The impact of transformational leadership style on employee satisfaction

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Abstract
The purpose of this research is to identify the relationship between transformational leadership and job satisfaction of employees working in one of the biggest multinational FMCGs in the Egyptian context. The survey was adapted from the Multifactor Leadership Questionnaire (MLQ) to measure the transformational leadership style. The Minnesota Satisfaction Questionnaire (MSQ) was adapted to measure employee job satisfaction. A total of 200 questionnaires were circulated, out of which 150 questionnaires have been returned showing 75% response rate. The findings of the study concluded that transformational leadership positively effects employee job satisfaction.

1. Introduction
Organizations are social systems where human resource is the most valuable asset for effectiveness and efficiency. Human capital is the most important factor for achieving organizational goals and objectives (Mosadragh, 2003). In this modern era of substantial changes in business climate due to globalization, companies are trying to achieve competitive advantages on the basis of competence of their human resources. Managing employees from different cultures and backgrounds is a hard task and depends on the quality of leadership organizations have (Albion and Gagliardi, 2007). Organizations success in achieving its goals is dependent on the efforts, involvement and commitment of its workforce. Manager’s leadership style is one of the main factors of organizations effectiveness. Organizations at present are more concerned about understanding, development and improvement of their leadership.

Leadership is a management function, which is mostly directed towards people, it’s a process of influencing people to achieve the goals of the organization (Skansi, 2000). Fiedler (1996), one of the most respected researchers on leadership, emphasized the importance of leadership by arguing that the effectiveness of a leader is a major determinant of the success or failure of a group, organization, or even an entire country. Transformational leadership is a modern approach to leadership that has captured the interest of many researchers in the field of organizational behavior over the past three decades. This theory was developed by Burns (1978) and later enhanced by Bass (1985). The major premise of the transformational leadership theory is the leader’s ability to motivate followers to achieve beyond their expectations (Krishnan, 2005).

Effective leadership and employee job satisfaction are two factors that have been regarded as fundamental for organizational success (Kennerly, 1989). A capable leader provides direction for the organization and lead followers towards achieving desired goals.
Similarly employees with high job satisfaction are likely to exert more effort and pursue organizational goals.

Leadership plays a very important role in determining employee job satisfaction. It extensively influences employees’ motivation and dedication. According to Mosadegh Rad and Yarmohammadian (2006), employee job satisfaction refers to the attitude of employees towards their jobs and the organization, which employs them. Success of organizations highly depends on its workforce. More satisfied and happy employees would be more productive and profitable for the organization (Saari & Judge, 2004). Job satisfaction helps to create positive attitudes in employees, boosts up their morals, enhances their performance and creates respectful relationship with their co-workers. Despite the extensive significant research on the relationship between leadership style and job satisfaction in a wide variety of fields and in an equally wide variety of settings, there is still a scarcity of research investigating them in the Arab countries especially in Egypt. Thus, the researchers were motivated to close this gap by initiating a paper that aims to explore and describe the impact of transformational leadership on employee job Satisfaction in the FMCG sector in Egypt.

2. A brief survey of Literature

2.1 Leadership

Leadership is one of the most widely discussed topics by the researchers from all over the world (Kuchler, 2008). Jong and Hartog (2007) described leadership as a process of influencing people in order to achieve desired outcomes. Lok and Crawford (2004) stated that leadership plays a critical role in determining the success or failure of an organization. Gill (2006) identified that leaders help to stimulate, motivate, encourage, and recognize their followers in order to get key performance results.

Early studies on leadership frequently categorized as trait theories focused on identifying the personality traits, which distinguished leaders from non-leaders. Trait theories assume that successful leaders are born with certain natural qualities, which differentiate them from their followers (Bryman, 1993). The trait approach endured up to the late 1940s. However, the difficulty in classifying and validating these characteristics led to widespread criticism of this trait theory, signaling the emergence of the behavioral theories of leadership. In the late 1940s to late 1960s behavioral theory became dominant advocating that effectiveness in leadership has to do with how the leader behaves (Hersey et al, 2001). This theory shifted the prominence away from the characteristics of the leader to the behavior and style the leader adopted. In this sense, these early studies are focused on identifying the “one best way of leading”.

Similarly to trait theories, the major weakness of style and behavioral theories is that they ignore the role of situational factors and that effective leadership is dependent upon the situation. It is this restraint that gave rise to the “situational” and “contingency” theories of leadership (Fiedler, 1967), which shift the emphasis away from the one best way to lead to context-sensitive leadership. The Contingency and situational Approach became popular in the late 1960s to the early 1980s. They suggest that effective leadership is dependent on leader’s diagnosis and understanding of situational factors, followed by the adoption of the appropriate style to deal with each circumstance (Bryman, 1993).

However, in an apparent return to the one best way of leadership, recent studies on leadership proposed the full range leadership model, also known as transformational-transactional leadership theory. Transactional leaders are said to be instrumental and frequently focus on exchange relationship with their subordinates (Bass and Avolio, 1993).
In contrast, transformational leaders are argued to be visionary and enthusiastic, with an inherent ability to motivate subordinates (Howell and Avolio, 1993).

2.2 Transformational leadership
The leadership expert James Mac Gregor Burns initially introduced the concept of transformational leadership in the late 20th century. Burns stressed the importance of this contemporary type of leadership and later on people became more concerned with it as the world is currently witnessing rapid and tremendous changes. According to Burns (1978) a leader is perceived as transformational when leaders support and encourage followers to raise the level of their morals, motivation, beliefs, perceptions, and association with the objectives of the organization. He believed that transformational leadership could uphold followers from a lower to a higher level of needs, which agrees with Maslow’s hierarchy of needs.

Bernard M. Bass, (1985) extended Burns leadership theory; Bass said that a leader is “one who motivates us to do more than we originally expected to do” (p. 20). He argued that transformational leadership could be defined based on the impact that it has on followers. He explained how transformational leadership impacts follower motivation and performance. When followers feel trust, admiration, loyalty and respect from their leaders they are willing to work harder and go beyond their leader’s expectations. Transformational leader encourages followers to go beyond self-interest for the good of the team or the organization; they provide followers with an inspiring mission and vision and give them an identity.

2.2.1 Components of transformational leadership:
(Avolio et al., 1995) identified four dimensions of transformational leadership: these are intellectual stimulation, individualized consideration, inspirational motivation and idealized influence.

**Intellectual stimulation:** is concerned with the role of leaders to challenge creativity and innovation among followers; the leader stimulates followers to explore new ways of doing things, opportunities to learn and finding solutions to difficult problems (Hater and Bass, 1988).

**Individualized consideration:** refers to leaders who pay attention to the needs of each individual for accomplishment and growth to their full potential. They provide customized socio-emotional support to the followers while developing and helping them to self-actualize (Bass and Avolio, 1990).

**Inspirational motivation:** refers to the way leaders motivate and inspire their followers to reach ambitious goals and view the future with optimism. These leaders are also able to help followers experience the same passion and motivation to fulfill goals. They encourage them to achieve levels of performance beyond their own expectations. Leaders with inspirational motivation have a collective vision that they are able to articulate to followers (Bass, 1985).

**Idealized influence:** refers to leaders who act as strong role models for their subordinates due to their exceptional abilities and high principles of ethical and moral conduct. They prioritize subordinates’ needs as compared to their own needs and offer them a vision. Idealized influence has two aspects: first, idealized influence behavior, which is linked with the charismatic actions of the leader reflecting his values, beliefs, sense of mission, ethical and moral orientation. Second, idealized influence attributed, which is related to the attributes given to the leader by their subordinates, and how the leader is perceived by the follower as being confident and powerful (Avolio et al., 1999; Gill, 2006).
Each of the four components describes characteristics that are of great importance to the “transformation” process. When managers are strong role models, supporters, innovators, and mentors, they are utilizing the “four I’s” to help change their associates into more productive and successful individuals. Northouse (2001) stated that transformational leadership is a process that causes change in individuals and social systems. Furthermore, he showed that leaders who exhibited transformational leadership are the ones who were more effective and reached performance beyond expectations (Northouse, 2001). Therefore, it’s very important for managers to apply the transformational approach in the workplace.

2.3 Job satisfaction

Job satisfaction has been extensively researched, and has been considered as dependent and independent variable in many studies. Researchers discussed different aspects and determinants of job satisfaction in their own ways. Luthans (2007, p.141) defined job satisfaction as “a pleasurable or positive emotional state resulting from the appraisal of one’s job or job experience”. Job satisfaction or dissatisfaction is affected by the relation between a person’s job expectations and his/her actual achievements. Job satisfaction is also defined as the person’s evaluation of three different things, these are his own work, the context or the environment in which he works and the content of the work he/she actually does (Mosadeghrad, 2003). Job satisfaction includes employee’s feelings towards a multiple group of intrinsic and extrinsic components. It includes certain aspects of satisfaction relating to pay, promotion, working conditions, supervision, organizational practices, and relationships with coworkers (Misener, et al., 1996).

Employee Satisfaction is the feelings and attitudes people have towards their jobs and different aspects of their jobs (Spector, 1997). Spector stated that there are two antecedents of job satisfaction, the first is job-setting characteristics and the second is individual/personal characteristics. Both factors influence employee job satisfaction. Armstrong (2003) mentioned that when people have pleasant and positive attitudes towards their job, that’s when they are satisfied with their job, but when people have unpleasant and negative attitudes towards their job, that’s when they are dissatisfied with their job. Spector (1997) also added that employee or 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 in a courteous and a pleasant manner. While the utilitarian perspective proposes that employee or job satisfaction can lead to employee behaviors that affect organizational performance. Job satisfaction is the most frequently measured organizational variables in the empirical research settings and much research work has been performed to increase job satisfaction.

2.4 Transformational Leadership and job satisfaction

Research on the importance of leadership started in the 1920s with studies that confirmed the significance of leadership in making differences in employees’ job satisfaction. Several studies were conducted during the 1950s and 1960s to investigate how managers could use their leadership behaviors to increase employees’ level of job satisfaction (Northouse, 2004). The quality of the leader-employee relationship has a great impact on employee self-confidence and job satisfaction (Chen and Spector 1991; Brockner 1988; De Cremer 2003). Leaders who are considerate or supportive to their subordinates lead to higher levels of employee satisfaction than those who are either indifferent or unconcerned with their subordinates. Consequently, leadership style is an important determinant of employee job satisfaction. (Al-Ababneh, 2013). Yousef (2000) found that leadership behavior
was positively related to job satisfaction and therefore managers need to adopt appropriate leadership behavior because of its significant impact on employee job satisfaction.

A review of relevant literature reveals various relationships theorists have generated from their own researches between transformational leadership and job satisfaction because of its productive, caring and innovative nature. (Bodla and Nawaz, 2010; Gill et al, 2010; Omar, 2011; Albion and Gagliardi, 2011; Mohammad et al., 2011; Nielsen, et al, 2009). Transformational leaders create an effective influence on their followers, encourage and motivate their followers to think in a creative and innovative way, therefore provide a high job satisfaction level by supporting followers’ act of making individual choices. (Watson, 2009). Cumming et al. (2010) stated that leadership that is concerned only with the output of the employees and do not take into consideration the feelings of its followers failed to attain best efforts of the staff. The study suggested that transformational leadership should be adopted to improve workers satisfaction. Similarly, AL -Hussami (2007) concluded in his study that transformational leadership positively affects employees’ job satisfaction. On the basis of the above literature, the following five hypotheses were developed for testing:

H1: Transformational leadership positively relates with employee job satisfaction
H1a: individualized consideration positively relates with employee job satisfaction
H1b: inspirational motivation positively relates with employee job satisfaction
H1c: intellectual stimulation positively relates with employee job satisfaction
H1d: idealized influence positively relates with job satisfaction

The framework for this study is presented in Figure 1 below that shows the relationship between dependent variable job satisfaction and four transformational leadership style domains as independent variables.

![Figure 1: Proposed Conceptual Framework](image)

3. Data and methodology
   a) Research design
      This study investigates the effect of Transformational leadership style on job satisfaction by means of a descriptive and analytical methodology. Quantitative research design was adopted. The quantitative study applies a case study type of research design. A structured questionnaire was utilized to obtain primary data from the participants. The data has been analyzed using Statistical Package for Social Sciences Version 20 (SPSS 20). The collected data is then analyzed using descriptive statistics, and Pearson correlation analysis was used to test the hypothesis.

   b) Population and sample of the study
      The population consisted of staff members at a multinational FMCG Company functioning in Egypt. The name of the company is withheld for the purpose of confidentiality. The company has been established since 1880s and has around 2000
employees in Egypt. It involves in food and beverages and home and personal care categories. 200 employees from 3 different departments participated in the study using convenience sampling. The number of completed questionnaires was 150; this represents a return rate of 75%.

c) Research instruments
The Multifactor Leadership Questionnaire (MLQ form 5X) developed by Bass (1997) has been used to measure transformational leadership style. Transformational leadership style is measured using 4 factors: (a) Idealized Influence, (b) Inspirational Motivation, (c) Intellectual stimulation (d) Individualized consideration. A 5-point Likert scale was used ranging from not at all (1) to frequently, if not always (5).

The Minnesota Satisfaction Questionnaire (MSQ) was used to measure the level of satisfaction among employees with a scale ranging from very dissatisfied (1) to very satisfied (5).

4. Analysis and Findings
a) Demographic analysis
Table 1 exhibits the demographic information of this study. Survey respondents included 43.3 % males and 56.7 % females. It was found from figure 1, that 44 % of the sample belonged to 26-30 years of age, 30 % of the sample belonged to 21-25 years of age, 21.3% of the sample was aged between 31-40 years, and only 4.7 % of the sample belonged to the age group 41-50. Moreover, 61.4 % of the sample was single, 36% married and only 2.6% was divorced.

Employees having Masters Degree showed 32.7 % of the sample, graduated employees were 64.7% of the sample. Whereas 2.6 % of the sample belonged to employees lying in a category other than mentioned above. Employees having experience of 2 years or less comprised 34.7% of the sample, 3-5 years experienced employees were 21.3% of the sample, 6-10 years experienced employees comprised 35.4 % of the sample whereas, 8.6 % of the sample showed employees having experience of more than 10 years.
b) Descriptive Statistics

Table 2 represents the mean values of transformational leadership and overall job satisfaction. The 3.862 mean values for overall job satisfaction describes the satisfaction of employees with different dimensions of their job. The results show positive attitudes of employees towards their work, which means employees, are satisfied with their job. Aggregate mean value of 3.13 for transformational leadership explains employee views about a visionary and team oriented leadership style of the supervisor. Results show that employees are happy with their supervisors or leaders.

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>65</td>
<td>43.3</td>
</tr>
<tr>
<td>Female</td>
<td>85</td>
<td>56.7</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21-25</td>
<td>45</td>
<td>30</td>
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<tr>
<td>26-30</td>
<td>66</td>
<td>44</td>
</tr>
<tr>
<td>31-40</td>
<td>32</td>
<td>21.3</td>
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<tr>
<td>41-50</td>
<td>7</td>
<td>4.7</td>
</tr>
<tr>
<td>Marital status</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single</td>
<td>92</td>
<td>61.4</td>
</tr>
<tr>
<td>Married</td>
<td>54</td>
<td>36</td>
</tr>
<tr>
<td>Divorced</td>
<td>4</td>
<td>2.6</td>
</tr>
<tr>
<td>Qualification</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Graduate</td>
<td>97</td>
<td>64.7</td>
</tr>
<tr>
<td>Masters</td>
<td>49</td>
<td>32.7</td>
</tr>
<tr>
<td>Others</td>
<td>4</td>
<td>2.6</td>
</tr>
<tr>
<td>Experience</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0-2 years</td>
<td>52</td>
<td>34.7</td>
</tr>
<tr>
<td>3-5 years</td>
<td>32</td>
<td>21.3</td>
</tr>
<tr>
<td>6-10 years</td>
<td>53</td>
<td>35.4</td>
</tr>
<tr>
<td>More than 10 years</td>
<td>13</td>
<td>8.6</td>
</tr>
</tbody>
</table>

Table 1: Demographics

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformational leadership</td>
<td>3.1300</td>
<td>.41647</td>
</tr>
<tr>
<td>Overall job satisfaction</td>
<td>3.8622</td>
<td>.62861</td>
</tr>
</tbody>
</table>

Table 2: Descriptive Statistics

c) Correlation analysis

The relationship between Transformational leadership dimensions and the overall job satisfaction was investigated using Pearson correlation coefficient. The results of the correlation between transformational dimensions and overall job satisfaction are shown in table 3. The results show that there is highly significant, positive relationship between all
dimensions of transformational leadership and job satisfaction. This finding support several previous studies (Bodla and Nawaz, 2010; Gill et al, 2010; Omar, 2011; Albion and Gagliardi, 2011; Mohammad et al., 2011; Nielsen, et al, 2009). These studies have revealed that there is a positive and significant relationship between all transformational leadership components (Individualized consideration, Inspirational motivation, Intellectual stimulation and Idealized influence) and job satisfaction. Thus, all the hypothesis of the study is supported.

5. Results

The hypothesis of the study predicts a positive relationship between transformational leadership dimensions and employees’ job satisfaction. On the bases of above statistical findings it has been found that transformational leadership dimensions have significant positive relationship with the overall job satisfaction. These findings support previous studies. For example Omar (2011) proved that the relationship of transformational leadership components (individualized consideration, inspirational motivation, idealized influence and intellectual stimulation) showed a positive impact on career satisfaction. The study examined the possible relationship between the perception of supervisor as a transformative leader and job satisfaction and proved that when employees positively perceive their leaders as transformative leaders that’s when their satisfaction increases. Furthermore, Mohammad et al. (2011), in their study showed a statistically significant positive relationship existing between the five dimensions of transformational leadership and the two dimensions of job satisfaction. Intellectual stimulation dimension was the strongest relationship between internal job satisfaction and transformational leadership. Another researcher, Shibru and Darshan (2011) also found a positive relationship between transformational leadership and subordinate job satisfaction in their studies. From the analysis carried out, the Pearson correlation analysis found that all components of transformational leadership are highly correlated with each other and strongly correlate with subordinate job satisfaction. Only two factors idealized influence and individualized consideration showed very high correlation with each other and high determinant in predicting subordinate job satisfaction. Moreover, Voon, Ngui and Ayob (2011) showed in their study a strong relationship between transformational leadership and job satisfaction.

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Pearson correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individualized consideration</td>
<td>0.829**</td>
</tr>
<tr>
<td>Inspirational motivation</td>
<td>0.729**</td>
</tr>
<tr>
<td>Intellectual stimulation</td>
<td>0.529*</td>
</tr>
<tr>
<td>Idealized influence</td>
<td>0.689**</td>
</tr>
</tbody>
</table>

Table 3: Correlation analysis
Krishnan (2005) indicated transformational leadership as a key factor of high job satisfaction and thus increased employee performance.

Therefore the findings of the study support the hypothesis and prove that by adopting transformational leadership style, leaders can achieve more satisfied staff. If employees are satisfied with their jobs they will perform better which will lead organizations towards success. Employees who are working for transformational leader have higher level of job satisfaction. This finding is valuable because it shows that the employees of the organizations like transformational leadership, which is a modern concept in the subject of leadership.

6. Discussion and summary

Productivity and performance of an organization depend upon the job satisfaction of its employees and escort to growing profits. Transformational leadership, an approach of enhanced interpersonal relationship between supervisors and subordinate, is a way to create higher level of job satisfaction of employees. Transformational leaders also help employees to become more creative, innovative and bring such new ideas, which allow the organization to grow competitively and adapt itself to the changing external environment. Fortunately, the managers of the Egyptian FMCG are exercising this type of leadership. The results of this study concluded that if managers adopt transformational leadership behavior, they could get better satisfied and committed employees.

7. Direction for future research

This current study examined the employees’ perception on leadership characteristics and relationship between Transformational leadership style and job satisfaction. Future research could involve more variables such as turnover intentions, job performance and organizational commitment. Since the measure of organizational size is influencing the variables in this study, future researchers should consider studying smaller size organizations. Comparative study on this similar study can be made between multinational companies and small medium industries. It is also possible that further investigation determining on dimensions of job satisfaction which included management, salary, welfare, praise, promotion, colleague, system job condition and other dimensions to an even greater degree could be highlighted, as none of these dimensions were studied in detail in the current study.

References


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