

A study of relationship between transactional leadership Style and employee performance in case of private sector in Oman

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Abstract: The study aimed at finding out the effect of transactional leadership styles on employees' performance in private sector of Oman. The main objective of this study was to explore the effect of transactional leadership styles on performance of employees and for this descriptive survey research strategy was used in which 100 responses were collected. The leadership styles were measured through the Multi factor Leadership Questionnaire modified to fit the context of the study.

Keywords: Transformational Leadership styles, supervisors, subordinates, counterproductive work behaviors

Introduction:

It is very vital to provide workers with the way and psychological fulfillment to obtain the best from them so leadership is very significant for all organizations in fulfilling their set objectives. Since leadership is an important factor for improving the performance of all organizations and the success or failure of an organization depends on the effectiveness of leadership at all levels. Leadership is perhaps the most methodically investigated organizational factor that has a possible impact on employee performance (Cummings and Schwab, 1973). It has been commonly accepted that effective organizations need effective leadership and that employee performance along with organizational performance will suffer if this factor is not tackled in right way.

Shafie et al. (2013) explains the significance of leadership in organizations and especially on human resource; "The main drivers of organizations are usually employees, they give life to the organizations and provide goals" (Shafie et al., 2013). Significant positive relationship between transactional leadership styles and employee performance is also studied in Pradeep and Prabhu (2011) in India, and in Kehinde and Banjo (2014) and Ejere and Abasilim (2013), both in Nigeria. Other studies in Middle East are Tsigu and Rao (2012) and Gimuguni et al (2014). While Tsigu and Rao stated that the transformation leadership explained the variation in employee performance better than transaction leadership style, Gimuguni et al reported important positive relationship between autocratic, laissez-faire and democratic style of leadership and performance.

So, although the literature on leadership and employee performance has varied across countries and across industry, the proof of the effect of leadership style on employee performance is also diversified. While most of the literature reviewed is somehow consistent in suggesting that both transformational and transactional leadership styles are significantly positively related to employee performance and that transformational style's effect is more pronounced than that of the transactional leadership style (Rasool, et al., 2015; Kehinde and Bajo, 2014; Tsigu and Rao, 2015), the evidence on the relationship between laissez-faire and performance is not that directly related.

Leadership style

Many authors agreed that a leaders' style differs according to his personality, environment, education, training and personal philosophy (Hughes, et al, 1999; Mintzberg, 1973 in Clark H. et al. 2009). In the perspective of banking system in Iran the study results showed that participative leadership style is more suitable for service organizations than directive leadership (Dolatabadi & Safa, 2010). Employees who perceived their managers having a participative leadership style obtained a high performance (Yousef, 2000). If the performance is low, managers will use an autocratic style and if the performance is high, more participative leadership style will be used by the managers (Yun et al., 2007). The participative managers involves their employee in decision making process. A study in the public institution system having participative leadership style showed that the manager takes into account their suggestions (at a rate of 34.17% "strong level") and that are encouraged to express their ideas and personal opinions (Bibu & Moş, 2012). Other studies proved that transformational leadership style has a positive association with work performance of subordinates more than transactional one. Also, transformational leaders obtain higher leadership results (Limsila & Ogunlana, 2008).

Employee performance

In the research employees' individual performance was studied through dimension such as "quality of performance" and "productivity". These were measured using four items on Likert Scale (Yousef, 2000). It is recommended to managers to find out which are the factors that can lead employee to a high performance. Some results of the studies showed that trait, competitiveness,

self-efficacy and effort are significant predictors of frontline employee performance (Karatepe, et al., 2006). According to Motowidlo & van Scotter (1994) the construct „employee performance” has two dimensions. First one refers to „task performance” (or technical job performance) and second dimension is about „contextual performance” (or interpersonal job performance) (Yiing & Ahmed, 2009). Yousef (2000) made a very detailed review about the relationship between leadership style and job performance. He found out that the results are “not entirely consistent” or they are “inconsistent”. There were found out positive relations, negative relations and no relation. Radu & Năstase (2009) studied about leadership and gender differences between men and women. It was established that women are more opened to feedback related to performance, they are more opened towards new and to establish higher standards. In some studies the employees’ individual performance approach is explained using two important variables to define performance: „high efficiency” and „a high efficacy”.

Objectives of the Study

The study has following objectives:

- (i) To evaluate the effect of transactional leadership on employee performance in private sector of Oman.
- (ii) To find out the different dimensions of transactional leadership in private sector of Oman.

Transactional Leadership and Employee Performance

Transactional leadership theories centered on the role of supervision, organization and group performance and they support leadership on a system of rewards and punishments for meeting specific objectives. The type of outcome, whether a reward or discipline, depends on the performance of the employee. Bass (1985) as cited by Chan (2005) stated that the transactional leaders appeal to the subordinates’ self-interests. Transactional leaders try to meet the current needs of their subordinates through bargaining and exchanging. Both leaders and followers focus on achieving the negotiated performance level. It is a leadership style that focuses on transactions between leaders and subordinates. Bass and Avolio (2003) stated that the characteristics of transactional leadership consist of two features, namely contingent reward and exception management. Contingent reward is where leaders make contract about what subordinates do and promising reward obtained when goal is achieved. While exception management is leader check deviations from set standards and take curative action to achieve organizational goals. Yukl (2007) asserts that transactional leadership style is one leadership style that focuses on transaction between leaders and subordinates. Transactional leadership motivates and authorizes subordinates by exchanging reward with a particular performance. In a transaction the subordinate promised to be given rewards when subordinate is able to fulfill their duties in accordance with agreements. In other words, he encourages subordinates to work. Transactional leadership styles can affect positively or negatively on performance. It depends on employee assessment. Positive effect can occur when employees see transactional leadership positively and a negative effect can occur if employee considers that transactional leadership styles cannot be trusted because they do not stick to their promises.

Population of the study

The study was conducted among employees of private sector in Oman at various levels—low, middle and top level. The different levels were involved in the leadership management, decision making of these organizations. The researcher has been able to obtain the data from 100 employees in these organizations.

Variables

A questionnaire has been used to obtain data regarding age, gender, education levels, and duration of service in the organizations. The independent variable is leadership styles – transactional.

Methods of Data Collection

Data was collected using a structured questionnaire. Primary data was collected from the subject of study.

Validity and Reliability of the Instrument

A Cronbach’s alpha higher than 0.7 indicates internal consistency on the instrument. Cronbach alphas results are in Table 1. The results show Cronbach’s alphas ranges above from 0.700. So the study had acceptable internal consistency.

Table 1 Reliability Statistics

Scale	N	Alpha
Transactional Leadership		
Contingent Reward	3	.801
Management by Exception	3	.801
Employee Performance	2	.780

FINDINGS AND DISCUSSION

Respondents' demographics data was collected and analyzed. Variables included were age, gender and education.

Distribution of Respondents by Age

Table 2 presents the results of the respondent's age. It is clear that the majority of respondents, 30(30.0%) were in the age range of 35-40 years, this was followed by 25 (25%) in the age range of 31-35 years, followed by 20(20%) in the age range of 40 yrs & above, then 15(15%) in the age range of 25-30 years while the least age range was below 25 years which was represented by only 10 (10 %). This meant that the most of the respondents (who took part in the study) were aged 35-40 years

Table 2

	Frequency	Percent	Cumulative Percent
Valid Below 25yrs	10	10	10.0
25-30yrs	15	15	25.0
31-35yrs	25	25	50.0
35-40yrs	30	30	80.0
40 yrs and above	20	20	100.0
Total	100	100.0	

Distribution of Respondents by Gender

Table 3 presents the respondents by gender. It is clear that the majority of the respondents, 70 (70%), were male as opposed to females who were 30 (30%).

Table 3: Gender

	Frequency	Percent	Cumulative Percent
Valid Male	70	70	70.0
Female	30	30	100.0
Total	100	100.0	

Distribution of Respondents by Education Level

Table 4 presents the respondents by education level. Results show that the most of respondents 51 (51%) were bachelors , Higher diploma holders are 13% and masters holders are also at 13 % each, the diploma/certificates holders were 23(23%) representation.

Table 4

	Frequency	Percent	Cumulative Percent
Valid Bachelor degree	51	51	51
Higher Diploma	13	13	64
Masters Degree	13	13	77
Diploma	23	23	100
Total	100	100	

Table 5 presents the mean and standard deviation from respondents' assessment of whether their immediate supervisors practiced transactional leadership style. Management by exception (MBE) had the highest mean of 3.7542 and standard deviation of 0.8263, while contingent reward had a mean of 3.5433 and standard deviation of 0.7562. Overall the results show that Transactional leadership style with an overall mean score of 3.4562 and standard deviation of 0.8462 is the also practiced by some of the immediate supervisors.

Table 5 Descriptive Statistics on Transactional Leadership

	N	Min.	Max.	Mean	SD
Contingent Reward	100	1	5	3.5433	.7562
Management by exception	100	1	5	3.7542	.8263
Transactional Leadership	100	1	5	3.4562	.8462

Analysis of Employee Performance

Table 6 presents results of the analysis of employee performance. The results show that productivity was highly rated with a mean of 4.27 and a standard deviation of 0.612 while quality of performance closely followed with a mean of 4.21 and a standard deviation of 0.732. Overall employee performance had a mean score of 4.24 indicating a high performance.

Table 6

	N	Min.	Max.	Mean	SD
How do you rate quality of your performance	100	2	5	4.21	.732
How do you rate your productivity on the job	100	2	5	4.27	.612
Employee performance score	100	1	5	4.24	.682

Correlation between Leadership Styles and Employee Performance

Transactional Leadership ($M = 3.4562$, $SD = .8462$) did not have significant correlation with employee performance ($M = 4.24$, $SD = .682$), $r(100) = .033$, $p > 0.01$. There was also no significant correlation between Transactional Leadership ($M = 3.4562$, $SD = .8462$) and quality of performance ($M = 4.21$, $SD = .732$), $r(100) = .03$, $p > 0.01$. There was also no significant correlation between Transactional Leadership ($M = 3.4562$, $SD = .8462$) and productivity on the job ($M = 4.27$, $SD = .612$), $r(100) = .054$, $P > 0.01$. so out of two dimensions of Transactional leadership i.e is contingent rewards and management by exception) none is significantly correlated with any of the two items of performance. So, while the correlation of the contingent rewards was negative, the correlation coefficient of the management by exemption was positive

Table 7

Model	Transaction al Leadership	Contingent Reward	Management by Exception	How do you rate quality of your performance	How do you rate productivity on the job	Employee Performance score
Transactional Leadership	1	.821	.801	.030	.054	.033
Pearson Correlation						
Sig(2 tailed)	.000	.000	.000	.827	.878	.784
N	100	100	100	100	100	100
Contingent Reward	.727	1	.823	.017	.015	.175
Pearson Correlation						
Sig(2 tailed)	.000	.000	.000	.854	.878	.684
N	100	100	100	100	100	100
Management by Exception	.728	.896	1	.012	.003	.031
Pearson Correlation						
Sig(2 tailed)	.000	.000	.000	.872	.786	.787
N	100	100	100	100	100	100
How do you rate quality of your performance	.009	.126	.025	1	.812	.701
Pearson Correlation						
Sig(2 tailed)	.825	.785	.884	.000	.000	.000
N	100	100	100	100	100	100
How do you rate productivity on the job	.092	.059	.035	.811	1	.723
Pearson Correlation						
Sig(2 tailed)	.726	.858	.781	.000	.000	.000
N	100	100	100	100	100	100
Employee Performance Score	.036	.063	.123	.721	.811	1
Pearson Correlation						
Sig(2 tailed)	.837	.810	.853	.000	.000	.000
N	100	100	100	100	100	100

The results of correlation analysis showed Transactional leadership had insignificant negative correlations with employee performance; however, contingent reward had negative correlation with employee performance and its dimensions while management by exception had insignificant positive correlation with employee performance and its dimensions.

Multiple Regression Analysis

The multiple regression analysis was done to estimate the effect of Transactional leadership styles (independent variables) on employees’ performance (dependent variable). Results are presented in Tables 8 to Table 10 presents a summary of the model in which the item of interest is the adjusted R2 statistics, which is .220. This suggests leadership styles is responsible for 22.0% of the variation in employees’ performance.

Table 4.10 Model Summary

Table 8: Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics	
					R Square Change	F Change
1	.785 ^a	.225	.220	.004	1.000	37.994

Model Summary^b

Change Statistics		
df1	df2	Sig. F Change
1 ^a	99	.000

- a. Predictors: (Constant), Transleader
- b. Dependent Variable: Emp Perf

Table 9: ANOVA^a

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	15.629	1	7.814	37.994	.000^b
Residual	2.006	99	.282		
Total	17.635	100			

- a. Dependent Variable: EmpPerf
- b. Predictors: (Constant), TransLeader

Table 10: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity statistics	
	B	Std. Error	Beta			Tol	VIF
(Constant)	-.001	.002		-.418	.000		
1 Transactional leadership	.502	.001	.535	785.655	.000	.785	1.00

- a. Predictors: (Constant), Transactional Leadership
- b. Dependent Variable: Employee Performance score

Table 9 presents the analysis of variance (ANOVA) results. It is also known as model fit results. The F-statistics of the table and its associated sig. value showed that the F-statistics is 37.994% (p < 0.01). The results suggest that the model has power to predict employees’ performance significantly from the leadership style scores.

Discussion of the Results

Transactional leadership negatively affects employee performance in Private sector of Oman. Transactional leadership style was found to be positively correlated with both measures of employee performance as well as overall performance. However, contingent rewards (one of the dimension of transactional leadership) had a negative but insignificant correlation with performance while management by exception (one of the dimension of transactional leadership) had insignificant positive correlations.

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