Role of Transactional Leadership Style upon Performance: Mediating Role of Culture

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Abstract

Aim of this study was to find the relation between full range leadership model and performance of employees; further mediating effects of culture are also identified in this study. Survey approach questionnaires were used for data collection. Total 319 completed questionnaires were collected back and used in this study for analysis. CFA was run to test validity of scales. Correlation and hierarchical multiple regression were used for identifying the relationship between variables and also to test the hypotheses. It was found that culture mediated the relationship between transactional leadership styles and employees performances.

Keywords: Leadership Styles, Employees Performance, Organizational Culture

Introduction

It is believed that leadership plays very important role in the organization to increase the performance of followers also called employees (Khan, Mughal, Khattak, 2017). But studies on leadership are very old but few decades back study of Bass and Avolio (1995) got popularity when they introduced leadership full range model. This model has three latent variables one is transformational leadership, transactional leadership and laissez faire. Each latent variable has facets like transformational has five dimensions; transactional has three dimensions and laissez faire as itself. There are majority of studies conducted to found the relationship between leadership styles, performance and organizational culture (Zhang et al., 2009). But all these studies were conducted in western perspective so there is need to conduct study on these variables in Pakistan perspective in order to fill those empirical, theoretical and methodological gaps. So for this purpose this study has used culture as mediating variable with leadership styles and employees performance.

Literature Review

One of the most studied topics in management is leadership but unfortunately it is the most understood, overlooked and ignored area in management, business studies (Burns, 1978; Khan, Busari, Abdullah &

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Mughal, 2018). According to Avolio and Bass (2002) background and history of leadership is so old and rich and this most researched area but in academics and organizations it was overlooked, and ignored. So Avolio and Bass extended work of Burns (1978) and introduced full range leadership theory. This theory consists of three main variables Transformational, Transactional leadership styles and laissez faire. According to study by Ahmed and Cheng (2018) among all these three variables transformational leadership is most effective variables to enhance performance of employees. This is because transformational leadership has charismatic effect and it is change oriented variable. Change in motivation, change in attitude, performance, commitment, involvement. But according to Anatonakis et al., (2003) claimed in study that transactional leadership is also effective in stable organizational performance as well as employee performance. This claim was first made by Lowe et al., (1996) that one attribute of transactional leadership i.e. contingent reward is effective facet of management in organizations.
Purpose of transactional leadership and contingent rewards is to control quality and maintain high standards of work and performance. So it is very essential to study role of transactional leadership.

Transformational Leadership
This variable has five attributes idealized influence behavior, attitude, inspirational motivation, individual consideration and intellectual stimulation. Basically this type of leadership style is used to influence the employees and followers to get desired outcomes with attitude and behavior of leaders (Busari, 2011). Yukl (2002) conducted study on the relationship between leadership styles and reported that transformational leadership is used to influence the belief, attitude of employees and to increase commitment for achieving objectives of organizations.

Transactional Leadership
It has three facets contingent rewards, management by exception active and passive. In these styles of leadership leaders set goals with rewards and on completion of task followers are rewarded with rewards and benefits. Other dimensions of this style is management by exception active in this style leader remain active and play key role before arise of any problem but in passive role leader does not play active role in this leadership style (Busari, 2011). The difference between two concepts i.e. transformational and transactional leadership was given by first Burns (1978). Later on Bass (1985) extended work of Burns and conducted most of research on transformational and transactional leadership is

1995-1996. In transactional leadership, leader promise employees to provide some benefits, rewards on completion of task on time.

Laissez Faire
In this style of leadership leader does not play active role in organization. That's why most of researcher does not use this type of leadership style.

Employees Performance
Getting work done and achieving objectives of organization is called performance. Performance of organizations mainly depends on the leaders and their culture set in the organizations. Imran et al., (2012) conducted study on leadership styles, performance and culture and found positive relationship between all these variables. According to Fiedler & House, (1988) Effective leadership and performance of organizations are directly proportional to each other. It is believed that success of any team, team work and task is mainly dependent on effective leadership. Behavior of leader effect attitude, motivation of employees and in turn it increase the performance of employees

Organizational Culture
It is defined as the set of those values, beliefs, ideas, norms and attitudes which are helpful to bind the employees and organization is called culture. According to Shien (2010) there are three characteristics of culture sub culture, strong culture and weak culture. In sub culture organizations divided the culture according to job demands and nature of work in the organizations while strong culture is that which gave equal beliefs and norms among employees on the other hand weak culture is that one which is unsecure knit of beliefs among employees.

H_1: *There is significant relationship between Transactional Leadership Style and Performance*
H_2: *There is significant relationship between Culture and Performance.*
H_3: *There is significant relationship between Transactional Leadership and culture.*
H_4: *There is mediating effect of culture on transactional leadership and performance.*
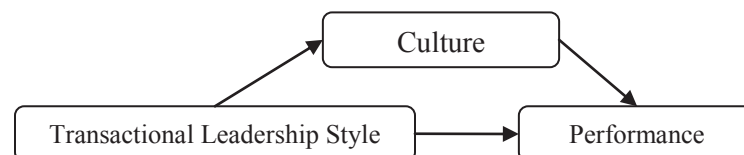

Figure 1: Theoretical Framework

Research Methods

Survey approach was used. Adopted questionnaires were distributed among respondents. MLQ was adopted from Bass and Avolio (2002) while performance was adopted from Mughal et al., (2017) and culture was adopted from Khan et al., (2018). All the instruments were measured on Likert scale. Multiple Leadership Questionnaire was measured 0n 36 items while culture on 7 items and performance on ten items. Total population of this study was 1012 employees while 319 completed questionnaires were returned and used in this analysis. Non probability purposive sampling technique was used for selecting technique. Bivariate correlation and hierarchical regression were used to test the hypotheses while Cronbach alpha was used to check the reliability of instruments for leadership it was 0.847, for culture it was 0.943 and performance 0.705. SPSS 20 version and AMOS-SEM were used to develop and enter data.

Table 1: Descriptive statistics Results

		Culture			Transactional		Performance
	Factor	N	Mean	S.D	Mean	S.D	Mean
Gender	Male	264	3.32	.548	2.286	.451	3.58
	Female	55	3.25	.499	2.307	.4605	3.51
Age	21-30	131	3.37	.542	2.31	.422	3.63
	31-40	151	3.30	.518	2.29	.462	3.54
	41-50	27	3.13	.602	2.16	.521	3.40
	51-60	10	3.13	.587	2.33	.504	3.69
Education	undergraduate	36	3.40	.537	2.36	.358	3.54
	Master	227	3.34	.561	2.308	.461	3.58
	M. Phil	51	3.17	.403	2.177	.465	3.52
	PhD	5	3.02	.628	2.1000	.369	3.54
LOS	1-5	134	3.36	.531	2.31	.408	3.66
	6-10	124	3.34	.555	2.28	.4627	3.52
	11-15	44	3.19	.429	2.25	.480	3.38
	16-20	5	2.96	.636	2.38	.934	3.69
	20 above	12	3.00	.667	2.17	.503	3.61
Sector	Public	133	3.24	.541	2.296	.545	3.61
	Private	186	3.36	.535	2.28	.374	3.53
Designation	OG3	105	3.38	.485	2.326	.4024	3.58
	OG2	127	3.31	.573	2.309	.5185	3.57
	OG1	77	3.21	.544	2.213	.382	3.54
	AVP	10	3.33	.591	2.263	.545	3.67

From the above Table it is shown that there are total 319 respondents taken part in this study. In which 264 males have taken part and 55 females have taken part in this study. Further analysis of results revealed that males scores higher on culture while females scores are lower i.e. M= 3.32, S.D = 0.548, M= 3.25, while females scores higher on transactional leadership while males respondents scores lower M =

2.307, S.D=0.460, M = 2.28. while on performance Males score higher than their females counter parts M = 3.58 while females M= 3.51, it means that on culture females gave less importance to culture than males, but on transactional leadership style females believe on rewards on completion of task but males does not gave importance to rewards but when results of performance are shown male gave more importance to performance than females. Further analysis of results revealed that age group of 21-30 gave more importance to culture but as the age increase up to 40 and 50 that group gave less importance to culture but when there is matter of rewards age group of 21-30 and above 50 and 60 gave more importance to rewards and transactional leadership style but age group of above 30 and 40 does not gave much importance to transactional leadership style on basis of mean and same is the situation in performance for same age groups.

In addition it is noted that group having undergraduate education gave more importance to culture but as the education increases less importance is given. Further same is the case in transactional leadership more focus is given by undergraduate group and less focus is given to transactional leadership style when education increase. But all groups on same point and gave equal importance to performance almost all mean scores for all groups having undergraduate, master and PhD degrees score same for performance. Same way when length of service is less importance to culture is given more but when length of service increases respondents gave less importance to culture, but importance to transactional leadership increases as length of service increases and performance also increases with increase in experience. Public sector employees gave less focus to culture as compared to private sector employees and public sector employees gave more importance to transactional leadership styles as more benefits are attached with task completion in transactional leadership styles. But performance is more focused by public sector employees. But when we talked about designation lower staff gave importance to culture and transactional leadership style but in performance higher rank officers gave importance to performance as compared to lower rank officers.
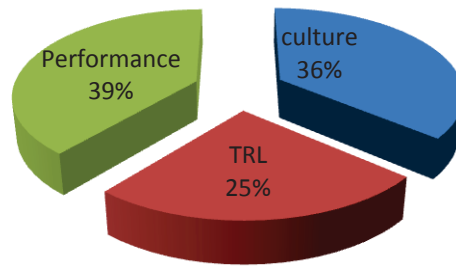
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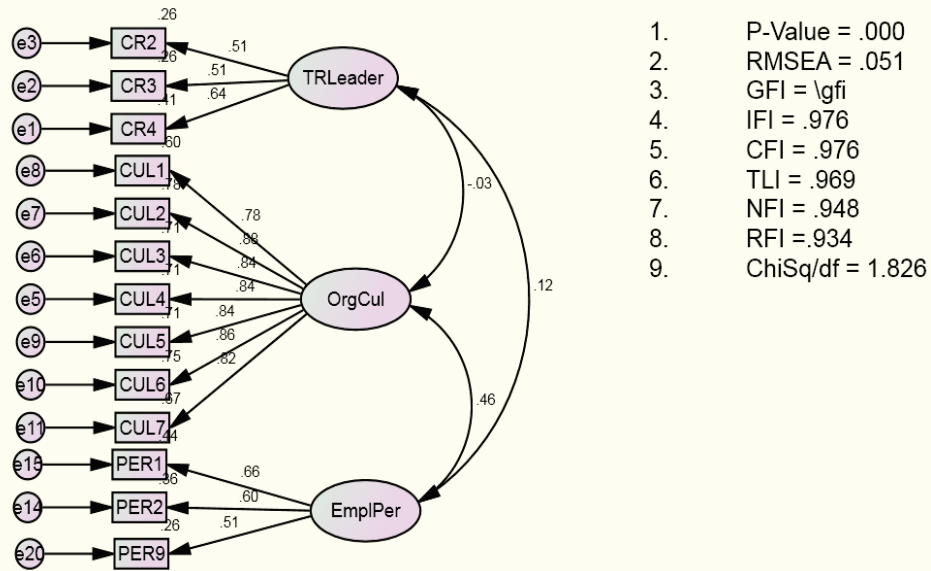

Figure 2: Pie Chart

Figure 3: Measurement Model (Confirmatory Factor Analysis).

Confirmatory Factory analysis in AMOS-SEM was run in order to check the validity of the scales. In above Fig 3 measurement model for transactional leadership, organizational culture and employee's performance was done. It is noted that model was found fit i.e. Rmsea value is 0.051 <0.08, IFI=0.976, CFI=0.976, TLI=0.969, NFI=0.948, RFI=0.934, >0.90, suggested by Hair et al., (2017). ChisqX^2=1.826, less than 3 as suggested by Hair et al., (2017) indicated that model is found fit.

Further analysis of results revealed that covariance estimates between transactional leadership and employee performance is 0.12, while organizational culture and employee performance is 0.46 which is significant.

Table 2: Variables

Independent	Dependent	r	p
Transactional	Performance	0.167	0.003
Transactional	Culture	0.257	0.000
Culture	Performance	0.382	0.000

Relationship between transactional leadership styles and performance is r = 0.167, p<0.05, while relationship between transactional leadership styles and culture is r = 0.257, p<0.01, while relationship between culture and performance is r = 0.382, p<0.01 all first three hypotheses are accepted. These results are in line with the previous results of Imran et al., (2012) conducted study relationship between transactional leadership styles, performance and culture and found positive and significant relationship between all three variables, i.e. transactional leadership styles, performance and culture.

Table 3: Regression Analysis

DV	IV	R	R^2	Coeff	Sig	F	Sig	Sobel	p
Culture	Constant	0.257	0.0661			22.42	0.000	3.85	0.0
	Transactional(a)			0.306	0.000				
Performance	Constant	0.389	0.1513						
	Culture(b)			0.323	0.000	28.17	0.000		
	Transactional (C')			0.0785	0.169				
Performance	Constant	0.167	0.028			9.129	0.0027		
	Transactional ©			0.1778	0.0027				

For bankers concerning culture, transactional leadership shows variance upon culture R^2= 0.0661, it means that transactional leadership variance upon culture 6.6% with beta value β=0.3069,p<0.01, it means that one percent change in transactional leadership style would bring change in

culture 30%. Model is found fit F = 22.42,p<0.01. in model 2 culture and transactional leadership together show variance upon performance R^2= 0.1513, i.e. 15.13% with β=0.323,p<0.01 while β=0.0785,p>0.05, it means that change in culture can bring change in performance but in presence of culture change in transactional leadership would not bring any significant change in performance. In model 3 transactional leadership shows variance r square = 0.028 it means that 2.8% variance upon performance β= 0.1778,p<0.05. so it means that culture does acts as full mediator between transactional leadership and performance. So a hypothesis 4 is accepted.

Discussion and Conclusion

It is noted that leadership bring change in performance and leadership with rewards is very effective to bring change in performance it is also believed that if culture is added with leadership styles it can be very effective (Khan, Busari, Abdullah, Mughal, 2018; Busari et al., 2017; Heromi et al., 2016; Rasool, Shakur, Mughal, Awang, 2019). So this study has carried out survey from bankers to know their culture, performance, leadership styles practiced by banking managers. It is found that all these variables have relationship and significant positive relationship between each other. It is also noted that transactional leadership has relationship with performance but when culture is added relationship changed. Culture is defined as the way of doing things in routine in organizations is called culture basically it is the name of norms, values and belief of a person how he/she prefer to do things in routine that is called culture. So it is noted that culture play very effective role in increasing the performance when culture is added there is no need to change transactional leadership styles. These results are in line with (Busari, & Mughal, 2017; Mughal & Busari, 2015; Mughal, Busari & Saeed, 2016; Mughal et al., 2016; Mughal, Busari, Qasim, Nizamani, Rasool, Jalil, Ahmed, 2016).

This study has significantly contributed to body of knowledge in several ways. First this study has extended literature of leadership i.e. transactional leadership, organizational culture, and performance of employees in banking context. Second this study has filled theoretical gap by adding organizational culture as mediator between predictors and criterion. Third this study has reported empirical results of mediation analysis by using Andrew F Hayes process file. Thus filling methodological gap. Academicians and practitioners can take benefits from findings of this study. Practitioners like policy makers can raise awareness of culture in banking sector. So that performance of banks can be increased. As there is tough competition because of national and

international banks operating in Pakistan. This study will help policy makers of institute of Bankers Pakistan i.e. IBP while making policy for new hiring or existing employees will consider culture as dominant factor.

As we all know that there is high bureaucratic culture exists in Pakistan especially in state bank of Pakistan and National bank of Pakistan NBP. So these banks must provide some financial benefits and non financial benefits to their employees so that they can get the desired results from their team. We know that all employees get motivation in order to increase motivation leaders must link performance with rewards this will help them to achieve their goals on time. Also practitioners during seminars, conferences, workshops, and colloquium series can raise awareness of the culture.

In spite of some contributions this study has some limitations. This study used very small sample size from one district so this is one limitation, second this study has used one method of data collection and analysis i.e. quantitative. Third this study has used cross sectional data. Fourth there is only one mediator in this study. Fifth this study has collected data from banks only not other organizations.

Future researches can use big sample size like one state or two so findings can be generalized to other districts as well. Future studies can use mix methods like quantitative and qualitative so more and in deep understanding can be given to readers. Third longitudinal data is more encouraged for further studies. In further studies multiple mediators, serial mediators or one moderator along with mediator may be used to solve more complex models. And fifth in future other organizations can be included in study for data collection so that findings can be generalized to other organizations. One of the main point is that this study has focused or included response of employees in this study, in future leader/managers and followers i.e. employees both can be included in this study. And compare the results of the leaders and followers. This will bring interesting results and more understanding to readers.

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