

# Transactional Leadership Style and Employee Satisfaction in Nigerian Banking Sector

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## Abstract

This study investigated the effect of transactional leadership style on employee satisfaction in selected banks in Rivers state of Nigeria. The sample for this study consisted of 160 employee from the 20 selected banks. The data for this research was collected using the questionnaire and interview methods. The Spearman Rank-order correlation coefficient was used to test the relationships between the variables under review while the multiple regression analysis was adopted to evaluate the moderating effects of corporate culture on the relationship between transactional leadership and employee satisfaction. Findings from the study revealed that there is a positive and significant relationship between all the dimensions of transactional leadership style and employee satisfaction except passive management by exemption. Based on the findings above it was concluded that transactional leadership enhances employee job satisfaction. More specifically, it was concluded that contingent reward and active management by exemption enhances employee satisfaction while passive management by exemption does not.

**Key Words:** Employee, transactional leadership, Job Satisfaction, contingent reward, active management by exemption and passive management by exemption, corporate culture

## CONTEXT OF THE PROBLEM

The importance of employee satisfaction in the corporate world cannot be over emphasized especially at this era of uncertainty where there is intense competition and unhealthy rivalry among organizations. For any organization to achieve its objectives there must be mutual interaction between organizational leaders (managers) and their followers (subordinates).

In terms of employees' effectiveness and productivity the leadership style that characterizes the interaction between leaders (managers) and their followers (subordinates) is very crucial.

Employees are the workforce of any organization and are responsible for the day to day activities required to achieve the desired objective of any firm. As Eskildsen & Nussler (2000) put it, employee satisfaction is impacted by the employees' perception of their job and the organization for which they work for. Employees' perception of leadership behaviour is an important predictor of employee job satisfaction and commitment (Jaskyte, 2004).

The leadership style that characterised any organization is capable of influencing to a great extent the level of employee performance in that organization. The style of a leader can either motivate an employee to increase his or her level of performance or discourage employee, which in return can cause decrease in their level of performance or even lead to high turnover rate. According to Schyns & Sanders (2007), the sources of employee job dissatisfaction include salary inadequacy, conflicting job demands emanating from leadership style and absence of promotion prospects. For the purpose of efficiency and effectiveness, result oriented leadership style, one that contributes positively to employees' satisfaction and brings about better employee performances, effectiveness and productivity is clearly desirable (Turner & Muller, 2005).

Several scholars are of the opinion that leadership research needs to pay more attention on the "fundamental" issues, such as influence processes that characterize leader-follower interaction (Bass, 1990; Hollander &

Offermann, 1990; Yukl, 1989). Research has also proved that effective leaders must possess the ability to recognize when to use different tactics of influence as well as the skill necessary to effectively carry out these influence attempts (Kipnis, Schmidt & Wilkinson, 1980; Yukl & Falbe, 1990; Yukl, 1998; Bolino & Turnley, 2003).

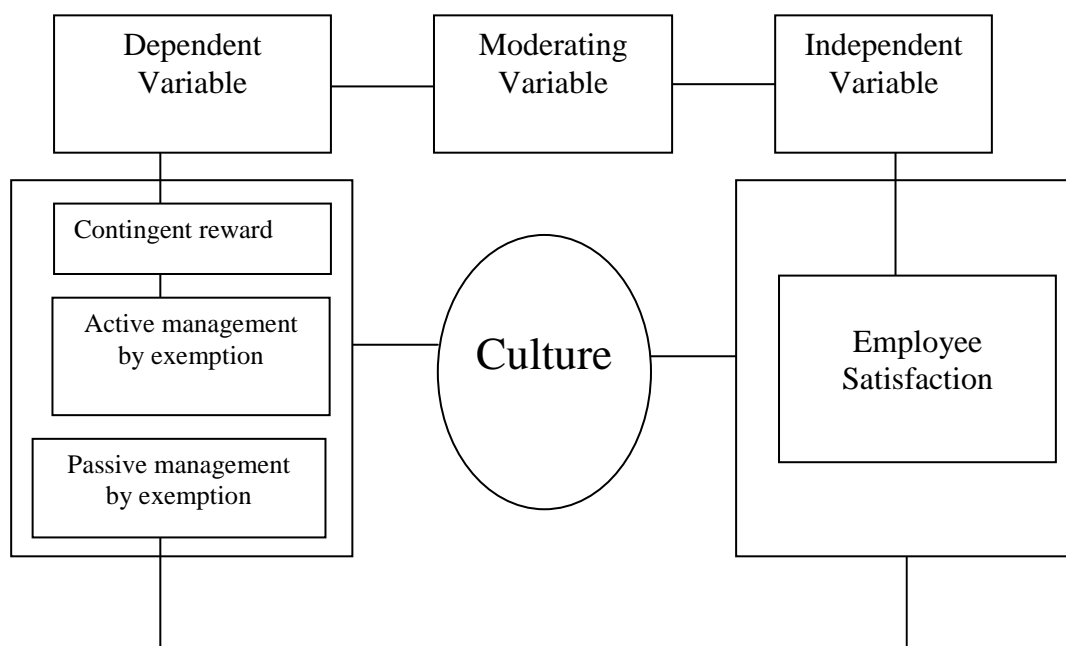
For Moorman and Fetter (1990) superior's leadership style and subordinates' job satisfaction are inter-related. Wrong leadership style is capable of causing negative consequences, which might further triggers the sensitivity and susceptibility to misunderstanding which may lead to organizational dysfunction such as decrease work performance, absenteeism and high turnover (Lamude, 1994; Motowidlo, 2003). Therefore, prevention of subordinates' negative outcome is imperative *visa-vis* the use of different leadership styles.

Since organization's utmost desire is to maximize shareholders wealth as well as create value to customers, employee's input in the realization of this desire become very critical, hence the importance of their satisfaction. Critical elements of the organization, such as employee job satisfaction, employee loyalty, organizational performance, organizational citizenship behaviour, and employee commitment, have been associated with leadership styles (Kirkpatrick and Locke, 1996). These results has however been validated by different scholars across cultures and in different organizational settings (Al-Dmour & Awamleh, 2002). (Javidan & Waldman, 2003). Javidan and Waldman (2003) agrees that in the public domain, charismatic leadership was only modestly related to motivational consequences. The impact of charismatic/transformational leadership styles on followers' effectiveness and motivation has also been recorded (Bass & Avolio, 1990; 1994). Despite these growing research on the topic of our study, employee attitude towards their work especially in the Nigerian work environment still shows a great degree of lack of job satisfaction.

Literature on transactional leadership style and employee satisfaction in the Nigerian banks still remains scanty. It is on this premise that the researchers' wishes to investigate the relationship between transactional leadership style and employee job satisfaction in the Nigerian work environment with reference to selected Nigerian banks in Rivers State.

### Conceptual Model of Research

Figure 1.1: A Framework for Analyzing the Relationship between transactional leadership style and employee satisfaction.



### Source: Conceptualized by the researchers

This conceptual framework tries to present a hypothetical relationship between the dimensions of transactional leadership (contingent reward, active management by exemption and passive management by exemption) and employee satisfaction. Transactional leadership style is the independent variable while employee satisfaction is the dependent variable. It is assumed that corporate culture might moderate the relationship between the independent and the dependent variables.

### Objective of the Study

The purpose of this study is to ascertain the relationship between transactional leadership style and employee satisfaction. More specifically this study seek to:

- i. Ascertain the relationship between contingent reward and employee satisfaction.
- ii. Examine the relationship between active management by exemption and employee satisfaction.
- iii. Ascertain the relationship between passive management by exemption and employee satisfaction.
- iv. Find out if corporate culture will moderate the relationship between transactional leadership style and employee satisfaction.

### **Research Questions**

The research questions for this study are as follows:

- i. What is the relationship between contingent reward and employee satisfaction?
- ii. What is the relationship between active management by exemption and employee satisfaction?
- iii. What is the relationship between passive management by exemption and employee satisfaction?
- iv. Will corporate culture moderate the relationship between transactional management style and employee satisfaction?

### **Research Hypotheses**

For the purpose of this study, the following hypotheses were formulated.

- Ho<sub>1</sub> There is no significant relationship between contingent reward and employee satisfaction.
- Ho<sub>2</sub> There is no significant relationship between active management by exemption and employee satisfaction.
- Ho<sub>3</sub> There is no significant relationship between passive management by exception and employee satisfaction.
- Ho<sub>4</sub> Corporate culture will not moderate the relationship between transactional leadership style and employee satisfaction.

## **LITERATURE REVIEW**

This subheading is for review of relevant literature.

### **Transactional Leadership Style Defined**

Transactional leadership: This leadership style otherwise known as managerial leadership pays attention to the social interactions or transactions between leaders and followers. It focuses on the role of supervision, organization, and group performance; transactional leadership describes a style of leadership in which the leader champions compliance of the followers through both reward and punishments. As oppose to Transformational leadership, transactional leaders are however not optimistic about change in the future; they rather keep the status quo (let things remain the way they are). Transactional leaders are fault finders, as they always find a way of tracing faults to the employee. Transactional leadership is better adopted in crisis and emergency situations, as well as when work need to be carried out in a specific fashion. Transactional leaders conduct their business by identifying the needs of their followers and bestowing rewards satisfying these needs for certain appropriate performances (Arnold, 1998).

The leader's freedom to act is constrained by the followers` perception of him or her.

Followers will only show the demanded behaviours when they experience ascertain authority and ability in the leader as well as contingencies in rewards (Bass, 1985).

Leaders motivate their subordinates through observing their performances and reacting to errors and failures.

A transactional leader takes cognizance of the needs of followers and facilitates negotiation with them so as to meet their needs. A transactional leader will do all it takes for his followers to meet targets.

### **Employee Satisfaction**

Employee Satisfaction is simply the way and manner people feel about their jobs and the different aspects of their jobs (Spector, 1997). Spector opined that employee job satisfaction is an important concern in every organization since it focuses on both humanitarian and utilitarian perspectives. According to the humanitarian perspective, people deserve to be treated fairly and with respect. The utilitarian perspective proposes that employee or job satisfaction can lead to employee behaviours that affect organizational functioning and performance.

Herzberg (1959) in his contribution to work behaviour stated that those factors he tagged hygiene which include supervision, salary, company policy and administration, relationship with peers, working conditions, personal life and security as well as motivation factors which include recognition, responsibility, achievement and the work itself all have a direct impact on job satisfaction.

### **Dimensions of Transactional Leadership Style**

The following dimensions of transactional leadership have been identified as contingent reward, management by exception—active, and management by exception—passive, and laissez-faire in line with Bass (1995) leadership style different theoretical components:

**Contingent Rewards:** *Contingent reward:* this is the degree to which a leader arranges constructive transactions with followers: The leader is very clear about his expectations and he establishes the rewards for meeting these expectations. The leaders clarify what is expected from followers and what they will receive if they meet expected levels of performance.

**Active Management by Exception:** generally, management by exception is the degree to which a leader takes corrective action on the basis of results of leader–follower transactions. As noted by Howell and Avolio (1993), the difference between *management by exception—active* and *management by exception—passive* lies in the timing of the leader’s intervention. Active leaders monitor follower behaviour, anticipate problems, and take corrective actions before the behaviour creates serious difficulties. Passive leaders wait until the behaviour has created problems before taking action. The leaders focus on monitoring task execution for any problems that might arise and correcting those problems to maintain current performance levels.

**Passive Management by Exception:** Transactional leaders intervene only when performance is not commensurate with expectations. Punishment is used as a response to unacceptable performance. Passive management-by-exceptions– leaders tend to react only after problems have become serious to take corrective action, and often avoid making any decisions at all (Bass, 1995)

## METHODOLOGY

### Research Design

This study is a descriptive research and thus, requires the quasi-experimental design research design. This is particularly so as it is the most appropriate for research in the administrative sciences (Baridam, 2001), where the researcher has no control over variables in the sense of manipulating them.

This was chosen after a critical look at the nature of the problems. More specifically, the cross sectional survey was adopted since it takes a snapshot at a situation and analyses it. It will be relevant to note that the cross sectional survey or the survey design is a process whereby standardized information is collected from a representative sample of a particular group or population. The survey instrument was designed in such a way that meaningful results were achieved. The cross sectional survey has become popular in social/administrative science research for many reasons including: i) it is budget and time effective, ii) it is perceived to be more anonymous and, iii) it allows respondents time to think about the questions.

### Operational Measures of the Variables

In order to ensure that a meaningful analysis was carried out for the purpose of providing clarity in understanding, an operational definition of the variables in this study is given. This will help to indicate the meaning of the variables, as it is functionally applied in the study and how numerical values were assigned to them.

Measurement is the assignment of numbers to events or objects according to rules that permit important properties of the objects or events to be represented by properties of the number system. The key to this definition is that properties of the events are represented by properties of the number systems. The rules by which the numbers are assigned to the events determine how useful the measurement is.

According to Adams and Johnson (1985:6), it is very important in statistics to know how a set of observation is measured because this will influence the method of analysis. On his part, Baridam (2001) observed that no single operationalisation of research production will satisfy everyone. Inevitably, matters of judgment and preference often intrude so as to compound the problem of measurement. The only assessment to a contribution to science must come from within the respective specialty for only members of the particular specialty are sufficiently competent to judge the significance of a scientific contribution to their field (Blume and Sinclair, 1993 in Baridam, 2001).

Like many other constructs in the field of management, however, transactional leadership and employee satisfaction have been conceptualized and measured in several ways.

However, for our present purpose only measuring instruments with confirmed validity and reliability were used to measure the different variables included in the study.

### Independent Variable:

The independent variable for this study is **Transactional leadership style**. The dimensions of transactional leadership include: Contingent reward, Active management by exception and. Passive management by exception. These components of transactional leadership were measured by Multifactor Leadership Questionnaire (MLQ) developed by Bass (1985). See appendix

### Dependent Variable:

The dependent variable for this study is **employee satisfaction**. Employee satisfaction was measured by the Minnesota satisfaction questionnaire developed by Weiss.

The moderating variable in this study is **corporate culture**. The moderating role of corporate culture in the relationship between the independent variable (transactional leadership) and the dependent variable

(employee satisfaction) was assessed by means of the corporate culture questionnaire offered by Denison, (1990). The dimensions of this variable as suggested by Denison, (1990) include: involvement index, consistency index, adaptability index, and mission index.

### DATA PRESENTATION AND ANALYSIS

This subheading presented the analysis of data collected from the top and middle level manager in banks under study in Rivers State.

**Table 1: Showing the age distribution of the respondent.**

Age	Frequency	Percentage (%)
30-45	38	36
46-60	42	40
61-above	26	24
Total	106	100

Source: Research Data, 2014

Table 1 shows that 38(36%) of the respondents are between the age group of 30-45 while 42(40%) are between the age group of 46-60 and 26(24%) are of the age group of 61 and above.

**Table 2: showing the gender of the respondent**

Gender	Frequency	Percentage (%)
Male	71	67
Female	35	33
Total	106	100

Source: Research Data, 2014

Table 2 shows that 71(67%) of the respondents are male, and 35 (33%) are female these let us to know that majority of the managers are male.

**Table 3: Showing the educational qualification of respondents**

Educational Qualification	Frequency	Percentage (%)
B.Sc/ HND	57	54
MBA/MSC	43	41
PHD/ABOVE	6	5
Total	106	100

Source: Research Data, 2014

Table 3 note that the respondents have 57(54%) BSC/HND qualification, MBA/ MSC qualification 43(41%), and 6(5%) Ph.D and above.

**Table 4: Showing the job status of respondents**

Job Status	Frequency	Percentage (%)
Junior	61	57
Senior	45	43
Total	106	100

Source: Research Data, 2014

Table 4 shows us that 45(43%) of the respondents are senior managers and 61(57%) of the respondents are junior managers.

**Table 5: Showing the number of years the respondents have worked for the firm.**

Years	Frequency	Percentage (%)
0-10	61	58
11-20	32	30
21 years and above	13	12
Total	106	100

Source: Research Data, 2014

Table 5 shows that 61(58%) of the respondents have worked for the firm for 0-10 years, while 32(30%) have worked for 11-20 years and 13(12%) have worked for 21 years and above.

### TESTING OF RESEARCH HYPOTHESES

The research hypotheses were tested using the Spearman Rank Order Correlation and was analyzed using the SPSS statistical package version 17.0 as shown below:

HO<sub>1</sub>: There is no significant relationship between contingent reward and employee satisfaction .

**Table 6: Showing Hypothesis One Test Result**

**Correlations**

			Contingent reward	Employee satisfaction
Spearman's rho	Contingent reward	Correlation Coefficient	1.000	.976**
		Sig. (2-tailed)	.	.000
		N	72	72
	Employee satisfaction	Correlation Coefficient	.976**	1.000
		Sig. (2-tailed)	.000	.
		N	72	72

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The SPSS table 6 revealed that: Spearman's rho is 0.976\*\* and Probability is 0.000 this showed that: There is a significant relationship between contingent reward and employee satisfaction.  $P < 0.05$  level of significance. Decision Rule: when  $p < 0.05$  accept the alternate hypothesis and reject the null hypothesis.

HO<sub>2</sub>: There is no significant relationship between active management by exemption and employee satisfaction.

**Table 7: Showing Hypothesis Two Test Result**

**Correlations**

			Active management by exemption	Employee satisfaction
Spearman's rho	Active management by exemption	Correlation Coefficient	1.000	.953**
		Sig. (2-tailed)	.	.000
		N	72	72
	Employee satisfaction	Correlation Coefficient	.985**	1.000
		Sig. (2-tailed)	.000	.
		N	72	72

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The SPSS table 7 revealed that: Spearman's rho is 0.985\*\* and Probability is 0.000 this showed that: There is a significant relationship between active management by exemption and employee satisfaction.  $P < 0.05$  level of significance. Decision Rule: when  $p < 0.05$  accept the alternate hypothesis and reject the null hypothesis.

HO<sub>3</sub>: There is no significant relationship between passive management by exemption and employee satisfaction.

**Table 8: Showing Hypothesis Three Test Result**

**Correlations**

			Passive management by exemption	Employee satisfaction
Spearman's rho	Passive management by exemption	Correlation Coefficient	1.000	.212
		Sig. (2-tailed)	.	.000
		N	72	72
	Employee satisfaction	Correlation Coefficient	.212	1.000
		Sig. (2-tailed)	.000	.
		N	72	72

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The SPSS table 8 revealed that: Spearman's rho is 0.212 and Probability is 0.000 this showed that: There is no significant relationship between passive management by exemption and employee satisfaction.  $P < 0.05$  level of significance. Decision Rule: when  $p < 0.05$  accept the null hypothesis.

HO<sub>4</sub>: Corporate culture will not moderate the relationship between transactional leadership style and employee satisfaction.

**Table 9: Showing Hypothesis Four Test Result**

Correlations

Control Variables			Transactional leadership	Employee satisfaction
Corporate culture	Transactional leadership	Correlation	1.000	.921
		Significance (2-tailed)	.	.000
		Df	0	69
	Employee satisfaction	Correlation	.921	1.000
		Significance (2-tailed)	.000	.
		Df	72	0

The SPSS table 9 revealed that: The Spearman's rho partial correlation is 0.921 and Probability is 0.000 this showed that: There is a positive significant relationship between corporate culture, transactional leadership and employee satisfaction.  $P < 0.05$  level of significance. Decision Rule: when  $p < 0.05$  accept the alternate hypothesis and reject the null hypothesis.

## DISCUSSION OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

### Discussion of Findings

The Spearman's rank order correlation coefficient analyzed using statistical package for social sciences version 17.0 (SPSS) revealed that: for hypothesis one; There is a significant relationship between contingent reward and employee satisfaction. This is in conformity with the findings of (Bass, 1990). They found a positive relationship between the dimensions of transactional leadership and employee satisfaction.

Hypothesis Two revealed that: There is a significant relationship between active management by exemption and employee satisfaction. This is in conformity with the findings of Ryan (1995). He found a positive relationship between active management by exemption and employee satisfaction.

Hypothesis Three revealed that: There no significant relationship between passive management by exemption and employee satisfaction. This is in conformity with the findings of Organ and Ryan (1995). They found no relationship between passive management by exemption and employee satisfaction.

Hypothesis Four revealed that: There is a positive significant relationship between corporate culture, transactional leadership and employee satisfaction. This is in conformity with the findings of (Bateman et al, 1991) they agreed that corporate culture moderates the relationship between transactional leadership style and employee satisfaction.

### Conclusion

Based on the study discussion of findings, the following conclusion was made:

Transactional leadership style enhances employee satisfaction. More specifically,

- i. Contingent reward significantly enhances employee satisfactions within the Nigeria work environment and the banking system to be specific.
- ii. Active management by exception significantly enhances employee satisfactions within the Nigeria work environment and the banking system to be specific.
- iii. Passive management by exception does not enhance employee satisfactions within the Nigeria work environment and the banking system to be specific.
- iv. Corporate culture plays a major moderating role in the relationships between the independent variable (Transactional leadership style) and the dependent variable (employee satisfaction).

### Recommendations

Based on the discussions and conclusions above, the following recommendations are made:

Firstly, managers should take steps to ensure that they offer contingent rewards, inducements and favours to the employees in exchange for their contributions at work as this is capable of enhancing their job satisfaction.

Secondly, enterprise managers should ensure that they find the appropriate combinations of the leadership styles that would achieve the organizational goals together with the individual targets or objectives of the employees as this is capable of enhancing their job satisfaction

Finally, too much use of punishment as a response to undesirable performance should be reduced in order to gain the confidence of employees.

#### **Suggestions for Further Research**

The impact of transactional leadership on a broader range of work-group or organizational-level criterion variables should also be examined.

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## APPENDIX

### TRANSACTIONAL LEADERSHIP BUB-SCALE:

#### Contingent Reward

- i. Provides me with assistance in exchange for my efforts.
- ii. Discusses in specific terms that is responsible for achieving performance target.
- iii. Makes clear what one can expect to receive when performance goals are achieved.
- iv. Expresses satisfaction when I meet expectations.
- v. Makes innovative suggestions to improve department

#### Active Management By Exception

- i. Focuses attention on irregularities, mistakes, exceptions and deviations from standards.
- ii. Concentrates his/her full attention on dealing with mistakes, complains and failures.
- iii. Keep track of all mistakes.
- iv. Direct my attentions to failures to meet standards.

#### Passive Management By Exceptions

- i. Fails to interfere until problems becomes serious.
- ii. Waits for things to go wrong before taking action.
- iii. Shows that he/she is a firm believer in 'if it ain't broke don't fix it'.
- iv. Demonstrates that problems must become chronic before I take action.

### EMPLOYEE SATISFACTION SUB-SCALE:

1. Being able to keep busy all the time
2. The chance to work alone on the job
3. The chance to do different things from time to time
4. The chance to be somebody in the community
5. The way my boss handles his/her workers
6. The competence of my supervisor in making decision
7. Being able to do things that don't go against my conscience
8. The way my job provides for steady employment
9. The chance to do things for other people
10. The chance to tell people what to do
11. The chance to do something that makes use of my abilities
12. The way company policies are put into practice
13. My pay and the amount of work I do
14. The chances for advancement on this job
15. The freedom to use my own judgment
16. The chance to try my own methods of doing the job
17. The working conditions
18. The way my co-workers get along with each other
19. The praise I get for doing a good job
20. The feeling of accomplishment I get from the job

### CORPORATE CULTURE SUB-SCALE:

#### Involvement index

- i. Most people in this company have input into decisions that affect them
- ii. Cooperation and collaboration across functional roles is actively encouraged in this organisation

#### Consistency index

- i. There is a high level of agreement about the way that we do things in this company

ii. Our approach to doing business in this organisation is very consistent and predictable

**Adaptability index**

i. Customers' comments and recommendations often lead to changes in this company

ii. This organisation is very responsive and changes easily

**Mission index**

i. This company has a long term purpose and direction

ii. There is a shared vision of what this organisation will be like in the future

All the four dimensions of corporate culture listed above were measured on a 5- point Likert type scale. The response mode ranges from 1-5 where: 1 = strongly disagree; 2= agree; 3=neutral; 4=agree; and 5= strongly agree.

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