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Sustainable Leadership Practices towards Enhancing Employees' Satisfaction: An Analysis Among Bank Employees

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ABSTRACT

In macro perspective sustainable business practices are inevitable in efforts to economic sustainability and in efforts to better the firms' long-term relationships with stakeholder communities. Along with others, these also include leadership practices that would help to enhance satisfaction of employees leading to further sustainability in a complex volatile and resource constrained world. The present paper makes an effort to understand the relationship between leadership styles with respect to the satisfaction of employees towards the leader hence improving the overall efficiency. The paper proposes to study two different leadership styles and their interaction with employees' satisfaction and leaders' effectiveness. For the purpose, Bass and Avolio's multifactor leadership questionnaire (MLQ self-rater) was used to measure transactional leadership style, transformational leadership style, employees' satisfaction towards leadership and leaders' effectiveness in large Indian banks in NCR. This questionnaire was administered on a sample of 404 bank employees in Delhi NCR and SPSS 16 was used to apply regression analysis to assess the association of leadership styles and leaders' effectiveness and also followers' satisfaction. The results show positive and significant association.

Keywords: Leadership styles, transactional leadership, transformational leadership, MLQ JEL Classification: D23, M12, M14, M19, O15

1. CONCEPTUAL FRAMEWORK

The present day India is not the same as it was a few years ago. We are stepping ahead making structural changes to match with the ever more volatile world looking for sustainable ways of business, shaping India to meet the challenges of 2030. Finance being the backbone of all, banking sector would play a crucial role in efforts of sustainable success in times to come. In line with this, the Indian banking sector would also

face the far-reaching changes as the need of the hour. This can be imagined from the changes that have taken place in last one year in the form of Jan Dhan Yojana, Payment Banks, Digitalization and the latest, Demonetization. Although most of the decisions regarding transformation are taken at very high level, the successful implementation remains in the hands of leaders of the organization. Leadership style defines Effectiveness of a leaders are critical to followers' satisfaction and superior service quality sustained success of any organization, particularly service organization like banks. Leadership styles are found to have been influencing the subordinates'/followers' satisfaction and their perception about leaders' effectiveness and this in turn influences their willingness to put extra effort on the job and also their overall performance. As specified by Burns (1978, p. 19) "leaders induce followers to act for certain goals that represent the values and the motivations - the wants and needs, the aspirations and expectations - of both leaders and followers". Of the various leadership styles, transformational leadership has become one of the preferred one, by the practitioners as well as researchers (Avolio, Walumbwa, & Weber, 2009; Judge & Bono, 2000). While as given by Bromley and Kirschner-Bromley (2007) "transactional leadership specifies explicit requirements and conditions of the task, and provide rewards for fulfilling those requirements, fulfilling the requirement is completing the transaction (p. 54)". Generally, the material that is exchanged is in the form of compensation which may be either positive or negative. It goes without saying, those positives in the form of praise or recognition emerges when follower obeys the instructions of leader and negatives, like disciplinary actions, emerge when follower neglects to obey leader's instructions (Bums, 1978).

2. OBJECTIVES

The present paper considers this framework to find empirical evidences in Indian banking industry. The objectives of the study undertaken include:

- To study the influence of transactional and transformational leadership style on leader's effectiveness.
- To study the effect of transactional and transformational leadership style on follower's satisfaction.
- To study the influence of leader's effectiveness on follower's satisfaction.

Interaction of leadership style, leaders' effectiveness and followers' satisfaction : Leadership is considered as the art of influencing, inspiring and motivating people which lead them towards attainment of goals which are advantageous to organizational health (Dubrin, Dalglish, & Miller, 2006). Effective and strong leaders not only frame updated policies but also drive followers to perform beyond expectations and to foster a positive work culture to achieve excellence and transforming themselves to good leaders. Leaders exhibit different styles and different behaviours at work (Oshagbemi & Ocholi, 2006) which become the significant ingredient of success or failure of the organization (Lok & Crawford, 2004). In past decades researches have shown their interest to study the influence of different leadership behaviours and their influence on individual outcomes. Although many leadership theories are developed and researched but transformational and transactional leadership styles are predominantly studied.

Transformational leaders are charismatic people who can create vision in their subordinates by motivating them and appealing their ideals and values (Bass & Avolio, 1997). According to Jin (2010), relationship building, empathy, compassion, innovations are integrated elements of transformational leadership. This generates emotional attachment and fosters a climate of development, trust by nurturing employees and taking care of their well being.

According to different researcher's transformational leadership show significant and positive relation with followers' satisfaction, commitment, loyalty and performance (Judge & Piccolo, 2004).

Transactional leadership is a style of leadership which takes contingent reinforcement of employees based on their performance. It is an exchange process which tries to appeal the personal desires involving instrumental economic transactions. Bennet (2009), stated this style of leadership utilize power, policy and organizational bureaucracy to maintain control.

Researchers differ in their outlook about leader's effectiveness which mainly based on the selected outcome or type of consequences of the effectiveness (Yukl, 1989). Outcomes include different factors like psychological well being, subordinate commitment and satisfaction with the leader, group growth, group preparedness, attainment of group goals, group survival, leader's retention of status in the group and development of group members etc. In some cases leaders' effectiveness is measured by the successful task completion by the group and in others it is measured by ratings provided by leaders' peers, subordinates and superiors.

Leadership effectiveness is predicted by different leadership styles and it plays important role in increasing or decreasing the dedication and loyalty of individual towards organization (Obiwuru, Okwu, Akpa & Nwankwere, 2011). Higher and lower order of leaders' effectiveness can be better inferred by different constructs of transformational and transactional leadership (Bass & Avolio, 2004).

Leadership styles have direct relationship with followers' satisfaction (Huang & Chou, 2005; Krishnan, 2005). Rad and Yarmohammadian's (2008) study suggested significant correlation between leadership styles of managers and the employees' job satisfaction. In contrast to this Lok and Crawford (2004) demonstrated no significant differences with the impact of leadership styles on job satisfaction and commitment. Bass (1997) argued that in comparison to transactional leadership, transformational leadership is more effective in satisfying their followers.

Amirul and Daud in 2012, found that transformational and transactional both leadership style are positively and significantly related to the leadership outcomes (extra effort, effectiveness, and follower satisfaction). Erkutlu (2008), stated that leaders' effectiveness is positively associated with transformational leadership. The similar findings as transformational leadership is positively associated with leader's effectiveness, extra effort and followers' satisfaction were also stated by Lowe et al.1996; Bass, 1985; Avolio, Waldman, & Einstein, 1988; Waldman, Bass, & Einstein, 1987; Bass & Avolio, 1990; Howell & Avolio, 1993; Dum dum, et al., 2002. Bass and Avolio, 1990 and Davis (2008), found in their study that transactional (active) has significant and positive association with outcomes of leadership like extra effort, effectiveness and followers' satisfaction. In contrast to this Bass and Avolio (2004), demonstrate that transactional leadership is negatively correlated to leadership outcomes, effectiveness, extra effort and satisfaction.

The following hypotheses are developed with support from review of literature.

- Transactional and transformational leaders have positive influence on leader's effectiveness.
- Transactional and transformational leaders have positive influence on follower's satisfaction.
- Leader's effectiveness and followers' satisfaction are directly and significantly related to each other.

3. METHODOLOGY

The research design of this study was exploratory cum explanatory that used multiple regression analysis to measure the relationship of the dependent variables (leaders' effectiveness and followers' satisfaction) and independent variables (transformational leadership style and transactional leadership style). The 45-item scale MLQ (Self rater form developed by Bass & Avolio, 2004) to measure the transformational and transactional leadership style along with leadership outcome (followers' satisfaction and leader's effectiveness). This scale has found to be reliable and has been used in number of studies and on different samples for studying different leadership styles (transformational, transactional and laissez faire) and its outcomes (extra effort, effectiveness and satisfaction). Leadership style and outcomes were measured by collecting responses from bank employees. The responses were taken at 5-point scale (1=strongly disagree; 2 = disagree; 3 = neutral; 4 = agree; 5 = strongly agree). A preliminary study was conducted with 105 employees to check the reliability of the scale in Indian context. We found cronbach alpha .72 that satisfied the criteria of >.70 (Nunnally, 1978).

The study has employed stratified random sampling to approach respondents and sample size of 475 was determined for the main study. We received 404 complete questionnaires in all respect.

The study was carried out in Delhi NCR in India. Respondents for the study were included managerial and non-managerial employees of large Indian banks. The employees answered questionnaire that measured leadership style and leadership outcome.

Data screening was done before final analysis as it is extremely important to make data for application of various quantitative tools (Hair. et al., 2006). Data screening was done by examining for missing data, identifying outliers and distributional characteristics.

Researcher personally collected data so there were very few chances of inconsistencies related to missing data. To deal with the issue, incomplete questionnaires were excluded from the analysis. Further univariate normality and multivariate normality was established.

4. DATA ANALYSIS

1. Relationship between transactional, transformational leadership style and leaders' effectiveness.

Table 21.1
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.709 ^a	.502	.500	1.73361	.502	202.428	2	401	.000

a. Predictors: (Constant), Tfflead, TSL

Regression analysis was done considering transactional, transformational leadership style as independent variables and leaders' effectiveness as a dependent variable. (table 21.1)

The value of R square has been found to be 0.502 which indicates that around 50.2% variations in leaders' effectiveness are explained by transactional, transformational leadership style.

Table 21.2
Coefficients^a

<i>Model</i>	<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>	<i>T</i>	<i>Sig.</i>	<i>Correlations</i>		
	<i>B</i>	<i>Std. Error</i>	<i>Beta</i>			<i>Zero-order</i>	<i>Partial</i>	<i>Part</i>
(Constant)	2.234	.710		3.149	.002			
1 TSL	.031	.031	.052	.977	.329	.551	.049	.034
Tflead	.167	.013	.669	12.648	.000	.708	.534	.446

a. Dependent Variable: EFCT

Table 21.2 indicates that the beta coefficients for transactional and transformational leadership styles for are positive and significant and therefore it can be said that there is a linear relation between leaders' effectiveness and transactional, transformational leadership style. It demonstrates that transactional leadership style is able to explain only 5.2 variance of the leaders' effectiveness whereas transformational leadership style is contributing towards explaining 66.9 % of the variance of leaders' effectiveness.

Table 21.3
ANOVA^b

<i>Model</i>	<i>Sum of Squares</i>	<i>df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
Regression	1216.748	2	608.374	202.428	.000 ^a
1 Residual	1205.160	401	3.005		
Total	2421.908	403			

a. Predictors: (Constant), Tflead, TSL

b. Dependent Variable: EFCT

Table 21.3 shows that the value of F statistics is significant and hence the researchers conclude that hypothesis H₁ : Transactional and transformational leaders have positive influence on leader's effectiveness is accepted.

2. Relationship between transactional, transformational leadership style and followers' satisfaction

Table 21.4
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			
						F Change	df1	df2	Sig. F Change
1	.672a	.451	.449	1.14903	.451	164.877	2	401	.000

a. Predictors: (Constant), Tflead, TSL

Regression analysis was done considering transactional, transformational leadership style as independent variables and followers' satisfaction as a dependent variable. (table 21.4)

The value of R square has been found to be 0.451 which indicates that around 45.1% variations in followers' satisfaction are explained by transactional, transformational leadership style.

Table 21.5
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
		B	Std. Error	Beta			Zero-order	Partial	Part
	(Constant)	-.383	.470		-.814	.416			
1	TSL	.065	.021	.174	3.131	.002	.571	.154	.116
	Tflead	.084	.009	.532	9.570	.000	.662	.431	.354

a. Dependent Variable: SA

Table 21.5 indicates that the beta coefficients for transactional and transformational leadership styles for are positive and significant and therefore it can be said that there is a linear relation between followers' satisfaction and transactional, transformational leadership style. It demonstrates that transactional leadership style is able to explain only 17.4% variance of the followers' satisfaction whereas transformational leadership style is contributing towards explaining 53.2 % of the variance of followers' satisfaction.

Table 21.6:
ANOVA^b

	<i>Model</i>	<i>Sum of Squares</i>	<i>Df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
1	Regression	435.367	2	217.683	164.877	.000a
	Residual	529.433	401	1.320		
	Total	964.800	403			

a. Predictors: (Constant), Tflead, TSL

b. Dependent Variable: SA

This table indicates that F value is significant and hypothesis H₂ : Transactional and transformational leaders have positive influence on followers' satisfaction, is accepted.

3. To study the influence of leader's effectiveness on follower's satisfaction

Table 21.7
Model Summary

<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error of the Estimate</i>	<i>R Square Change</i>	<i>Change Statistics</i>			
						<i>F Change</i>	<i>df1</i>	<i>df2</i>	<i>Sig. F Change</i>
1	.666a	.444	.443	1.15525	.444	320.911	1	402	.000

a. Predictors: (Constant), EFCT

Regression analysis was done considering leaders' effectiveness as independent variable and followers' satisfaction as a dependent variable. (table 21.7)

The value of R square has been found to be 0.444 which indicates that around 44.4% variations in followers' satisfaction are explained by leaders' effectiveness.

Table 21.8
Coefficients^a

<i>Model</i>		<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>	<i>t</i>	<i>Sig.</i>	<i>Correlations</i>		
		<i>B</i>	<i>Std. Error</i>	<i>Beta</i>			<i>Zero-order</i>	<i>Partial</i>	<i>Part</i>
1	(Constant)	1.316	.379		3.474	.001			
	EFCT	.421	.023	.666	17.914	.000	.666	.666	.666

a. Dependent Variable: SA

Table 8 indicates that the beta coefficients for leaders’ effectiveness are positive and significant and therefore it can be said that there is a linear relation between followers’ satisfaction and leaders’ effectiveness. It demonstrates that leaders’ effectiveness is able to explain 66.6% variance of the followers’ satisfaction.

Table 21.9
ANOVA^b

	<i>Model</i>	<i>Sum of Squares</i>	<i>Df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
	Regression	428.289	1	428.289	320.911	.000a
1	Residual	536.511	402	1.335		
	Total	964.800	403			

a. Predictors: (Constant), EFCT

b. Dependent Variable: SA

This table indicates that F value is significant and hypothesis H₃: leaders’ effectiveness has positive influence on followers’ satisfaction, is accepted.

5. DISCUSSION

The analysis of data clearly brings out the influence of leadership styles as one of the important constituent in determining leaders’ effectiveness in an organization. The results show that as high as around 50% of the variation in leaders’ effectiveness is explained by leadership styles. On analyzing this further in terms of types of leadership styles used and effectiveness thereby, it was revealed that as against transactional leadership style, transformational leadership style explains significantly higher influence on leaders’ effectiveness, as is reflected from beta coefficients in table 21.2. This is probably because of raised self-esteem of the followers who feel that certain leadership qualities of the leaders like impartial behaviour, compassion, empathy and inspiration for followers’ development increases the effectiveness of the leaders. Further, the leaders’ effectiveness is also enhanced due to their inspirational leadership and intellectual stimulation of the followers. The results of ANOVA paved way for the researchers to accept the hypothesis that leadership style has a positive influence on the leaders’ effectiveness. Considering transactional and transformational leadership styles as independent variables, its influence on the followers’ satisfaction was also found to be quite high which was found to be regressed at around 45.5% (table 21.4). This again brings out that variation in followers’ satisfaction to a great extent comes from the leadership style adopted by leaders in an organization and it has come out to be positive and significant for both the types of leadership style. However on further analyzing, considering the transactional and transformational leadership styles as independent variables, the contribution of transformational leadership style in determining the followers’ satisfaction came out to be significant. Again this is probably because of the fact that transformational leadership style focuses on promoting development of the followers. At the same time such leaders work strategically to transcend the interests of the followers towards the betterment of the organization. The F statistics confirms the significant contribution of the leadership style towards followers’ satisfaction and therefore the researchers conclude this hypothesis to be accepted. To join the dots, when researchers

regressed followers' satisfaction with leaders' effectiveness it came out to be quite high which brings out that the followers' satisfaction is to a great extent is influenced by leaders' effectiveness (44.4%, table 21.7). On analyzing further a linear relationship between the two was also established (table 21.8) and explains around 66% variation in the followers' satisfaction through leaders' effectiveness. Further, the F-statistics confirms the hypotheses. From all this analysis the researchers put forward that leaders with transformational leadership style are quite significantly associated with leaders' effectiveness which in turn has a significant influence on the followers' satisfaction. This goes without argument that followers' satisfaction lead to a plethora of positive organizational outcomes such as increased productivity, turnover, reduced attrition rate, increased extra efforts put by the followers towards achievement of organization targets among others. And it goes without saying that this ensures sustainability of an enterprise, more particularly a service enterprise like banks.

Hence the researchers put forward that transformational leadership style is one of the sustainable management practices that should be adopted by the leaders of the business enterprises, more specifically the service enterprises to sustain in the competitive globalized world.

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