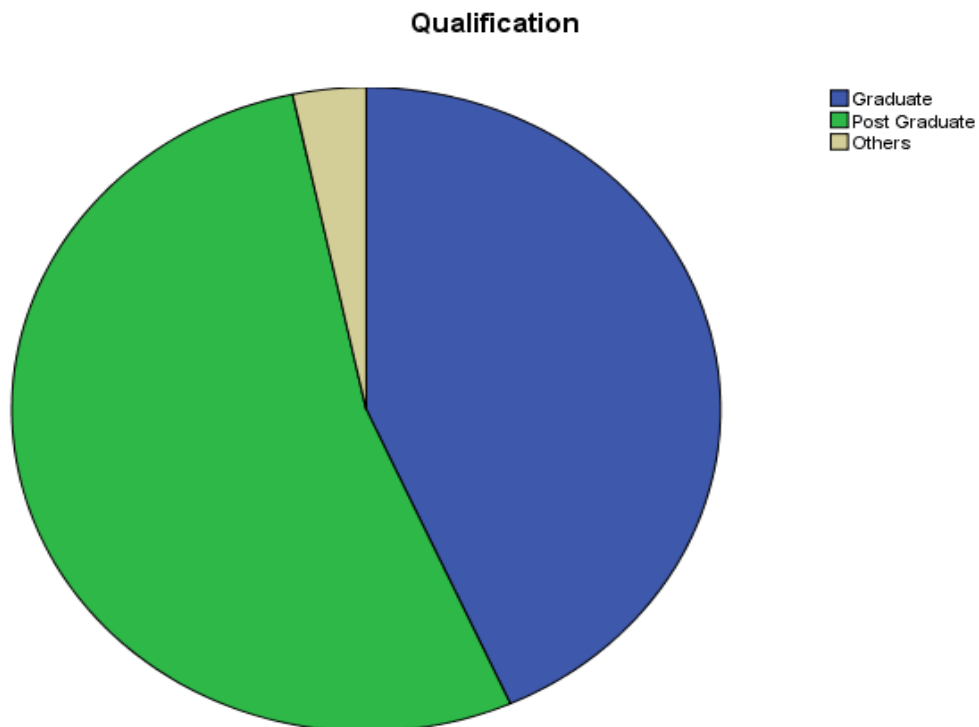
Reliability Analysis

The Cronbach’s alpha appeared to be 0.86which means various items used in the present scale for the study are consistent. As our research study was exploratory this reliability is sufficient. Table 1 contains the test results of reliability analysis.

TABLE 1
Reliability Statistics

Cronbach's Alpha	No of Items
.86	23

FIGURE 1



The distribution of population among different banks is displayed in Table 2. It shows that out of 154 respondents 110 were male and only 44 were female. Most of the responses were received from Habib Bank limited while Muslim Commercial Bank limited was with the second most responsive staff.

TABLE 2

Name of Organization	Male	Female	Total
Allied Bank	10	2	12
Bank Alfalah Ltd	11	2	13
Fysal Bank	13	5	18
Habib Bank Ltd	18	9	27
KASAB Bank	6	3	13
Muslim Commercial Bank	15	10	25
Meezan Bank	13	4	17
Summit Bank	7	2	9
SAMBA Bank	5	1	6
UBL	12	6	18
Total	110	44	154

FIGURE 2

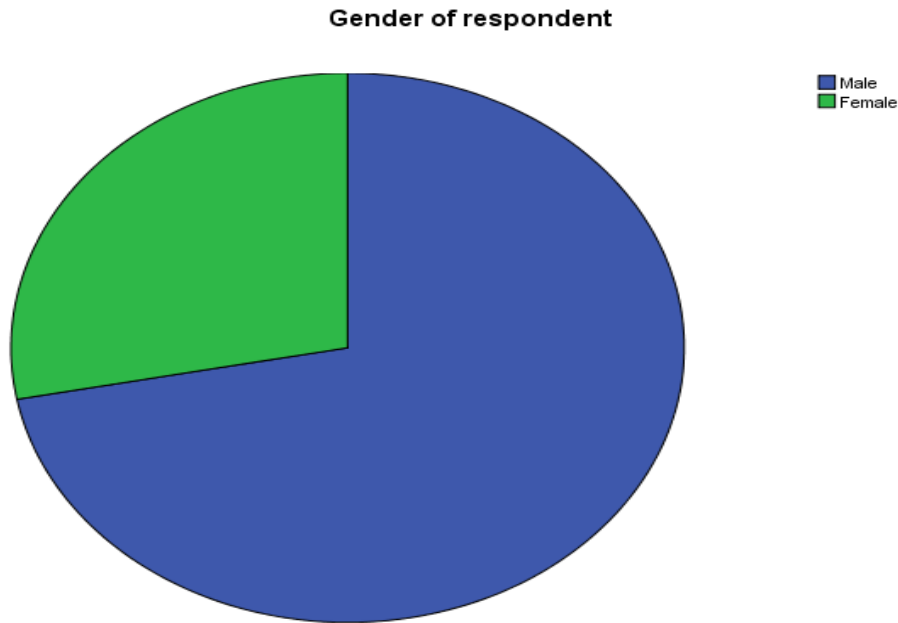


Table 3 represents the percentage distribution of population into male and female workforce.

TABLE 3
Gender Distribution

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	110	0.71	71.0	71.0
Female	44	0.29	29.0	100.0
Total	154	100.0	100.0	

The cross tabulation of gender of respondent and qualification of respondent can be observed from table 4. It shows that out of 75 graduates, 60 were male and 15 were female. Out of 73 post-graduates 47 were male and 26 were female. 35% of female were found to be as post- graduates while ratio of male respondent as post graduate was 64%.

TABLE 4

Educational Qualification: Cross tabulation on the basis of gender

Qualification	Gender of respondent		Total
	Male	Female	
Graduate	60	15	75
Post Graduate	47	26	73
Others	3	3	6
Total	110	44	154

Regression Analysis (affective employee commitment as dependent variable)

Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.544	0.296	0.315	0.292

a. Predictor: (Constant), Transformational Leadership

TABLE 5
Coefficient

Model		Coefficient	Std. Error	t-statistics	Sig.
1	(Constant)	0.71	0.0579	4.372059	0.00
a. Dependent Variable AEC					

TABLE 6

Variable	1	2	3	4	5
1-Affective commitment	1				
2-Idealized Influence	.284**	1			
3-Inspirational Motivation	.320**	.566**	1		
4-Intellectual Commitment	.234**	.544**	.480**	1	
5-Indivisualized Consideration	.345**	.612**	.234**	.346**	1

**significant at 0.01 level of significance

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