

## LEADERSHIP STYLES AND ITS IMPACT ON ORGANIZATIONAL COMMITMENT

A. Senthamil Raja<sup>1</sup>  
Dr. P. Palanichamy<sup>2</sup>

### Abstract

*The present study attempts to investigate the most preferred leadership behaviors among the transformational and transactional leadership styles and its impact on Employees' organizational commitment in BHEL. For this study 158 sample respondents had been drawn out from among the Senior Engineers and the Trainee Engineers group. Statistical tools like One-Way ANOVA, Correlation analysis and Regression analysis were used to find out whether there was any significant difference in the leadership styles based on the position and pay and also find out the degree of association between preferred leadership styles and organizational commitment. The results of the study concluded that while the positional identity of the respondents had some significant impact on leadership style perception and organizational commitment, salary did not seem to make a difference from among the sample respondents.*

Keywords: BHEL, Leadership Styles, Organizational Commitment, Relationship.

### INTRODUCTION

In the recent years organizations have gone through dramatic changes, including flatter and looser structures, downsizing, and horizontal approaches to information flow. On the one hand these changes are due to rapid technological developments, global competition, and the changing nature of the workforce. On the other hand these organizational transformations and innovations are triggered by interventions such as total quality management and business process reengineering.

Leadership is regarded as a critical factor in the initiation and implementation of the transformations in the organizations. If the leadership wants to engender a positive impact on individuals, teams, and organizations, both

practitioners and researchers have suggested that earlier leadership paradigms such as directive versus participative leadership, consideration versus initiating structure, autocratic versus democratic leadership, and task versus relations-oriented leadership should be broadened (see, for example, Avolio & Bass, 1995; Bass & Avolio, 1990; Conger, 1993; Ekvall & Arvonen, 1991, 1994; Puffer & McCarthy, 1996).

One branch of leadership research that has proved useful to the study of CEO level management has been Bass (1985,1999) framework of transactional/transformational leadership. Bass (1985, 1999) framework was developed within larger organizational contexts, and it has been successfully applied to the study of top-level managers (Lowe, Kroeck, & Sivasubramanian, 1996). The definition of transformational and transactional leadership styles was built on prior classifications, such as relations-oriented versus task-oriented leadership (Fiedler, 1967) and directive versus participative leadership (Heller & Yukl, 1969). Transactional leadership motivates individuals primarily through contingent reward exchanges and active management by exception. Transactional leaders set goals, articulate explicit agreements regarding what the leader expects from organizational members and how they will be rewarded for their efforts and commitment, and provide constructive feedback to keep every person on task (Bass & Avolio, 1993b; Howell & Hall-Merenda, 2002). However, transformational leadership is charismatic, inspirational, intellectually stimulating, and individually considerate (Avolio, Bass, & Jung, 1999). These leaders help individuals transcend their self-interest for the sake of the larger vision of the firm. They believe in people, and they are driven by a strong set of values such as loyalty, trust, and personal attention to employees, something that could positively influence organizational commitment.

Accordingly, the present study aims at providing an insight into various types of leadership styles which type of leadership results for better organizational commitment and identifying as to out of transformational and transactional styles; and whether the level of commitment varies in accordance with the position and the salary of the executives selecting the Bharat Heavy Electricals Limited (BHEL) as a sample unit.

<sup>1</sup> Doctoral Scholar, Dept. of Commerce, Pondicherry University, Pondicherry- 605 014.

E mail: akthamizh@gmail.com,  
aartscomeyou@gmail.com.

<sup>2</sup> Senior Professor, Coordinator – UGC SAP DRS I, Dept. of Commerce, Pondicherry University, Pondicherry – 14.

## LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

### Transformational versus transactional Leadership styles

Burns (1978) first introduced the concepts of transformational and transactional leadership in his treatment of political leadership. As Conger and Kanungo (1998) noted that the difference between transformational and transactional leadership is in terms of what leaders and followers offer one another. Transformational leaders offer a purpose that transcends to reach short-term goals and focuses on higher order intrinsic needs. Transactional leaders, in contrast, focus on the proper exchange of resources. If transformational leadership results in followers identifying with the needs of the leader, the transactional leader gives followers something they want in exchange for something the leader wants (Kuhnert & Lewis, 1987).

Since their introduction and delineation, transformational and transactional leadership have been investigated in scores of research studies. Transformational leadership has proven to be particularly popular. A search of keywords in materials published from 1990 to 2003 in the PsycINFO database reveals that there have been more studies on transformational or charismatic leadership than on the other popular theories of leadership (e.g., least preferred coworker theory, path-goal theory, normative decision theory, substitutes for leadership). Most research on transformational leadership has been conducted in the U.S., although increasing support has been accumulating from international studies as well (see Bass, 1997). Not only has the transformational leadership theory been widely studied, it has garnered important support in the literature.

Howell and Avolio (1993) argued that transformational leadership complements transactional leadership and that effective leaders often supplement transactional leadership with transformational leadership. Implicit in this argument is the view that transformational leadership must be built on the foundation of transactional leadership. Indeed, Bass (1998) argued "transformational leadership does not substitute for transactional leadership" (p. 21). Avolio (1999) commented "transactions are at the base of transformations" (p. 37). In Bass's (1985) conceptualization, transactional leadership results in followers meeting expectations, upon which their end of the bargain is fulfilled and they are rewarded accordingly. To motivate

followers to move beyond expectations, according to Bass (1998), transformational leadership is required. These theoretical and empirical imperatives provide the platform for the following hypothesis.

**H1:** Engineers' (both the senior engineers and the trainee engineers) leadership in the selected sample firm tends to be more transformational than transactional.

### Organizational Commitment

Morris & Sherman (1981) indicated that organizational commitment is able to effectively predict the employee's performance and turnover. Meyer, Paunonen, Gellatly, Goffin, & Jackson (1989) also found that organizational commitment was a proper indicator of work performance. It is important for managers and leaders to pay more attention to the employee's organizational commitment.

Based on various viewpoints, the definitions of organizational commitment differ. However, most scholars recognize that organizational commitment is loyalty to the organization (Price & Mueller, 1986). Most of Taiwan's researchers agree with the concept of Porter, Steer, Mowday, & Boulian (1974); that organizational commitment is the degree of one's identification and participation for a certain organization. There are three characteristics: (a) one believes in and accepts organizational goals and value (value commitment), (b) some are willing to make an effort (effort commitment), and (c) some others have strong desire to maintain the membership of the organization (retention commitment). Organizational commitment is regarded as a mental contract connecting the individual's identification and attribution with the organization and performing his duty (Wallace, 1995). Organizational commitment is able to facilitate voluntary cooperation within an organization. Organizational commitment has typically been viewed as the relative strength of an individual's identification with the involvement in an organization as well as his or her willingness to exert effort and remain in the organization. Commitment as outcome has been related to leadership (Walumbwa, Orwa, Wang, & Lawler, 2005). In a study of leadership as a predictor of commitment, a significant positive correlation was found to exist (Yousef, 1998). Transformational leaders are a boon to the successful management of change (Simons, 1999) as they enhance organization members' affective commitment by getting them to profoundly alter

their attitudes and assumptions about work (Yukl, 1989). When they realize that the old ways no longer work, they may undertake the task of developing an appealing vision for the future which provides both a strategic and a motivational focus leading to a clear statement of the purpose of the organization and a source of inspiration and commitment (Eisenbach et al., 1999). Thus the following hypothesis was framed for examination:

**H2:** Transformational leadership is positively related to organizational commitment.

### **Leadership styles and Organizational commitment**

Numerous theories of organizational commitment result from several studies conducted by Sheldon (1971), and Hrebiniak & Alutto (1972). Buchanan (1974) and Steers (1977) made studies concerning organizational commitment and found that organizational commitment was affected by four major factors: Personality, Job Specialty, Pay and Working Experience. The outcome affected by organizational commitment includes the retention willingness, retention demand, attending rate, and work performance. Based on the related theory, Steers (1977) proposed a cause-effect relationship model. From this model, it can be observed that organizational commitment is the intervening variable which affects a member's value, attitude, and behavior in the organization. Under this background, the following hypotheses is formulated:

**H3:** Leadership styles and organizational commitment tend to differ between the Senior Engineers and Trainee Engineers in BHEL.

**H4:** Leadership styles and organizational commitment tend to differ between the salaries of the selected respondents.

### **METHODOLOGY**

The data for this study was primary in nature and the sample unit was Bharat Heavy Electricals Limited (BHEL), Trichirapalli. It was one of the leading Heavy Electricals Company in India among the Public sector enterprises. The sample had been drawn from among the Senior Engineers and the Trainee Engineers of BHEL and the total number of sample accounted for 158 respondents. The transformational and transactional leadership was measured by the self structured questionnaire. The questionnaire was actually developed by referring MLQ and LBDQ.

The study used a 22-item questionnaire with a Likert's 5 point scale for measuring the perception of leadership style.

In order to measure the employees' organizational commitment level, the study used the Organizational Commitment Questionnaire (OCQ) which was originally developed by Mowday et al. (1979). The OCQ was characterized by three factors: (a) a strong belief in the acceptance of the organization's goals and values, (b) a willingness to exert considerable effort on behalf of the organization, and (c) a strong desire to maintain membership in the organization (Mowday et al.). The OCQ measures a combination of employee attitudes and behavioral intentions, reflective of the moral involvement of the employee with the organization. The instrument's reliability was tested through Cronbach's coefficient alpha (Cronbach, 1990). All the three constructs show an acceptable level of reliability: transformational leadership (.83), transactional leadership (.76), and organizational commitment (.78). Statistical tools like One-Way ANOVA, Correlation Analysis and Regression analysis were carried out along with the basic descriptive statistics to find out whether there were any significant differences in the means of the selected attributes and to find out the degree of association between the transformational leadership, transactional leadership and the organizational commitment.

### **RESULTS**

According to the aforementioned research objectives and hypotheses, a survey was adopted in this study for data collection and the personnel from the selected public sector organization (BHEL) were the main subjects of study. The sample in this study were male (92.41%) and female (7.59%) with majority of the respondents in the age group between of 31 – 40 years old (46.2%) and married (68.98%). Also most of them had bachelor degree (58.86%) and had less than 3 years of work experience (48.10%). The sample consisted of 59.49% of Senior Engineers and 40.51% of Trainee Engineers. The frequency distribution of the sample is illustrated in table 1.

#### **Insert table-1 here**

Table 2 provides an overview of the descriptive statistics of the sample on various constructs. From the table, it can be seen that the results were very much in support of H<sub>1</sub>. Respondents preferred the transformational leadership style in

the selected enterprise ( $M = 3.36$ ) than the transactional leadership ( $M = 2.97$ ).

**Insert table-2 here**

In order to find out whether there are significant differences in the means of the sample respondents'  $t$  test was used. The results of the  $t$  test as shown in Table 3 indicate that there were highly significant differences in means between transactional and transformational leadership.

**Insert table-3 here**

Likewise, Table 4 reveals the results of correlation analysis among the transformational leadership, transactional leadership and the organizational commitment of the sample respondents. The table shows that there was positive correlation between the transformational leadership and organizational commitment. Transformational leaders were able to bring out 46 per cent of organizational commitment out of the 158 respondents.

**Insert table-4 here**

Table 5 and Table 6 show the comparison of the Senior Engineers' and Trainee Engineers' perception on the various leadership styles and Organizational Commitment. The results shown in Tables 5 and 6 reveal a weak but significant difference between the Senior Engineers and Trainee Engineer respondents as far as the perception of leadership styles and organizational commitment are concerned. Both of them perceived that their leaders are more transformational than transactional. Senior Engineers perceived their leaders as more transformational and seem to be a little more committed to their organizations.

**Insert table-5 & 6 here**

Furthermore it was found in the selected enterprise that there was not that much difference in the pay of the Engineers based on their positions. Some of the Trainee Engineers were getting an equal salary to that of the Senior Engineers based on their merit positions. Hence it is assumed that if one is getting salary based on the merit instead of the experience in the organization, then salary must also help in determining the preferences over leadership and organizational commitment. Based on this assumption, Tables 7 and 8 were prepared for analysis. While the position of engineers respondents had some significant impact on leadership style perception and organizational commitment, salary did not seem to make a difference ( $H_4$ ).

**Table-7 & 8 here**

Table 9 shows the regression results between Transformational leadership and organizational commitment. The table shown below reveals that transformational leadership was related to employees' organizational commitment. The transformational leadership accounted for the major portion in the organizational commitment of employees, whereas the other factors contributed only for a modest level of significance.

**Insert table-9 here**

## **LIMITATIONS**

Although this research is adopted with questionnaire investigation and concise questions to the best of one's ability it is still not known whether the respondents can substantially understand the original contextual meaning of the questionnaire to show the results with a true reflection.

Again, the present study has been conducted in one organization only. Larger domain of study would certainly throw more light on the various dimensions studied. The results of the present study however, can be used for institutions similarly situate, and cross unit or cross institutional studies can further add to more generalisation conclusions.

## **CONCLUSIONS AND IMPLICATIONS**

In this study, the researchers aimed to determine the employees' perception of the leadership styles and its impact on employees' organizational commitment considering the Senior Engineers and the trainee Engineers at Bharat Heavy Electricals Ltd. Consideration of the leadership style of the selected respondents revealed that most of the respondents were assumed to be more transformational than transactional. Using a sample of 158 respondents, the survey conducted showed that the leadership style at BHEL was more transformational than transactional. Correlation and regression analysis also evidenced that transformational leadership style is related to employees' organizational commitment than the transactional leadership.

The results of the division of the respondents based on their job position show that there were no significant differences between the senior engineers and trainee engineers based on their salary. However, there was a significant difference between them based on their job position. Senior Engineers tend to perceive their

leadership styles as more transformational. This is due to the rational behaviour of the selected respondents due to their age and experience. As years pass by, they understood that their self-esteem alone speak for their name than any other leadership styles.

Based on the results of the study, several useful information are given for the managers about the type of leadership which are commonly available in public sector enterprises and the impact of various leadership styles on organizational commitment. These inferences can be very well used by the academicians; scholars specializing in the field of leadership and to the managerial professionals to draw up a conclusion as to whether this type of leadership is applicable even to the private enterprises and/or to the combination of both private sector and public sector enterprises.

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**Table 1: Frequency Distribution of the sample respondents**

Characteristics	Frequency	Percentage
<b>Gender</b>		
Male	146	92.41
Female	12	7.59
<b>Age Group</b>		
21 - 30	62	39.24
31 - 40	73	46.20
Above 40	23	14.56
<b>Marital Status</b>		
Single	47	29.75
Married	109	68.98
Divorced	2	1.27
<b>Cadre</b>		
Senior Engineers	94	59.49
Trainee Engineers	64	40.51
<b>Educational Status</b>		
Diploma	48	30.38
Bachelor in Engineering	93	58.86
Masters in Engineering	17	10.76
<b>Years of Service</b>		
0 - 3	76	48.10
4 - 5	34	21.52
6 -10	26	16.46
Above 10 yrs	22	13.92

**Table 2: Descriptive Statistics (N =158)**

Construct	Min.	Max.	Mean	SD
Transformational	1.23	5.00	3.36	0.79
Transactional	1.33	4.57	2.97	0.73
Organizational Commitment	2.12	4.73	3.38	0.53

**Table 3: 'T' Test Results for the Differences between Transformational and Transactional Leadership Styles (N = 158)**

	Mean	SD	SE	95% of Confidence Interval of the T difference		DF	P
				Lower	Upper		
Transformational & Transactional	0.49	1.01	0.01	0.43	0.72	157	.00

**Table 4: Correlation Analysis between Leadership Style and Organizational Commitment (N = 158)**

Construct	Transformational	Transactional	Organizational Commitment
Transformational			
Transactional		.16*	

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Organizational Commitment	.46**	.05
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\* $p < .05$ ; \*\* $p < .01$

**Table 5: A Comparison between Senior Engineers and Trainee Engineer respondents on Transformational and Transactional Leadership and Organizational Commitment**

Position	Transformational		Transactional		Organizational Commitment	
	Mean	SD	Mean	SD	Mean	SD
Senior Engineers (N=94)	3.73	0.78	2.93	0.78	3.49	0.52
Trainee Engineers (N=64)	3.33	0.73	3.03	0.76	3.21	0.73
Total (N=158)	3.56	0.78	2.97	0.77	3.38	0.63

**Table 6: Analysis of Variance (ANOVA) for Job Qualification**

Source	SS	Df	MS	F	p
<b>Transformational</b>					
Between groups	6.14	1	6.14	<b>10.63**</b>	.00
Within groups	90.08	156	.58		
Total	96.22	157			
<b>Transactional</b>					
Between groups	.33	1	.33	.55	.46
Within groups	93.64	156	.60		
Total	93.97	157			
<b>Organizational Commitment</b>					
Between groups	3.05	1	3.05	<b>8.12**</b>	.01
Within groups	58.66	156	.38		
Total	58.66	156			

**Table 7: A Comparison between Salary on Leadership Constructs**

Salary	Transformational		Transactional		Organizational Commitment	
	M	SD	M	SD	M	SD
Below 30,000 (N = 91)	3.42	0.69	3.09	0.74	3.39	0.66
30,000 and above (N = 67)	3.75	0.86	2.81	0.80	3.36	0.59
Total (N = 158)	3.56	0.78	2.97	0.77	3.38	0.63



Table 8: Analysis of Variance (ANOVA) for Salary

Source	SS	df	MS	F	p
<b>Transformational</b>					
Between groups	4.17	1	4.17	7.07**	.01
Within groups	92.05	156	.59		
Total	96.22	157			
<b>Transactional</b>					
Between groups	3.05	1	3.05	5.24	.02
Within groups	90.92	156	.58		
Total	93.97	157			
<b>Organizational Commitment</b>					
Between groups	.01	1	.01	.14	.71
Within groups	61.64	156	.40		
Total	61.70	157			

Table 9: Regression Results between Transformational Leadership and Organizational Commitment

Construct	B	SE B	$\beta$
Transformational Leadership	.23	.04	.46**

Note.  $R^2 = .13$  ( $p < .01$ ); \*\* $p < .01$ .