

## **Personal and Job-Related Outcomes of Perceived Leadership Styles in Bank Employees**

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The study examined the affect of leadership styles on the prediction of personal and job related outcomes among bank employees. Data was collected with Multifactor Leadership Questionnaire (Bass & Avolio, 2000), Warwick-Edinburgh Mental Well-Being Scale (Parkinson, 2006), Depression Anxiety Stress Scale (Lovibond & Lovibond, 1995), Job Satisfaction Scale (Guimaraes & Igbaria, 1992) and Turnover Intention Scale (Seashore, Lawler, Mirvis, & Cammann, 1982). Sample comprised of 300 bank employees. Findings supported hypotheses as transformational leadership positively predicted well-being and job satisfaction whereas negatively predicted stress and turnover intention among employees. Laissez-faire leadership positively predicted stress and turnover intention whereas negatively predicted well-being and job satisfaction. The study is effective in understanding the importance of leadership styles in promoting mental health and appropriate work related attitudes among employees.

*Keywords:* Transformational leadership, Laissez-faire leadership, well-being, stress, job satisfaction, turnover intention

In the current decade, at all levels in all types of organizations, managers continually engage in task and relationship behaviours (Northouse, 2007). Bass (1981) illustrates that principals about the relationship between leader and followers are as old as 1500 years. Thus, leaders directly affect the personal and job related activities of the subordinates. In this regard, transformational leadership approach integrates the leader and the followers (Greenwald, 2008). The popularity of the transformational leadership is due to its ability to fulfil the requirements of corporate sector in the modern era (Avolio & Bass, 2002). Due to these reasons, it is considered one of the well-researched theories of leadership (Lowe & Gardner, 2001). In spite of the fact that transformational leadership is more effective in collectivist cultures (Jung & Yammarino, 2001) still it is less researched in the indigenous context (Almas, 2007; Khan, 2009; Riaz, 2009). In this regard, the present study is aimed to examine the effect of transformational and Laissez-faire leadership on personal and job outcomes amongst bank employees.

The Full Range Leadership Theory (FRLT) proposed by Bass and Reggio (2006) comprises of three leadership styles including transformational, transactional and Laissez faire leadership style. Transformational leadership is considered to be the most effective style of leadership according to past research. Laissez-faire leadership is the least effective style of leadership.

The underlying theory behind these styles indicates that transformational and Laissez-faire leadership is the active and passive style of leadership respectively. Both in underlying nature and effectiveness, these two leadership styles stand on opposite extremes. Supervisor's behaviour directly affects the health and well-being of the subordinates (Gilbreath & Benson, 2004). Transformational leaders express trust in subordinates (Yukl, 2002) and raise their self-esteem (Sidani, 2007). Thus, transformational leadership is positively related to high levels of well-being (Martin & Epitropaki, 2001) and low levels of perceived stress among the employees (Gilbreath & Benson, 2004). Transformational leaders are visionary, courageous, inspiring, intellectually stimulating and considerate towards their followers' present and futuristic needs (Bass, 2000).

Transformational leadership is positively associated with appropriate work related attitudes among employees (Piccolo & Colquitt, 2006; Stashevsky & Koslowsky, 2006). Past research indicated that transformational leadership is directly related to job satisfaction (Humphreys & Einstein, 2003). Transformational leaders boost employees' commitment to the organization (Arnold, Barling, & Kelloaway, 2001). Similarly, transformational leadership is negatively related to turnover intentions among employees (Martin & Epitropaki, 2001) and positively associated with employees' satisfaction with the leader (Bartram & Casimir, 2007). On the other hand, Laissez-faire leaders do not provide guidance and assistance to their subordinates (Jones & Rudd, 2007). Such leaders no longer motivate followers to increase their commitment with the organization (Shamir, Zaky, Breinin & Popper, 2000). Bass and Avolio (2003) illustrated that transformational leadership is rated on the leadership dimension whereas Laissez-faire leadership is rated on the non-leadership dimension of the FRLT. Laissez-faire leadership is positively linked with avoidant conflict management and decision making style among managers (Almas, 2007; Riaz, 2009). Laissez-faire leadership negatively predicted innovative work behaviour among bank managers (Khan, 2009).

In the indigenous context, most of the studies investigated organizational outcomes of the FRLT (Almas, 2007; Riaz, 2009). Other researchers (Khan, 2010) remained limited to only a positive style of leadership (transformational leadership) illustrating its effect on innovative

work behaviour and knowledge management processes respectively. The present study focused on job-related as well as the personal outcomes. Similarly the current inquiry not only considered the positive style of FRLT but also intended to investigate the negative style of the theory labelled as Laissez-faire leadership which is still in practice in the modern organizations.

### Conceptual Framework

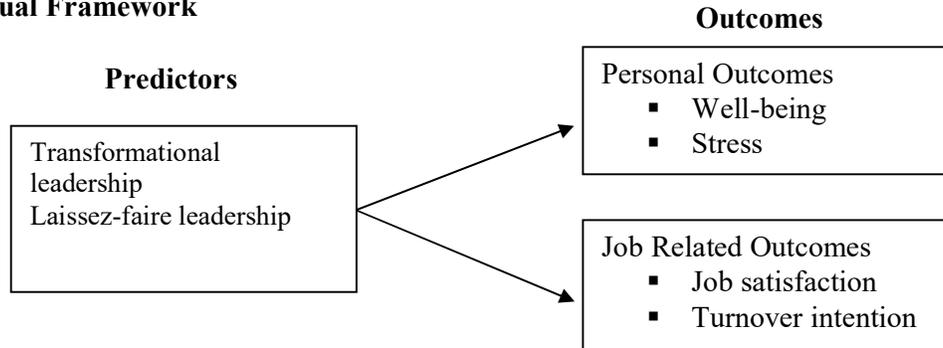


Figure 1. Schematic depiction of effect of transformational and Laissez-faire leadership on personal and job-related outcomes

- H1. Transformational leadership positively predicts well-being and negatively predicts stress among employees.
- H2. Transformational leadership positively predicts job satisfaction and negatively predicts turnover intention among employees.
- H3. Laissez-faire leadership negatively predicts well-being and positively predicts stress among employees.
- H4. Laissez-faire leadership negatively predicts job satisfaction and positively predicts turnover intention among employees.

### Method

#### Participants

It is descriptive study carried out using cross-sectional design of survey method. Sample consisted of 300 bank employees with ages ranging from 30 to 46 years ( $M = 36.14$ ,  $SD = 7.81$ ). Employees from private sector banks situated in Rawalpindi and Islamabad were approached by using purposive sampling technique. Only those employees were asked to rate their managers' leadership who had worked under their supervisors for at least one year duration. Remaining employees were not included in the sample. The employees rated their branch managers on leadership styles and provided information regarding their personal and job related perceptions and behaviours. Informed consent was obtained from managers and the subordinates. Participants were assured about confidentiality of the information.

#### Measures

**Multifactor Leadership Questionnaire (Bass & Avolio, 2000).** Transformational and Laissez-faire leadership subscale comprising of 20 and 4 items respectively were used in this study. Five point Likert-type response pattern is used in the rating of questions. The response option range from 1 for *strongly disagree* to 5 for *strongly agree*. Thus minimum-maximum scores for transformational leadership are 20 to 100 whereas for Laissez faire leadership are 4 to

20. Scores are interpreted in terms of low and high scores. There is no reverse item in the scale. Existing use of this scale with bank managers indicated that it is a reliable and valid measure (Almas, 2007).

**Warwick-Edinburgh Mental Well-Being Scale (Tennant et al., 2007).** The scale consists of 14 items and five point Likert-type scale with 1 for *strongly disagree* and 5 for *strongly agree*. The items are positively scored and minimum scores are 14 whereas maximum scores are 70. Low and high scores in the scale represent low and high level of well-being of an individual participant. Existing use of this scale in the indigenous setting indicates that it is reliable and valid instrument (Nosheen, 2013).

**Depression Anxiety Stress Scale (Lovibond & Lovibond, 1995).** Stress subscale comprising of 7 items and rated on 4-point rating scale with response categories ranging from 0 for *never* to 3 for *always* was used. All items are positively scored. The minimum obtained scores are 0 and the maximum scores are 21. The scale offers cut off as well as low-high scoring interpretation options. However, in this study, only low and high scores were used for measuring low and high levels of stress. Existing use of this scale with employees indicate that it is a reliable and valid scale (Riaz, Riaz, & Batool, 2014).

**Job Satisfaction Scale (Guimaraes & Igbaria, 1992).** The scale comprised of six items. The questions are rated on five point Likert-type rating scale in which response categories range from 1 for *strongly disagree* to 6 for *strongly agree*. All items are positively worded. The minimum obtained scores are 6 and maximum are 30. Low scores depict low level of job satisfaction whereas high scores indicate high job satisfaction. Existing use of this scale indicates that it is reliable and valid measure (Riaz & Batool 2014).

**Turnover Intention Scale (Seashore Lawler, Mirvis, Cammann 1982).** The scale consisted of 4 items. The items are rated on a five point rating scale in which the response options range from 1 for *strongly disagree* to 6 for *strongly agree*. The format of the questions is positive and reverse items are not included in the scale. The minimum and maximum scores are 4 and 20 respectively. Total scores on the scale are taken as low and high scores indicating low and high level of turnover intentions. Prior use of this scale in indigenous organizations indicate that it is a valid and reliable measure (Riaz, Riaz & Batool, 2014).

## **Procedure**

The private sector banks situated in Rawalpindi and Islamabad were visited by the researchers to collect desired information. Branch managers were persuaded to allow their subordinates to participate in the study. The bank employees were assured that the obtained information will never be disclosed or shared with their managers or anyone else. After providing brief information and instructions, employees were asked to rate their managers on leadership styles. They were also requested to provide the information on their personal outcomes and work related attitudes. In the end, managers and participants were thanked for their cooperation.



## Results

Table 1  
Psychometric properties and Pearson correlation for study variables ( $N = 300$ )

Variables	<i>M</i>	<i>SD</i>	Rang e	$\alpha$	Skewnes s	Kurtosi s	1	2	3	4	5	6
1. Transformational leadership	78.12	8.44	26-89	.82	.81	.45	-	-.29** *	.40** *	-.13*	.36** *	-.16** *
2. Laissez-faire leadership	14.29	2.59	4-13	.70	.04	.13	-	-.19**	-.31** *	-.17**	-.37** *	-.16** *
3. Well-being	36.10	5.63	18-41	.80	.09	.08	-	-.09	-.33** *	-.29** *	-.34** *	-.33** *
4. Stress	21.22	4.55	9-25	.71	.31	.02	-	-.06	-.34** *	-.33** *	-.34** *	-.33** *
5. Job satisfaction	19.40	3.22	8-20	.70	.40	.21	-	-.33** *	-.34** *	-.33** *	-.34** *	-.33** *
6. Turnover intention	10.55	1.49	3-10	.73	.05	.80	-	-.33** *	-.34** *	-.33** *	-.34** *	-.33** *

\* $p < .05$ . \*\* $p < .01$ . \*\*\* $p < .001$ .

Table 2

Linear regression showing effect of leadership styles on personal and job-related outcomes ( $N = 300$ )

Predictors	Well-Being		Perceived Stress		Job Satisfaction		Turnover Intention	
	Model 1 <i>B</i>	95%CI <i>LL, UL</i>						
(constant)	16.25***	[13.43, 19.07]	34.45***	[28.35, 40.54]	12.05***	[9.28, 14.81]	14.48***	[11.80, 17.16]
Transformational leadership	.15***	[.11, .19]	-.10*	[-.01, -.19]	.13***	[.09, .17]	-.06**	[-.09, -.02]
$R^2$	.40		.13		.36		.16	
$F$	56.03***		5.03*		44.41***		8.14**	
(constant)	29.66***	[29.91, 31.40]	32.12***	[28.75, 35.49]	23.83***	[22.14, 25.51]	5.78***	[4.33, 7.24]
Laissez-faire leadership	-.26**	[-.41, -.10]	-.84***	[-.54, 1.14]	-.23**	[-.38, .08]	-.45***	[-.32, .57]
$R^2$	.19		.31		.03		.14	
$F$	10.88**		31.04***		9.54**		46.75***	

\* $p < .05$ . \*\* $p < .01$ . \*\*\* $p < .001$ .

Table 1 shows reliability analysis indicating that all scales have .70 or greater alpha coefficients ensuring satisfactory internal consistency. Values of skewness and kurtosis are less than +1 and -1 which indicated that data is normally distributed. Findings of Pearson correlation indicated that transformational leadership is positively correlated with well-being  $r(298) = .40, p < .001$  and job satisfaction  $r(298) = .36, p < .001$  whereas negatively related to stress  $r(298) = -.13, p < .05$  and turnover intention  $r(298) = -.16, p < .001$ . Laissez-faire leadership is positively correlated with stress  $r(298) = .31, p < .001$  and turnover intention  $r(298) = .37, p < .001$  whereas negatively related to well-being  $r(298) = -.19, p < .01$  and job satisfaction  $r(298) = -.17, p < .01$ .

Table 2 shows results of linear regression. Findings indicated that transformational leadership explained 40% variance in well-being with  $F(1, 298) = 56.03, p < .001$ , 13% in stress with  $F(1, 298) = 5.03, p < .05$ , 36% in job satisfaction with  $F(1, 298) = 44.41, p < .001$ , and 16% in turnover intention with  $F(1, 298) = 8.14, p < .01$ . Transformational leadership positively predicted well-being ( $B = .15, p < .001$ ) and job satisfaction ( $B = .13, p < .001$ ) whereas negatively predicted stress ( $B = -.10, p < .05$ ) and turnover intention ( $B = -.23, p < .01$ ). Laissez-faire leadership explained 19% variance in well-being with  $F(1, 298) = 10.88, p < .01$ , 31% in stress with  $F(1, 298) = 31.04, p < .001$ , 3% in job satisfaction with  $F(1, 298) = 9.54, p < .01$ , and 14% in turnover intention with  $F(1, 298) = 46.75, p < .001$ . Laissez-faire leadership positively predicted stress ( $B = .84, p < .001$ ) and turnover intention ( $B = .45, p < .001$ ) whereas negatively predicted well-being ( $B = -.26, p < .05$ ) and job satisfaction ( $B = -.23, p < .01$ ).

## Discussion

The study examined the effects of two leadership styles of FRLT on personal and job related outcomes in bank employees. The findings confirmed the assumptions of FRLT that transformational leadership is the most active and effective style whereas Laissez-faire leadership is the most passive and ineffective style of leadership (Bass & Reggio, 2006). These assumptions were tested in this study through linear regression.

Findings confirmed that the first hypothesis “transformational leadership positively predicts well-being and negatively predicts stress among employees” was consistent with the existing knowledge indicating that transformational leadership is associated with positive health outcomes among the subordinates (Gilbreath & Benson, 2004; Martin & Epitropaki, 2001). The second hypothesis “transformational leadership positively predicts job satisfaction and negatively predicts turnover intention” also confirmed the past evidences that transformational leaders help in increasing job satisfaction of subordinates (Bogler, 2001; Judge & Piccolo, 2004) and reduce turnover intention among employees. Transformational leadership is also associated with overall satisfaction in the organizations (Casimir, Bartram, & Yang, 2006). Clear effects of perceived transformational leadership provided additional support to the existing knowledge suggesting that this leadership style is more effective in collectivist cultures (Jung & Yammarino, 2001).

The dark-side of leadership in FRLT is Laissez-faire leadership—characterized by absence of important leadership practices and excessive avoidance. The third hypothesis “Laissez-faire leadership negatively predicts well-being and positively predicts stress among employees” and the fourth hypothesis “Laissez-faire leadership negatively predicts job satisfaction and positively predicts turnover intention” was also proved by the findings which

were consistent with past research evidence (Jones & Rudd, 2007; Shamir Zakay, Brainin & Popper 2000) and theoretical assumptions regarding Laissez-faire leadership (Avolio & Bass, 2002) indicating that Laissez-faire leaders show indifferent attitude toward their leadership responsibilities and avoid when asked for guidance. Consequently, such leadership is negatively linked with productive job-related behaviours and mental health of the employees.

The study has taken the opinion of bank employees about the leadership practices of their immediate managers. FRLT posits that leaders either guide their subordinates in an appropriate manner or they fail to provide guidance to their subordinates. It was anticipated that leadership practices—either appropriate or inappropriate—will directly influence the personal as well as professional life of the subordinates. The findings confirmed this assumption that when employees perceive their leaders as transformational, it enhances their well-being and reduces stress. Similarly, it also results in increased job satisfaction and lower turnover intentions. Contrary to transformational style, when employees perceived their leaders as Laissez-faire, their level of stress was increased and their well-being was decreased. Subordinates' perceptions of being supervised by Laissez-faire leaders also reduced their level of job satisfaction and increased their turnover intentions. The FRLT was introduced in the collectivist culture. However, the empirical support for this theory in the current study enhances the validity of FRLT in the collectivist culture of Pakistan.

## **Conclusion**

The scientific inquiry investigated the direct effect of perceived leadership on the subordinates' personal and professional life consequences. Bank employees' perceptions regarding their branch managers' leadership—either transformational or Laissez-faire—were anticipated to predict their mental health and job-related outcomes. Findings depicted that transformational leadership enhances well-being and job satisfaction whereas reduces stress and turnover intention but Laissez-faire leadership results in the inverse trends. The study contributed to scientific literature on FRLT from the organizations of a collectivist culture.

## **Limitations and Recommendations**

Beside many strengths, self-report measures were used which increase the vulnerability of social desirability. Cross-sectional design used in the research is deficient in internal validity that can be enhanced through method triangulation in future research. In future research, authentic leadership should be focused which is latest advancement in leadership. In future research, role of socio-demographic variables should be included. Only perceived leadership's influences were examined in this investigation, however in future research, leadership from the managers' lens should also be studied.

## **Implications**

It was a theory-based study which has valuable theoretical and practical implications in the banking sector. The study shared the insight that by promoting transformational leadership and by avoiding use of Laissez-faire leadership, personal and professional life of the employees can be improved. During the selection of the personnel for managerial positions, the findings of the study should be considered. Secondly, the underlying theoretical assumptions behind two

leadership styles of FRLT are proved in the current inquiry. Thus the research also carries theoretical significance.

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- PERSONAL AND JOB-RELATED OUTCOMES 15
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