



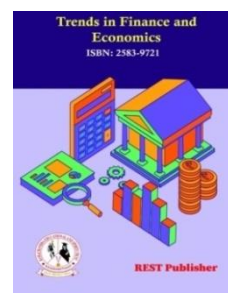
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Impact of Transformational and Transactional Leadership On Employee Job Performance and Job Satisfaction in UAE Banking Sector

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Abstract: Past three to four decades leadership concept has become increasingly complex and highly structured. Leader is one who can motivate people thus ensuring that the set goals and targets are achieved. Different persons (leaders) may approach different ways, methods and means of achieving the same. Leadership is not merely a display of characteristics. It is a continuous journey – a journey of moving from one place to another place, one level to another level. Every leader needs followers - followers who are committed, dedicated and willing. Even when the leader returns to the same point, there is a different level of maturity, understanding and thinking. This research aims to identify the impact of transformational and transactional leadership styles on employee job performance and job satisfaction through focusing on management styles in three different banks by collecting opinions of the bank employees. Objectives include (i) study difference between transactional and transformational leadership (ii) identify and evaluate the impact of leadership on employee job performance (iii) identify and evaluate the impact of leadership on employee job satisfaction and finally put forward few recommendations in relation to the evaluation of results and analysis. A Multifactor Leadership questionnaire (MLQ) questionnaire was designed for the survey that included a total of 28 questions, of which 20 questions were based on transformational leadership style and the rest 8 questions on transactional leadership style. Survey was conducted in three banks in Al Ain, UAE which included 54 participants. Results of the questionnaire were analyzed in percentages. The survey results indicated that though transactional method of leadership still persists in minor form but overall the management should take into consideration transformational leadership. There is no doubt that being able to inspire people, stimulate them to think differently and pay attention to their needs are great ways for a leader to behave. It is emphasized that if a leader has good content and integrity and can present a case for change with enough enthusiasm to inspire people there can be better communication. Being inspirational is most useful in situations where there is no evidence or the facts are unclear. This is especially true with clashes of values or standards of behavior. The truth is, however, that different influencing styles work better with different audiences.

Keywords: Job performance, job satisfaction, transformational leadership, transactional leadership.

1. INTRODUCTION

Transactional and Transformational Leadership: Transactional leadership and transformational leadership are seemed to be “distinct dimensions rather than opposite ends of continuum” (Doherty and Danylchuk, 1996). These two terms are also described by Yukl (1989) and Weese (1994) as closely related parts of leadership styles, they remain distinct. The relationship between leaders and follower in terms of two dimensions, developmental orientation and individual orientation describes individual consideration. A transformational leader is one who “recognizes and exploits an existing need or demand of a potential follower ... (and) looks for potential motives in followers, seeks to satisfy higher needs, and engages the full person of the follower”, and “the transactional leaders work within the organizational culture as it exists; the transformational leader changes the organizational culture.”-- Burns (1978). The basic ideas of leadership theory state that transformational leadership is a more humane leadership theory, as compared to the militaristic transactional theory. It believes in inspiring employees to do great work through example and force of a leader's personality. This theory believes that people rise higher through positive motivation, than negative motivation (Manz and Sims Jr., 1987). According to Bass (1985), transformational leadership is a leadership perspective that explains how leaders change teams or organizations by creating, communicating and modeling a vision for the organization or work unit and inspiring employees to strive for that vision. Transformational leadership creates a sensible vision with appealing picture of the future. The strategy under the

leadership style leads to logic how his vision can be achieved. Under the plan specific steps, timetables and plans are to be executed to implement the strategy. Further transformational leadership are common and are as follows: “Management is doing things right, leadership is doing the right things”. A transactional leader “pursues a cost benefit, economic exchange to met subordinates current material and psychic needs in return for “contracted” services rendered by the subordinate” - Bass (1985). Transactional leaders encourage consistent performance from followers that allows them to meet agreed-upon goals. They make the leader-follower relationship an economic exchange transaction by using rewards and punishments to promote performance. Unlike transactional leadership, transformational leadership tends to be associated with a more enduring leader-follower relationship. It is based on trust and communication and concentrates on organizational change through emphases on new values and alternative visions of future. Transactional leaders manage organizations by satisfying follower’s self-interest, transformational leaders inspire and stimulate followers to set aside those interests to some degree and replacing them with collective or team purpose. Transactional leadership is not sufficient to develop the trust and full potential of organizations’ members. In current organizational contexts, there is a need for leadership that goes beyond the simple transactional approach to styles characterized by inspiration, stimulation, motivation and charisma for heightened levels of interdependence and integration. A transformational leader has the capacity to become a role model for their followers. Also they are respected, admired and followed by them. They have a separate place in the hearts of followers. Transformational leader trusts the followers and the followers trust the leader. All this happens because the followers fully understand and accept that the leader has a great potential required and has the determination so that they would be taken to higher levels. The leader should be willing to take calculated risks, but be consistent. They should always show high standards of ethics and good conduct (Hellriegel and Slocum, 2007).

Leadership – Employee Job Satisfaction: According to Bass (2000) a leader’s behavior or leadership style may influence the subordinate level of job satisfaction. Many studies concluded that effective leadership associated with better and more ethical performance can help attain a good level of job satisfaction. Focusing on employee job satisfaction it is observed that job satisfaction can be an important indicator on how employee feels about their jobs and it is also considered as predictor of work behaviors. Job satisfaction is an important attribute, which is frequently measured by most of the organizations. Job satisfaction is also considered as an attitude (Gomez-Mejia, Balkin, Cardy, 2007). Employees form attitudes towards their jobs by taking into account their feelings, their beliefs, and their behaviors (Fernandes and Awamleh, 2004). Bass (1985) offered a more methodically detailed theory of transformational leadership that further differentiated transformational from transactional leadership. Transformational leadership is viewed from the perspective of leaders’ influence on subordinates. Subordinates become motivated to surpass original expectations by the influence of transformational leaders. According to a study conducted by Fernandes and Awamleh, (2004), job satisfaction can be influenced by a range of factors for instance quality of the physical environment in which they work degree of the fulfillment in the work, and quality of employee’s relationship with their superiors. The implicit assumption of many studies of job satisfaction is, “the satisfied worker is the productive worker”, but later studies testified that there is no connection between productivity and satisfaction. It is important for an organization to have satisfied workers, as training new employees and lost time can cost lots of money to the company both directly in terms of poor quality of production and lost business. To measure the success of management policies and practices, employee satisfaction can be considered as one of the criteria, and this is also a component used to measure job satisfaction. The measure of job satisfaction should be capable of being used over a wide range of job classifications and with people of varying job levels. A measure of job satisfaction may be sufficient for some purposes. Company characteristics, individual, and relationship between different aspects of the job situation may also play a vital role in measuring job satisfaction (Gomez-Mejia, Balkin, Cardy, 2007). Job satisfaction has been shown to be positively related with high subordinate’s performance. Low job turnover with low absenteeism and high productivity, athletic directors who are transformational will make significant difference in terms of the organizations performance and effectiveness. It is seen that a company, which promotes a new product, they offer their sales representatives constant prizes on a single product to encourage the sales for the company. It provides extra pay for selling most number of same products. Hence sales representative shows more interest on selling the new product, which is one of the schemes of sales promotion. In this context the management promotes motivation towards employee (Bass, 2000; Shin & Zhou, 2003).

leadership – employee job performance: Job performance most commonly refers to a person’s performance of his job in the workplace (Gomez-Mejia, Balkin, Cardy, 2007). Performance is an extremely important criterion that relates to organizational outcomes and success. The most accepted theories of job performance from Campbell (1990) describes that it is an individual level variable. Performance can also be defined as individual behavior. Performance is divided up in terms of task and contextual (citizenship and counterproductive) behaviors. Citizenship behavior can be defined as the behavior which contributes to the goal of an organization through their effect on social and psychological conditions. Counterproductive behaviors are intentional actions by employees which circumvent the aims of the organization (Bass and Avolio, 1990). Campbell (1990) also mentioned several parameters for performance that should be investigated by industrial and organizational psychologists, which have important implications for the job performance setting. Two parameters are distinction between speed and accuracy and distinction between typical and maximum performance. Distinction between speed and accuracy – This is similar to the one between quantity and quality. The important questions

considered include: which is most valued by the organization, maximized speed, maximized accuracy, or some balance between the two? What kind of tradeoffs should an employee makes? Distinction between typical and maximum performance – A study on supermarket cashiers found that there was a substantial difference between scores reflecting their typical performance and scores reflecting their maximum performance. Typical performance can be considered as regular work situations reflecting varying levels of motivation. Maximum performance can be considered as special circumstances generating maximum employee motivation (Campbell, 1990). Employee performance is also influenced by leadership which controls them (Avolio, Waldman, & Einstein, 1988; Waldman, Bass, Yammarino, 1989). There are two main leaderships that influence the employee performance in the organization. They are transactional and transformational. They differ in their assumptions about the core underlying bases for motivation to work. Depending upon their belief patterns, cultural values, and parental upbringing, employees can be broadly classified into two categories; one who are essentially interested in material gains and other although not averse to material gains, give more importance to spiritual development and value satisfaction (Campbell, 1990). Thus this indicates that leadership styles within the organization influences the employee job performance.

2. BANKING SECTOR IN UNITED ARAB EMIRATES

Banking sector in UAE is said to be unique in the Arab world as it is more congested when considered with the UAE total population which is approximately four million in 2009 and UAE tends to have a large number of banks and branches. Currently there are 49 national and foreign banks in UAE where in there are 263 domestic branches and 106 branches for foreign banks. Apart from these there are 45 representative offices for foreign banks. When we compare the banks and its branches with that of UAE nationals it is noticed that there is a high level of congestion in the world. Banking sector in UAE is said to have relatively young leadership when compared with that of other countries. Banking sector is undergoing considerable changes and the financial sector in UAE is generally emphasized by judicial system and legal frameworks. UAE government has actively encouraged banking sector after the discovery of oil in 1960. Abu Dhabi government has been taking wide steps in encouraging national and international banks to set up in the emirates. One of the major factors that are leading to the growth of foreign banks is to serve the increasing expatriate population and increase the ability of earning high profits (Awamleh, Evans and Mahate, 2005).

Methods: A sample MLQ Survey questionnaire was prepared based on the concept of transformational and transactional leadership and their effectiveness and distributed to 54 participants in 3 different banks (18 employees from each bank).

Measures: The sample survey questionnaire included a total of 28 questions, of which 20 questions were based on transformational leadership style and the rest 8 questions on transactional leadership style. The 20 questions based on transformational leadership style focused on factors such as building trust, acting with integrity, inspiring others, encouraging innovative thinking and coaching others. The 8 questions related to transactional leadership style were focused on factors such as reward achievements and monitoring mistakes. The rating of the questionnaire is done on the basis of rating scale mentioned as 0 = Never, 1 = Once in a while, 2 = Sometimes, 3 = Fairly often, 4 = Frequently, if not always. The results were analyzed in percentages of response and inferences were drawn out.

3. INTREPRETATION OF RESULTS

Personal Information of Employees: Based on the 54 people surveyed 79.6% were males and 20.4% were females. The age wise bifurcation shows that 77.8% of the participants are under the age group of 25 – 35, 14.8% were under the age group of 35 – 45, 3.7% were under the age group of 45 – 55 and the other 3.7% were under the age group of less than 25. Next considering the designation of the participants surveyed it is seen that 29.6% are Clerk, Teller, Data entry operator, cashier, 29.6% were Credit Analyst, Marketing sales Executives followed by 21.4% Receptionist, office assistant and 16.7% in others category. The results clearly indicate that the survey was well diversified under qualitative and quantitative approach. It was observed that due to culture of UAE women did not come forward to fill up the survey report as easily as being done by men. The age group is accepted as in the portfolio selected most of them were youngsters and participants are with experience up to 8 years. The following tables will give a clear picture of factors related to both transactional and transformational leadership.

Building Trust:

- 1(a) Managers inspire power and pride in when associated with him
- 1(b) Managers go beyond their own individual interests
- 1(c) Your managers focus on the interests of the teams and its members

The percent wise response to building trust indicates that the response varies from 46.3% to 74.1% proving support from the managers. The feeling of power and pride is result of mutual understanding and harmonious environment in which the employees are working. The ratio also proves that employees believe in organization and its values and perform better for improvement in the organization. The managers try to go beyond their individual interest for social cause and others mainly restricting themselves as per ethics of the organization. 46% of the data shows that managers were more co operative in handling the situation by avoiding their self interest. Such type of the view indicates that the management is not conflict management but supporting management. The review of data is not astonishing as it proves that the leadership style in these cases is the transformational and 74% of the survey participants are of the view that managers try to focus on common interest of the group rather than individual interests.

Acting with Integrity:

2(a) Your managers manifest positive and highly valued behaviors (like authority, awareness, self-control, a high moral judgment, optimism and self-efficiency)

2(b) Your manager mostly talk about their most important values and beliefs

2(c) Your manager focus on a wanted vision

2(d) Your manager always consider the moral and ethical consequences of their actions

The parameters of Acting with integrity show that most of the respondents are of the view that managers focus on ethics, vision and highly valued behaviours. Maximum participants gave the highest scoring to Fairly Often which shows that in transformational leadership style there is value addition in knowledge, ethics and overall management by the managers. The percent wise response varied from 40.7% to 59.3% under category of "Fairly often" for exhibiting the various qualities is the fair indication of values, communicating vision and beliefs etc. The analysis show that most of the managers are normally talking about their thinking of value and beliefs. This is typical example of organizational behaviour, motivation, and change. At times the employees may not believe in all the talks and views of managers but majority i.e 53.7% indicate "Fairly Often" attitude. This leads to human resource professionals and others in today's organizations to understand better, more quickly and reliably, what the underlying human problems in their organizations are. The percentage wise response of 29.6% under frequent category is also good indication for the issues raised. The review of the analysis of the data is indication of the trend in recent times to define their "Vision/Mission Statement" by all the corporate. A mission statement articulates the philosophy of the company with respect to the business in specific and society in general. Once the mission statement of the company is finalized and adapted, it provides a readymade guideline to employees of the organization about its principles, policies and practices. The response of the participants under Fairly Open and Frequently 46.3% & 33.3% is a step towards importance of vision statement. Moral and ethical consequence of the actions of the managers is being appreciated by most of the participants in the study. The majority i.e 59.3% are of the view that the organization they are part of has such practice and their managers were concentrating on moral values. In fact most of the companies having strong outlook for the ethics infuse strong ethical principles to retain the culture of the organization.

Inspiring Others:

3(a) Are you inspired without the need for identification or contacts with your managers

3(b) Are the managers communicative and share goals and have mutual understanding of what is right and important

3(c) Your manager provide visions of what is possible and how to attain them

3(d) Your manager develop sense and promote positive expectations about what has to be done

3(e) What do you think they are inspiring - themselves or for improving their group, division, organization, and/or community

It is a universal fact that at work, some people inspire you more than others. Though it may not be your immediate boss or any other senior but that person will have the qualities which have attracted you to contact him. Any such person who influences your thoughts is a strong leader. Employees listened to what he had to say and were inspired by him. The data analysis is also inaction of the same. Self inspiration is limited in non managerial categories but given the proper line of action the staff is motivated to large extent. The response varies from 51.8% to 61.8% under the category proving majority of staff is of the opinion managers provide vision, goals and ways to achieve it. In most of the cases the leaders share the goals and have mutual understanding amongst the staff which is good indication of leadership style being not autocratic. The analysis of the data collected is also giving evidence of the acceptance of communication of targets. The participants are of the view that majority i.e 59% feel that managers do provide the visions of the organisation and also suggesting the way out to achieve the same. Managers get involved in various projects and work with staff. Input from the staff will be encouraged and respected to be creative in accomplishing their projects. This indication is well reflected in the 64.8% of the participants feel that managers develop positive expectations by involving them. The leaders under the transformation leadership style works for the group and the tasks undertaken by them are for the improvement in the community. The maximum of 61.1% of the employees in these banks voted for the "Fairly Often" category proving that group goals are most important for achieving the individual goals.

Encouraging Innovative Thinking:

- 4(a) Do your managers intellectually encourage you for ideas and values
- 4(b) Your managers help others to think about old problems in new ways
- 4(c) Your managers encourage to question their own beliefs, statements, and values
- 4(d) You develop the capacity to solve future problems that are unexpected by your manager
- 4(e) You learn to tackle and solve problems on your own by being creative and innovative

As per the survey most of the employees are of the opinion that managers encourage better ideas from the staff under the category of Fairly Often and frequently if not always. Most of the staff are awarded for providing the intellectual ideas. The percentage wise distribution is better if we add two categories frequently and Fairly Often. The response of 51.8% and 9.3% under this category is fair indication of asking for opinion from staff which is one of the important features of Transformational Theory of leadership. The data indicates that most frequent and fairly often category includes 51.9% and 7.4% of the data collection suggesting new ways to solve old problems. This is being seen as a step as per modern trend and change in working style to avoid loss and get rid of problems faced in the past. The data pertaining to encouraging the staff to comment upon the beliefs of the managers in spread out in three main categories i.e., some times, Fairly often and Frequently if not always constituting 48.2%, 25.9% and 18.5% of the total survey data. This is clear indication of the managers accepting the criticism of their self beliefs which are their personal opinion and not binding. Survey indicates that employees are engaged in creativity by bringing into existence the idea which is new to them. The practical approach is always taken into consideration for implementation in future.

Coaching Others:

- 5(a) Your manager understands and shares with others' concerns and developmental needs
- 5(b) Your managers treats each individual uniquely
- 5(c) Does this help you to recognize and satisfy your current needs
- 5(d) You attempt to maximize and develop these needs at a possible limit

The survey indicates that 42.6% of the employees are of the opinion that managers do show their concern towards employees. Employees constituting 59.3% agreed that managers deal with employees uniquely. The implementation cannot be uniform with all employees. The indication of 59.3% accepting that their current needs are being met is a fair indication of employee's satisfaction level and enjoying the culture of the organization.

Reward Achievements:

- 6(a) Your managers discuss in clear the terms regarding the responsibilities for specific tasks (given to you or your team)
- 6(b) Your manager project, state the performance objectives, clarify rewards and punishments (if any)
- 6(c) Your manager express satisfaction when they get the desired output

Survey indicates that managers in the banks are communicating their views on the performance and rewards and punishments are being indicated to the staff. The responsibility aspect is passed on the employees as per 42.6% employees in the survey list. Some of the employees feel i.e 37% that punishment is indicated to the employees. Subject to the condition that transparency in actions is maintained in banks the indication of reward and punishment will improve the working giving chance to others to be motivated for better performance. The data shows that 50% of the employees are of the view that their work in noticed if the targets allocated to them are achieved.

Monitors Mistakes:

- 7(a) Your manager clearly describe your inefficient performance
- 7(b) Your manager keep track of your mistakes and later concentrate on errors and exceptions
- 7(c) Your manager focus on allowing you for not respecting the set standards
- 7(d) Your manager monitor deviations, mistakes and errors and further put forward quick and thorough corrective measures

The analysis of these parameters indicates 53.7% of the sample employees furnishing the opinion that while criticizing performance managers do not hesitate. 46.3% of the sample data feel that their errors and mistakes are being monitored.

4. CONCLUSION AND RECOMMENDATIONS

Transformational leaders will transform the needs (current and future), values, preferences and aspirations of the followers from the self-interest to collective interests. One of the major finding in the report is that transactional leadership is mainly related to rewards and punishments. Dependence on only this theory will cause damage to the bank's reputation in future. Survey analysis confirms that a transformational leadership style of bank managers will boost employees' job satisfaction

and performance. The transformational qualities are step towards higher level needs of followers and result in feelings of satisfaction. This finding is in line with the leadership researchers (e.g., Bass & Avolio, 1990). The value addition and ethics that managers will give to juniors will be reflected in their general positive attitude toward work and work conditions, which in turn, increases job satisfaction and facilitates performance. It was observed that employees in general were getting awareness from their superiors. The employees of two banks are found to be less experimental, less risk taking learning from successes and failures when compared to the later. Though transnational method of leadership still persists in minor form but overall the management should take into consideration transformational leadership. The three banks have demonstrated change in the style of leadership though they differ in percentage wise implementation. These banks are able to successfully initiate, implement and sustain these changes for their future developments. The benefits of the transformational leadership observed in the survey improved employee commitment, increase in trust in leadership and stronger connection with the vision of the banks. There are other positive outcomes in nature of improved employee-leader relationship, providing suggestions for improvements and able to discuss the beliefs of the management. This can be further improved if it is extended to all departments. These banks should present an elaborate plan and state the best path toward achieving the mission. Under the improvement for the system, mentoring is the way that takes the bank to next level. The most important factor is who is to be mentored. This may not be an easy thing to figure out. It is also important for the manager to bring team in line with the company's objectives. He should also motivate the team so that it truly wants the outcome of its creativity to be successful. Manager should have potential to harness the talent of the team member's best. Manager should change their mind in favor of a team member's suggestion and actively involve the team and takes their suggestions. Manager should inspire employees by enhancing the meaningfulness of their work and making them feel important to their organization. This kind of leadership helps people determine what is right and wrong, relevant and irrelevant in the organization. Managers should go beyond their individual interest to maintain the credibility, trust and respect of employees by the behavior.

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