

# Influence of Transformational Leadership Style on Employee Job Satisfaction: Case Study of Firms Listed At the NSE

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**Abstract: Purpose:** this study examined the influence of transformational leadership on employee job satisfaction. In this leadership style, the leader enhances the motivation, moral and performance of his follower group. The paper provides a conceptual discussion of value based leadership in management and business practices. Descriptive survey design was adopted. The study sample comprised of 400 employees working in all levels in various companies listed at NSE. Stratified sampling technique was used to select the study respondents. The study utilized both descriptive and inferential statistics. The study used factor analysis through principal component analysis and varimax rotation method to generate factor scores for each construct. Multiple linear regression was used to test the study hypothesis. The findings show that a manager who promote and adhere to company values and mission and inspires employees to follow them. It also established that managers allow employee opinions when seeking solutions to situations, an aspect that greatly motivates them. This finding supports the view by Burns (1978) and Bass (2009) that transformational leaders have an effect on employee motivation and job satisfaction. The coefficient of contingent reward is 0.274 with a p-value of 0.000 implies that variable is statistically significant at 1percent significance level. A unit change in contingent reward can cause a 0.274 change in employee job satisfaction. The coefficient of management by exception-active is 0.017 with a p-value of 0.641 implying that variable is statistically insignificant at 10percent significance level. This implies that management by exception-active as a dimension of transactional leadership has no influence on one's job satisfaction. The coefficient of management by exception-passive is 0.302 with a p-value of 0.000 implies that the variable is statistically significant at 1 percent significance level. A unit change in management by exception- passive can cause a 0.302 change in employee job satisfaction. **Implications:** Most organizations have to go through processes of change for them to thrive, such companies can use these findings to identify the type of leadership they should source to drive this change agenda. Additionally even when not going through change, companies should lay emphasizes on building the skills of their management team by ensuring there are trained and retrained on leadership skills such as transformational leaders in order to improve employee job satisfaction.

**Keywords:** Transformational Leadership Style, descriptive and inferential.

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## 1. BACKGROUND OF THE STUDY

Globally, leadership plays a critical role in determining the attainment of the organizations goals. The term leadership means different things to different people. Although no ultimate definition of leadership exists, several authors have given different definitions. Earlier leadership theories were based on the assumption that leaders were born not made; the great man and trait theory alluded to this in early discussions (Mann, 1959; Stodgily, 1948).The leadership theories have since evolved to modern leadership theories like transformational, transactional and values based leadership styles. Vera and

Crossman, (2004) offer that while early theories tended to focus on the characteristics and behaviours of successful leaders, later theories began to consider the role of followers and the contextual nature of leadership.

Coues and Posner (2007) posit that leadership comes from modelling the way, inspiring a shared vision, challenging the process, enabling others to act and encouraging hearts. A leader must therefore be able to influence his or her followers to trust in her or him enough and take the direction advised. This is where personal conviction comes in; one believes in something strongly enough to convince them to follow the leader.

## 2. STATEMENT OF THE PROBLEM

That state of employee job satisfaction is one that eludes many a HR Manager worldwide and there is no exception when it comes to Kenya. The problem is that no matter how many times an organization reviews its employees salary and benefits, employees in many instances remain unsatisfied and this leads one to pose the question, can the leadership style be a contributor to employee job satisfaction. Does it influence employee job satisfaction. The performance of satisfied employees may be linked to helping organizations achieving their goals. Indeed leaders are seen to influence employee's job satisfaction which eventually affects employee job performance and ultimately overall organizational performance (Munir, Rahman, Ariff, Malik, & Ma'amor, 2012). This position is supported by findings carried in a research report by the Society for Human Resource Management (SHRM) on employee job satisfaction and engagement; how employees are dealing with uncertainty. In this report, the relationship employees have with their supervisors is directly connected to their success and growth at work. Supervisors who develop a positive relationship with employees may be more likely to learn their employees' strengths and weaknesses, making it easier for them to use their employees' talents for the good of the organization (SHRM, 2012). The pursuit of employee job satisfaction is manifested in the number of organizations that invest heavily in compensation and benefits surveys to find out how they can have employees who are satisfied with their jobs amongst other aspects. These organizations commission consultancy firms that conduct such surveys to do this on their behalf. The firms contracted include PricewaterhouseCoopers (PWC), Deloitte and Klynveld Peat Marwick Goerdeler (KPMG) amongst others. Three surveys by the above consultancy firms; PWC (2013), Deloitte (2013) and KPMG (2014) considered both intrinsic and extrinsic factors in their study. According to Herzberg (1966), intrinsic factors or satisfiers are those that motivate and satisfy workers in the job context and are associated with higher order needs. These include; achievement, recognition, advancement, responsibility, work itself, and personal growth possibilities. Extrinsic factors also called hygiene factors are those that only prevent dissatisfaction with job content and are associated with lower order needs. These include pay, job status, job security, working conditions, and quality of leadership. These factors create dissatisfaction if absent in the workplace. In this regard, job satisfaction levels result from the employees' perception of how well they perform in their job and deliver on the targets, which they consider to be important to them and to the organization.

The PWC 2013 survey interviewed 31 CEOs between November 2012 and June 2013. The findings of this survey amongst other things established that 97 per cent of Kenya's business leaders agreed that their firms needed to match the compensation levels of their peers to retain top talent. This shows the levels to which organizations will go to ensure employee job satisfaction as an extrinsic factor. The question here is the lack of mention of quality of leadership or leadership style. Once employees receive these increments, why is it that their job satisfaction still remains elusive as implied by these surveys that are done on an annual basis? In the Deloitte 2013 survey 5,000 people working for 16 Kenyan companies were polled. In their conclusions two senior executives, Sammy Onyango and Kimani Njoroge, stated that Kenyan employers looking to attract and retain quality workers for longer should quit focusing on remuneration in favor of job stability, and ease of doing daily tasks. Kimani Njoroge, Human Capital Leader Deloitte Consulting (Pty) Ltd lists the following as the top trends in Kenya for 2014: retention and engagement, reskilling the HR Function, leadership, talent acquisition and access, and workforce capability. Indeed the 2014 Deloitte Global Human Capital Trends report identified the failure to develop leaders as one of the biggest threats to global business growth. In this report, the lack of leadership at all levels was cited as the single most important issue raised by global executives.

The KPMG 2014 survey, noted that attracting, motivating and retaining the talents required to drive execution of business strategy remains a major challenge for businesses. While it is common for an organization to invest in the best processes, structures and strategies, organizations that invest in their people perform better. From the surveys conducted by the three firms namely; PWC, Deloitte and KPMG, it appears that salaries and benefits are increased regularly and promotion,

awards and recognition for doing good work implemented. If this is the case, then employers need to establish why or how employees are sometimes dissatisfied. The findings above have also pointed to leadership as an area of focus in employee job satisfaction and an indicator in future surveys. This here is a gap; to the best of the researcher's knowledge, such surveys in the past have not addressed the influence of leadership style on the satisfaction of employees, since such questions are not posed. The researcher therefore wondered; could this be the leadership style dilemma?

Other studies conducted on leadership styles address singular styles, that is, transformational, transactional or values based leadership. In a study of managers of public sector in Malaysia, Voon *et al.*, (2010) found out that transformational leadership style has a positive relationship with job satisfaction thus implying that transformational leadership is deemed suitable for managing government organizations. In Kenya, Orute, Mutua, Musiega and Masinde (2015) in their study; Leadership style and employee job satisfaction in Kakamega County, Kenya, established that leadership style had a statistically significant positive influence on employee job satisfaction, and recommended that the government adopts and practices good leadership skills since they have positive effect on employee job satisfaction. In another study; Job satisfaction factors that influence the performance of secondary school principals in their administrative functions in Mombasa district, Kenya, it was established that work itself, interpersonal relationships and advancement among others influence job satisfaction of the principals (Gathungu & Wachira, 2013). In a review of effects of transformational leadership on employee engagement in a survey conducted on the civil service in Kenya, Datche and Mukulu (2015) concluded that that all aspects of transformational leadership; namely intellectual stimulation and individualized consideration of supervisor were found to be positive and moderately related to employee engagement; while the supervisors' inspirational motivation of leader was weak and insignificant and idealized influence was negatively related to employee engagement. There is paucity of literature on studies that have focused on a combination of transformational, transactional and values based leadership styles in companies listed on the Nairobi Securities exchange. This presents a research gap and insufficient information that this study sought to determine.

The consequences of leadership styles depending on the specific style can include, employees being motivated and inspired to perform and thus support the organization in realizing its strategic goals. On the converse, bad and non-effective leadership styles can cause employees dissatisfaction thus leading them to abscond from work, being late, performing poorly, making the work place unbearable and failing to meet the set strategic goals. This continued over a period of time can lead to an organization collapsing and closing down. If success is attributed to employees who are influenced by leaders then there is a significant role played by the leaders in driving employee job satisfaction. The purpose of this study therefore is to investigate the influence of transformational leadership style on employee job satisfaction.

### **3. SCOPE OF THE STUDY**

This study was carried out in Kenya between the months of June and July 2015 in companies listed on the Nairobi Securities Exchange (NSE). There are many reasons for this selection for instance, the companies already comply with a set of guidelines and regulations and since they are registered it was easy to get their contacts and trace them. Being publicly listed companies obtaining data was not difficult. The assessment of the link between transformational, transactional and values based leadership styles and job satisfaction was limited to the information given by the respondents through the questionnaire, data and information that was publicly available about the organizations on websites and annual reports. The study targeted employees at all levels in organisations This means that the gender, age, duration in employment, areas of specialization, location and level of management or status did not exclude anyone from the sample surveyed thus making it more representative and therefore the findings more valid and reliable.

### **4. THEORETICAL REVIEW**

In this leadership style, the leader enhances the motivation, moral and performance of his follower group. The concept of transformational leadership was brought to prominence by Burns (1978) in his book, 'Leadership'. The concept of transformation can be thought of when the word change is mentioned this is because this type of a leader inspires and motivates their follower to willingly move from one state to another. Burns (1978) states that transformational leadership develops when leaders and followers engage one another to advance their proficiency, ability, motivation, and morality. On their part, Cossin and Caballero (2013), offer that transformational leadership employs various categories and trends

of behavior developed by Burns. These behaviors are charisma or idealized influence, inspirational motivation, intellectual stimulation and personal and individual attention. Since 1990 transformational and transactional leadership approaches presented by Burns, (1978) and Bass (1985) are the most important and are most widely used and tested for leadership studies. According to Bass (1990), transformational leadership is characterized by several patterns of behavior starting with how leadership employs charisma in order to gain the respect and trust of stakeholders and to instill pride in the latter.

Bass, Avolio, Jung and Berson (2003) and García-Morales *et al.*, (2012) identified four distinct characteristics of transformational leadership namely; idealized influence, inspirational motivation, intellectual stimulation and individualized consideration, which lead organizations to achieve their objectives through improved performance

**Idealized influence:** is a component that involves demonstrating behavior such as serving as a role model, setting high standards of moral values, communicating the importance of a collective sense of vision and sacrificing for the benefit of the group. The leaders who possess these qualities are respected, admired and trusted by their followers. The followers feel proud being associated with the leader (Jain & Duggal, 2015).

**Inspirational motivation:** refers to leaders’ ability to motivate followers so that they are able to perform beyond the expectation. This characteristic involves the leaders’ ability to communicate clearly the shared vision so that the workers get inspired to achieve important organizational strategic goals. They excite and challenge their followers so that they are able to accomplish great things (Jain & Duggal, 2015).

**Intellectual stimulation:** explains the degree in which the leaders stimulate their followers’ endeavors to be innovative and creative (Limsila & Ogunlana, 2008) and consider old organizational problems with a new perspective (Moss & Ritossa, 2007). It also enables leaders to create a culture of active thinking and thus encouraging innovation. They reframe problems to find new solutions (Jain & Duggal, 2015).

**Individualized consideration:** refers to the leader’s capability to treat each follower individually by giving them personal attention. Such leaders are compassionate, responsive and appreciative to the employees’ needs and they thus celebrate individual achievements (Jain & Duggal, 2015).

**Effect of Transformational leadership on Employee Job Satisfaction:**

The study sought to find out the effects of transformation leadership on employee job satisfaction. According to Burns (2010) transformational leadership represents a leadership style that is exemplified by charisma and shared vision between leaders and followers. The power of transformational leaders comes from their ability to stimulate and inspire others to produce exceptional work. The results presented on table 4.10 indicate the rating of the various transformational leadership indicators surveyed by the respondents.

**Table.4.1: Rating of Transformational Leadership Variables**

Construct	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
<b>Idealized Influence</b>					
Managers promote and adhere to company values and mission and inspires us to follow them	1.9	2.4	12.5	43.3	39.9
Managers radiate a sense of power and confidence	2.9	4.3	15.3	38.3	39.2
Managers associate with others and instill a sense of pride therein	2.9	4.3	18.8	43.5	30.4
Managers give one a sense of accomplishment when doing their job	2.4	4.9	14.6	45.1	33.0
<b>Inspirational motivation</b>					

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Managers are optimistic about the future and spread this to those working with them	2.9	4.4	13.7	41.0	38.0
Managers talk enthusiastically about what our targets are and how to achieve them	1.5	5.8	14.1	49.5	29.1
Leaves no doubt about needs to be done and how it is to be done	1.4	4.3	15.8	48.8	29.7
<b>Intellectual stimulation</b>					
Managers seek divergent perspectives when solving problems.	3.9	4.4	21.8	44.7	25.2
Managers suggest new ways of looking at how to achieve the corporate and department objectives/goals	1.4	4.3	16.9	48.3	29.0
Managers allow our opinions when seeking solutions to situations	3.8	5.8	25.0	37.5	27.9
<b>Individualized Consideration</b>					
Managers here help us develop our strengths	2.4	4.9	20.4	39.8	32.5
Managers here are available for coaching and mentoring	2.5	8.5	22.5	39.5	27
My manager focuses on me individually and supports me according to my needs	5.3	12.6	30.9	31.9	19.3

Source: Survey Data (2015)

**Factor Analysis for Transformational Leadership Construct:**

The factor analysis results for the transformational leadership construct are depicted on table 4.11 below. The result shows that out of twelve components only two components are strongly related with transformational leadership construct. The two components explain 67 percent of the total variability with component one explaining 38 percent and component two explaining 29 percent of the total variability. This suggests that the two components are a good indicator of transformational leadership.

**Table.4.2: Total Variance Explained for Transformational Leadership Construct**

Component	Initial Eigenvalues			Extraction Sums of Squared Rotation Loadings			Sums of Squared		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.986	58.219	58.219	6.986	58.219	58.219	4.589	38.241	38.241
2	1.112	9.265	67.484	1.112	9.265	67.484	3.509	29.243	67.484
3	.738	6.149	73.633						
4	.644	5.366	78.999						
5	.465	3.872	82.871						
6	.408	3.398	86.269						
7	.373	3.106	89.375						
8	.328	2.731	92.107						
9	.321	2.672	94.778						
10	.268	2.233	97.011						
11	.214	1.784	98.795						
12	.145	1.205	100.000						

Source: Survey Data (2015)

The rotated component matrix for transformational leadership construct is presented in Table 4.3. The results show that item “Managers promote and adhere to company values and mission and inspires us to follow them” and “My manager

allows our opinions when seeking solutions to situations” have factor loaded of 0.823 and 0.856 respectively. This finding suggests that item one and two are heavily loaded on component one and two respectively. Thus the two items can be used as indicator of transformational leadership.

**Regression Results of Job Satisfaction and Transformational Leadership:**

The study hypothesized that there is a significant relationship between transformation leadership and employee job satisfaction. The univariate regression analysis for job satisfaction, with transformational leadership as the only explanatory variable gives R<sup>2</sup> of 0.426, indicating that 42.6% of the variations in job satisfaction are explained by transformational leadership. The Analysis of Variance (ANOVA) test reveals that F<sub>(0.1, 1, 166)</sub> = 123.066 and a p value of 0.000, implying that there is a significant main effect of transformational leadership on job satisfaction. The coefficient for transformation leadership is 0.459 with a p value of 0.000. The p value of 0.000 implies that the coefficient of transformational leadership is statistically significant at 1 percent significance level. These finding imply that transformational leadership is positively related to employee job satisfaction and a unit improvement in transformational leadership would lead to about 0.459 increases in employee job satisfaction. The findings encourage companies listed at NSE to endeavor hiring transformative leaders because their characters increase employee job satisfaction, which is what every business owner desires.

**Table.4.3: Transformational leadership Regression Model**

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
(Constant)	0.008	.029		0.275	0.784
Transformational Leadership	0.459	0.041	0.652	11.094	0.000

R=0.652; R square=0.426 ; F=123.06, P value<0.05

Source: Survey data (2015)

$$JS = 0.008 + 0.459TL$$

Where JS abbreviates job satisfaction and TL abbreviates transformational leadership.

Having identified a significant main effect of transformational leadership on job satisfaction, we therefore focus on identifying the effects of each dimension of transformational leadership on job satisfaction. The univariate analysis results of each dimension of transformational leadership are presented as follows:

Idealized Influence Using ‘Idealized Influence’ as the only explanatory variable, the model gives R<sup>2</sup> of 0.358, meaning that 35.8% of variations in job satisfaction are explained by idealized influence. The ANOVA test result shows a F<sub>(0.1, 1, 178)</sub> = 99.093 with a p value of 0.000. This reveals that there is a significant effect of idealized influence on job satisfaction. The coefficient for idealized influence is 0.299 with a p value of 0.000. The p value of 0.000 implies that the coefficient of idealized influence is statistically significant at 1 percent significance level. These finding imply that idealized influence dimension of transformational leadership is positively related to employee job satisfaction, and that a unit change in idealized influence goes a long way to cause a 0.299 change in employee job satisfaction. The regression equation is presented below:

$$JS = 0.05 + 0.299ID$$

**Where ID represents idealized influence Idealized influence Regression Model**

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
(Constant)	0.005	0.029		0.160	0.873
Idealized Influence	0.299	0.030	0.598	9.955	0.000

R=.598; R-square=0.358; F=99.093, P value =0.05

Source: Survey data (2015)



**Inspirational Motivation:**

Having ‘Inspirational motivation’ as the only explanatory variable, the model gives  $R^2$  of 0.359, meaning that 35.9% of variations in job satisfaction are explained by inspirational motivation. Analysis of variance shows a  $F_{(0.1, 1, 177)} = 99.180$  with a p value of 0.000 indicating that there is a significant effect of inspirational motivation on job satisfaction. The coefficient for inspirational motivation is 0.305 with a p value of 0.000. The p value of 0.000 implies that the coefficient of inspirational motivation is statistically significant at 1 percent significance level. These finding imply that inspirational motivation is positively related to employee job satisfaction, and that a unit change in inspirational motivation causes a 0.305 change in employee job satisfaction. The equation linking job satisfaction and inspirational motivation is presented as follows.

$$JS = 0.0001 + 0.305IM$$

Where *IM* presents inspirational motivation

**Inspirational motivation Coefficients :**

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	0.000	0.030		-0.027	0.978
Inspirational Motivation	0.305	0.031	0.599	9.959	0.000

R=0.599; R square =0.359; F=99.180, P value <0.05

Source: Survey data (2015)

**Intellectual Stimulation:**

Regression of the model using ‘Intellectual stimulation’ as the only explanatory gives  $R^2 = 0.337$ , implying that 33.7% of variations in job satisfaction are explained by intellectual stimulation as shown in the regression summary below. Analysis of variance shows a  $F_{(0.1, 1, 179)} = 90.882$  with a p value of 0.000 implying that there is a significant effect of intellectual stimulation on job satisfaction. The coefficient for intellectual stimulation is 0.288 with a p value of 0.000. The p value of 0.000 implies that the coefficient derived is statistically significant at 1 percent significance level, which means that a unit change intellectual stimulation causes a 0.288 change in employee job satisfaction.

$$JS = 0.09 + 0.288IT$$

Where *IT* represents intellectual stimulation

**Intellectual Stimulation Coefficients:**

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	0.009	0.030		0.304	0.762
Intellectual Stimulation	0.288	0.030	0.580	9.533	0.000

R=0.58; R square =0.337; F=90.882: P value <0.05

Source: Survey Data (2015)

**Individualized Consideration:**

Regression of the model using ‘Individualized consideration’ as the only explanatory gives  $R^2$  of 0.321, implying that 32.1% of variations in job satisfaction can be explained by individualized consideration. Analysis of variance indicate that  $F_{(0.1, 1, 175)}$  is 82.695 with a p value of 0.000. This result shows that there is a significant effect of individualized consideration on job satisfaction. The coefficient for individualized consideration is 0.282 with a p-value of 0.000. This implies that the coefficient in the model is statistically significant at 1 percent significance level. These findings mean that

individualized consideration element of transformational leadership is positively related to employee job satisfaction, and that its unit change causes a 0.282 change in employee job satisfaction.

$$JS = 0.005 + 0.282IC$$

Where IC presents individualized consideration

**Individualized Consideration Coefficients:**

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
(Constant)	0.005	0.031		0.165	0.869
Individualized Consideration	0.282	0.031	0.566	9.094	0.000
R=0.566, R square =0.321; F=82.695, P value <0.05					

Source: Survey data (2015)

The study conducted multiple linear regression based on each dimension of leadership style and the results are presented as follows:

**Multiple Linear Regression of Job Satisfaction on Dimensions of Transformational Leadership**

The study regressed job satisfaction on individualized consideration, inspirational motivation, intellectual stimulation and idealized influence. The result shows an R square of 0.661 indicating that 66.1% of variations in job satisfaction are explained by individualized consideration, inspirational motivation, idealized influence and intellectual stimulation. The results for ANOVA reveals that the F statistic was 31.676 and significant at 1 percent level indicating that jointly individualized consideration, inspirational motivation, idealized influence and intellectual stimulation influence job satisfaction. The results presented in table below shows that the coefficients for each dimension of transformational leadership. The results show that only inspirational motivation and idealized influence are statistically significant in influencing job satisfaction while intellectual stimulation and individualized consideration has no influence on job satisfaction among employees of listed companies at NSE.

**Coefficients for Dimensions of Transformational Leadership:**

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
(Constant)	0.001	0.029		0.047	0.963
Idealized Influence	0.096	0.051	0.190	1.874	0.063
Inspirational Motivation	0.149	0.048	0.284	3.086	0.002
Intellectual Stimulation	0.072	0.047	0.146	1.536	0.126
Individualized Consideration	0.063	0.050	0.128	1.258	0.210
R=0.661, R square =0.437, F=31.676, p value<0.05					

Source: Survey data (2015)

$$JS = 0.001 + 0.096IF + 0.149IM + 0.072IS + 0.063IC$$

JS=job satisfaction; IF=idealized influence; IM=inspirational motivation; IS=intellectual stimulation and; IC=individualized consideration

**5. DISCUSSIONS**

Transformation leadership variables included idealized influence, inspirational motivation, intellectual stimulation and individualized consideration. These variables were utilized to compute a mean score to measure transformational leadership indicator.



Using coefficient of variation, this study found that majority of the respondents agree with the fact that the dimensions of transformational leadership greatly contribute to their job satisfaction at the NSE. 49.5% of the respondents “agree” that the manager’s enthusiastic talk about the organization’s targets had an idealized influence on their performance and job satisfaction. While 48.3% of them were encouraged to make suggestions at work that is; they were intellectually stimulated by the manager’s suggestion on new ways of achieving the corporate and departmental objectives and goals. A small percentage; 1.4% felt unconvinced by those suggestions that is they did not see the value added by the manager asking them to make suggestions Yet another 39.9% of the respondents admitted that indeed the manager’s transformational leadership enabled them grow as individuals from strength to strength, and that they feel better about themselves.

## 6. CONCLUSION

Transformational leadership plays a critical role in influencing employee job satisfaction thus companies should not only hire new employees with transformational skills but also ensure that the capacity of the current managers improved. The results show that managers who promote and adhere to company values and mission and inspires employees to follow them. It also established that managers allow employee opinions when seeking solutions to situations, an aspect that greatly motivates them. These finding imply that idealized influence dimension of transformational leadership is positively related to employee job satisfaction. This will go a long way in improving job satisfaction among employees. This finding supports the view by Burns (1978) and Bass (2009) that transformational leaders have an effect on employee motivation and job satisfaction.

## 7. RECOMMENDATION

### Transformational Leadership and Employee Job Satisfaction

The study found a positive relationship between transformational leaders who inspire employees to work harder, providing them with the idea of a common vision, in the frame of which the company’s wellbeing is strongly related to their personal involvement and completion. This view is supported by Givens ( 2008). In this study all the “four I’s” were found to individually influence employee job satisfaction positively and therefore conclude that transformational leadership influences employee job satisfaction among companies listed at NSE. Transformational leadership positively influences employee job satisfaction. Most organizations have to go through processes of change for them to thrive, such companies can use these findings to identify the type of leadership they should source to drive this change agenda. Additionally even when not going through change, companies should lay emphasizes on building the skills of their management team by ensuring there are trained and retrained on leadership skills such as transformational leaders in order to improve employee job satisfaction.

### **Transformational Leadership and Employee Job Satisfaction:**

The first research question was does transformational leadership style influence employee job satisfaction and hypothesized that transformational leadership has no significant relationship with job satisfaction. Transformation leadership variables included idealized influence, inspirational motivation, intellectual stimulation and individualized consideration. These variables were utilized to compute a mean score to measure transformational leadership indicator.

Using coefficient of variation, this study found that majority of the respondents agree with the fact that the dimensions of transformational leadership greatly contribute to their job satisfaction at the NSE. 49.5% of the respondents “agree” that the manager’s enthusiastic talk about the organization’s targets had an idealized influence on their performance and job satisfaction. While 48.3% of them were encouraged to make suggestions at work that is; they were intellectually stimulated by the manager’s suggestion on new ways of achieving the corporate and departmental objectives and goals. A small percentage; 1.4% felt unconvinced by those suggestions that is they did not see the value added by the manager asking them to make suggestions Yet another 39.9% of the respondents admitted that indeed the manager’s transformational leadership enabled them grow as individuals from strength to strength, and that they feel better about themselves. When reviewing the respective components of transformational leadership namely, idealized influence, inspirational motivation, intellectual stimulation and individualized consideration the study established the following.

**Idealized influence:**

Idealized influence describes managers who are exemplary role models for associates, these are leaders who are respected, admired and trusted by everyone. The followers of such leaders feel proud being associated with them (Jain & Duggal, 2015). Managers with idealized influence can be trusted and respected by employees to make good decisions for the organization. In this study, the only explanatory variable, the model gives  $R^2$  of 0.358, meaning that 35.8% of variations in job satisfaction are explained by idealized influence. The ANOVA test result shows a  $F_{(0.1, 1, 178)} = 99.093$  with a p value of 0.000. This reveals that there is a significant effect of idealized influence on job satisfaction. The coefficient for idealized influence is 0.299 with a p value of 0.000. The p value of 0.000 implies that the coefficient of idealized influence is statistically significant at 1 percent significance level. These findings imply that idealized influence dimension of transformational leadership is positively related to employee job satisfaction, and that a unit change in idealized influence goes a long way to cause a 0.299 change in employee job satisfaction. The study findings reaffirm Awamleh et al., (2005) who confirmed that a transformational leadership style of bank managers is likely to boost employees' job satisfaction and performance, as reported in self-assessing items. The authors further assert that when managers operationalize charisma and utilize inspiration, individualized consideration and intellectual stimulation, they are likely to elicit positive reactions from employees which in turn positively influences job satisfaction. Other studies explained that transformational leadership is more connected to job satisfaction than transactional leadership (Ribelin, 2003; Wilmore & Thomas, 2001; Bass & Avolio, 1990; Dvir et al., 2002). Pakman (2001) found that transformational leadership is positively related to the employees' job satisfaction while transactional and laissez-faire leadership is negatively related to job satisfaction.

These findings are different from those of Verma (2015) who established that idealized influence attributes leadership style of principals had negative significant predictive relationship with teachers' job satisfaction which also contradicts studies on this topic.

**Inspirational motivation:**

Having 'Inspirational motivation' as the only explanatory variable, the model gives  $R^2$  of 0.359, meaning that 35.9% of variations in job satisfaction are explained by inspirational motivation as seen in Table 4.32. Analysis of variance shows a  $F_{(0.1, 1, 177)} = 99.180$  with a p value of 0.000 indicating that there is a significant effect of inspirational motivation on job satisfaction. This finding is presented in table 4.32. The coefficient for inspirational motivation is 0.305 with a p value of 0.000. The p value of 0.000 implies that the coefficient of inspirational motivation is statistically significant at 1 percent significance level. These findings imply that inspirational motivation is positively related to employee job satisfaction, and that a unit change in inspirational motivation causes a 0.305 change in employee job satisfaction. In their research, (Ribelin, 2003; Wilmore & Thomas, 2001; Bass & Avolio, 1990; Dvir et al., 2002). Pakman (2001) found that inspirational motivation describes managers who motivate associates to commit to the vision of the organization. Managers with inspirational motivation encourage team spirit to reach goals of increased revenue and market growth for the organization. Intellectual Stimulation describes managers who encourage innovation and creativity through challenging the normal beliefs or views of a group. There are two studies that have the same findings; Ozaralli, 2003. Griffin, 2004 and Nguni, 2005 establish that inspirational motivation had significant and positive predictive relationship with the job satisfaction of teachers. These findings are in agreement with another study carried out in the education sector where Mason (1998) similarly found that inspirational motivation was a positive predictor of teachers' job satisfaction.

**Intellectual stimulation:**

'Intellectual stimulation' as the only explanatory gives  $R^2 = 0.337$ , implying that 33.7% of variations in job satisfaction are explained by intellectual stimulation as shown in the regression summary below. Analysis of variance shows a  $F_{(0.1, 1, 179)} = 90.882$  with a p value of 0.000 implying that there is a significant effect of intellectual stimulation on job satisfaction. The coefficient for intellectual stimulation is 0.288 with a p value of 0.000. The p value of 0.000 implies that the coefficient derived is statistically significant at 1 percent significance level, which means that a unit change intellectual stimulation causes a 0.288 change in employee job satisfaction.

$$JS = 0.09 + 0.288IT \text{ Where } IT \text{ represents intellectual stimulation}$$

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Ribelin, 2003; Wilmore & Thomas, 2001; Bass & Avolio, 1990; Dvir *et al.*, 2002). Pakman (2001) also found that managers with intellectual stimulation promote critical thinking and problem solving to make the organization better. Additionally, a 2014 PWC survey established that the nature of today's workforce plays a key role in organizational performance and success. In this study they note that generation X, Y and millennials require a lot of attention as they have very high turnover in employment. Organizations therefore have to find ways of keeping these generations engaged so that they can deliver. In this study 66% of the respondents fall between the ages of 26 and 45 of these 33,3% are below the age of 35. The findings of the PWC 2014 study can be interpreted to mean that a great deal of supervision and focus on employees is required if the organization is to succeed. The group in this study aged below 35 years needs intellectual stimulation to keep motivated and the PWC study supports these findings.

**Individualized consideration:**

This result shows that there is a significant effect of individualized consideration on job satisfaction. The coefficient for individualized consideration is 0.282 with a p-value of 0.000. This implies that the coefficient in the model is statistically significant at 1 percent significance level. These finding mean that individualized consideration element of transformational leadership is positively related to employee job satisfaction, and that its unit change causes a 0.282 change in employee job satisfaction. These finding imply that transformational leadership is positively related to employee job satisfaction and a unit improvement in transformational leadership would lead to about 0.459 increases in employee job satisfaction. The findings encourage companies listed at NSE to endeavor hiring transformative leaders because their characters increase employee job satisfaction, which is what every business owner desires. There are a number of similarities with this research being undertaken and one such study by Verma (2015) confirms that the individualized consideration factor of transformational leadership style showed positive significant predictive relationship with job satisfaction of teaching faculties.

Transformational leaders are known to give their followers and employees individualized consideration where they give personal attention and treat each employee individually. The concept of coaching and mentoring can be said to be an aspect of individualized consideration. In yet another similar study, Webb, 2003; and Barnett, 2003 establish that individualized consideration style had highest positive influence on the job satisfaction of teachers and this result was consistent with other researchers in educational organizations.

Using regression analysis the study found a statistically significant relationship between transformational leadership and job satisfaction. Idealized influence, inspirational motivation, intellectual stimulation and individualized consideration were also found to have a significant effect on job satisfaction respectively. These result are also in line with Bass and Avolio (1990) who found out that the attention that managers give to employees is reflected in their general positive attitude toward work and working conditions, which in turn, increases job satisfaction and facilitates performance. Similarly Riaz *et al.*, (2011) find a strong positive interaction between transformational leadership and job commitment, suggesting that managers should adopt the transformational leadership style in order to increase employees' commitment to organizational goals. In addition, Bushra *et al.*, (2011) investigated the relation between transformational leadership and job satisfaction among 133 bank employees in Pakistan. They found that transformational leadership had a positive influence on the general job satisfaction experienced by 42% of participants, indicating their preference for this particular leadership style.

Earlier studies such as Lowe *et al.*, (1996) found that individuals who exhibited transformational leadership were perceived to be more effective leaders with better work outcomes than were individuals who exhibited only transactional leadership. These findings hold true for both higher and lower level leaders as well as for leaders in public and private settings. Studies conducted by (Durnum, *et al.*, 2002; Fuller, *et al.*, 1996) showed that an employee's performance is a consequence of working under leaderships possessing transformational properties. In addition, having a good relationship with employees plays an important role in achieving positive results on the part of the employees.

In yet another study on transformational leadership and job satisfaction by Hanaysha *et al.*, (2012) which reveals that individualized consideration and intellectual stimulation affect followers' job satisfaction. However, intellectual stimulation is positively related with job satisfaction and individualized consideration is negatively related with job satisfaction. Leader's charisma or inspiration was found to be having no affect on the job satisfaction. When organizations are run smoothly, effectively and efficiently, an organization's human resource who are the most valuable

and indispensable factor that organizations need are key (Mosadragh, 2003). It has been stated that well-qualified, capable and willing employees are significant in context of achieving goals and objectives of an organization. The success of an organization depends on the hard working, loyal and involved managers and employees. In this modern era where world has become a global village, firms are considered to be competitive on the basis of competence of their human resources. It is somewhat a difficult task to handle people who are physically, psychologically, culturally and ethnically different from each other. Management of employees is largely dependent on the quality of leadership organizations have (Albion & Gagliardi, 2007). Leadership is a bond which makes people to work together. Organizations at present are more concerned about understanding, development and improvement of their leadership. Transformational leadership is a modern approach towards leadership. Hall *et al.* (2008) defined transformational leadership as a system of changing and transforming people.

The leader with transformational leadership style always gives work motivation with an emphasis on social relationships to employees to achieve good performance. Rival (2004) 2013) presents the leader as one who always involve employees in decision making, putting subordinates as partners as well as promoting a sense of social which facilitates a positive attitude of subordinates. Subordinates/employees under transformational leadership really want to do what the superiors desires. Subordinates will not reject or ignore the wishes of the leader, so this leadership reduces absenteeism at work. According to Yukl (2007) transformational leadership style improves performance because transformational leadership wants to develop knowledge and employees potential. The leader with transformational leadership provides opportunity and confidence to his subordinates to carry out duties in accordance with his mindset to achieve organizational goals. Similarly, transactional leadership style is one leadership style that emphasizes on transaction between leaders and subordinates. Correspondingly, Riaz and Haider (2010) concluded transformational leadership style influence positively on job success and career satisfaction, furthermore indicated transformational leadership style is positively related to job success and career satisfaction.

Overall, it can be supported that transformational leadership influences job satisfaction positively. Transformational leaders inspire employees to work harder, providing them with the idea of a common vision, in the frame of which the company's wellbeing is strongly related to their personal involvement and completion (Givens, 2008). This is in keeping with the findings of this study. In this study all the "four I's" were found to individually influence job satisfaction positively. The study therefore concludes that transformational leadership influences employee job satisfaction among companies listed at NSE

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