Impact of Transactional and Laissez Faire Leadership Style on Motivation

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Abstract

The research is based "Transactional, Laissez faire leadership style and their impact on Motivation" conducting in banking sector of Pakistan to identify that which leadership style is good for the employee to increase their Motivation level with the organization. For conducting this research a research question was to be used and got the result through Descriptive study and Co relational study (SPSS). Population size was 278 and at the end of the research we found that Transformational leadership has positive, strong and significant association with the Commitment. But the motivational level in respect of Laissez Faire is low because of not interference of management. Laissez Faire also have positive relation but due to insignificance relation it indicate that Laissez Faire style is not an important style that boost the motivation level of workers as compare to other leadership styles.

1. Introduction

Leadership is the ability to increase a group toward the get the vision or set of goals. It is one of the managerial Qualities of the company or the organization which interaction with the workers of the organization and has a large impact on the turnover rate of the organization. Leadership is the very big toll or the weapon of the organization to accomplish its goals and its necessary objectives and without it, it is impracticable for the organization to attain its main target. Without the leadership the implementation of tasks and their achievements are impossible. (Quinn Mills, 2005). Our study is based on what is the result of Transformational and Laissez faire Leadership on Motivation and examine the correct Leadership and methods used by organization in Pakistan to find out which method of Leadership is favorable in the global Business.

1.2 Problem Statement

To identify the dominate Leadership style in public and private sector banking organization as perceived by the employees and to determined its relationship with Motivation level of employees. The study will help in identifying how transactional and laissez faire leadership style is more signified relationship with the employee attitude with motivation.

1.3 Objectives of the study

Our Objective of study is to transcend the result of Transactional and laissez faire leadership with the motivation. Hypothetical study has been used for understanding the Relationships and to observe the effects and extents of Leadership styles practices over motivation. So, the main objective is that to find out that which leadership style is beneficial for the organization and than we will suggest the better leadership style in the banking sector of Pakistan and Manager should work on it and observe also that style.

1.4 Significance of the Study

Leadership is the main weapon of the organization through better leadership managers can achieve their organizational goals and can increase their productivity also of the organization. Positive leadership influences a big impact on the workers and the turnover the organization.

Motivation will lead the productivity of the organization. The study will help in recommending a leadership framework for the banking sector that how this leadership style will be more effective in committed employee for the organization.

2. Literature Review

Transactional Leadership

Robbins defined the transactional leadership as "Leaders who lead primarily by using social exchanges for transactions" (Robbins, 2007, p.475).

Contingent Reward

These rewards are connected to the performance of the employee. If employee puts efforts it is recognized by the rewards. The rewards which an employee gain on the accomplishment of a target is contingent reward. The leader communicates to followers (workers) that what have too done to receive the rewards they judge

Management by Exception (active)

It takes the notice of any deviations from the rules and regulations, and if there is it takes the action for correction. Whenever there is deviation from the rules and regulations management but expectation happens and the actions for corrections are also taken. The leader 'fallow followers to work on the mission and doesn't interfere unless goals aren't being achieved in a proper time and at the reasonable cost. Transactional leadership means the leaders or the bosses who leads primarily by using social behavior exchanges for maximum benefit at low cost. Because leaders motivates their employees to perform their duty to show their responsibilities, to know their goals, to know their needs so reward of their work can be achieved. In Transactional leadership style if you are working very well than you will be rewarded due to good work and if you are not showing your commitment with your organization you will be punish. Leaders also helps the subordinate that how to perform work for the organization and how to accomplish the organizational goals.

Laissez – Fair style

Robbins (2007) explained the laissez-fair style as "Abdicates responsibilities avoid making decisions" (p. 475).Similar Luthans (2005), defined laissez- fair style as "Abdicates responsibilities avoids making decisions" (p.562).Laissez- Fair is uninvolved in the work of the unit. It's difficult to defend this leadership style unless the leader's subordinates are expert and well-motivated specialists, such as Scientists. "Leaders let group members make all decision"(Mondy&Premeaux, 1995, p.347).

"Behavioral style of leaders who generally five the group complete freedom, Provide necessary materials, participate only to answer questions, and avoided giving feedback" (Bartol&Martin, 1994, p.412).The concept of laissez was also given by Osborn as "Abdicates responsibilities and avoiding decisions" (Osborn, 2008, p.258).
Above All the Authors defines the Laissez – Fair Leadership with their own words according to their given definitions the idea of this type of leadership is same. Authors defines that in this style the Leaders normally don't want their interference in decision making process. They normally allowed to their subordinates that they have power to get their personal decisions about the work. They are free to do work in their own way and they are also responsible for their decision. Normally Leaders avoids to making decision and don't involve in working units because the leaders gives to subordinates to completely freedom to do decisions. Sometimes the leaders provide them to important material and they just involve the answer &question but avoiding feedback.

Motivation

"The process of that account for an individual's intensity, direction, and persistence of effort toward attaining a goal" (Robbins et al., 2007, p.215)."Desires want wishes aims goals needs drives motives and incentives" (Luthans, 2005, p.229-230)."The forces that energizes behavior, gives direction to behavior, and underlies the tendency to persist" (Bartol&Martin, 1994, p.377)."Motivation is desires to put forth efforts in pursuit of organizational goals mangers can always improve their understanding of the forces that energize employees. There is enormous energy within every person and manger certainly should not prevent its release" (Mondy & Premeaux, 1995, p.308).

"The set of forces that initiates, directs, and make people persists in their efforts to accomplish a goal" (Williams, 2009, p.578)."Refers to forces within an individual that account for the level, direction, and persistence of effort expended at work"(Osborn, 2008, p.110).

"The psychological forces that determine the direction of a person's behavior in an organization, a person's level of effort, and a person's level of persistence"(George & Jones, 2008, p.179).

"The set of processes that arouse direct, and maintain human behavior toward attaining some goals" (Greenberg & Baron, 2009, p.254).

Technically word motivation traced Latin word "mover" which means "to move". Motivation is a subroutine which begins with a physiological or psychological defect or wants that start a manner of acting that is plan to accomplish a goal or objective. Born whenever there are some physiological or psychological implance called Need. Physiological and psychological drives are movement directed and accessibility of power push toward reaching an incentive. Inducement or Incentive means the things which will alleviate a wants and which decrease a drive.

Above all the Authors gave their own theories about the Motivation. It has some micro conception of some words; there are four things common in every definition like Efforts element which describes the density or drive. Normally motivated peoples wants to hard work but high level of efforts or unluckily to level to helpful job performance unless the attempt jump the in direction that useful of the company. Organizational Goal means the kind of attempt that we should be getting finally; we will relate to motivation as need satisfying process.

Imitation of efforts is concerned with the wishes aims or wants that persons make about how much tries again and again to put their job. Direction of effort concerned with the wants that persons making the deciding where atom put forth effort in their job. Persistence efforts deals with the needs that persons make about how much they put forth efforts in their jobs before decreasing these efforts. Level describes that how many efforts people put forth.

Judge and Piccolo (2004) collected the data through Literature Search (chapters, dissertation, articles, books, and unpublished reports; published from 1887 to 2003) used the Meta Analytic Procedures, and divided studies Moderator Analyses and at the end they use Regression Analyses and got result through meta-analytic. They found a positive relationship between contingent reward and follower motivation, however negative relationship was found between Management by exception (passive) with follower motivation. And also shows the negative relationship between laissez-faire leadership with follower motivation.

Barbuto (2005) "Worked on Motivation and Transactional, Charismatic, and Transformational Leadership". He receives data from 186 leaders and their seven hundred fifty nine raters. Results were obtained using the SPSS. Examination of the MLQ of both rater's reports and managers self-reports start by estimate subscales of the full range leadership behaviors. Transactional leadership (contingent reward, Management by exception (active) and management by exception (passive) have significant and positive relationship with intrinsic motivation. Laissez Fair leadership has also positive and significant relationship with intrinsic motivation. And relationship of Transactional leadership and its components like (contingent reward, Management by exception active and management by exception passive) have significant and positive relationship with Extrinsic motivation. Laissez Fair leadership has also positive and significant relationship with extrinsic motivation.

Webb (2003) "Conducted a study on Presidents' Leadership Behaviors Associated with Followers' Job Satisfaction, Motivation toward extra effort, and Presidentia"l. He receive the data through sample (MLQ)of 315 chief student affairs officers, chief academic, and financial were chosen from the town of 105 member organization in the Council for Christian Universities and colleges. 223 participants (70.8%) returned questionnaires. Results were receive with the help of Descriptive statistics were utilized to describe the sample Means and SD. They found that Contingent reward has positive and significant relationship with Motivation while Management by exception active and passive have significant and negative relationship with Motivation. Laissez fair leadership has significant and negative relationship with motivation toward extra effort.

Figure 1: Hypothesis Development
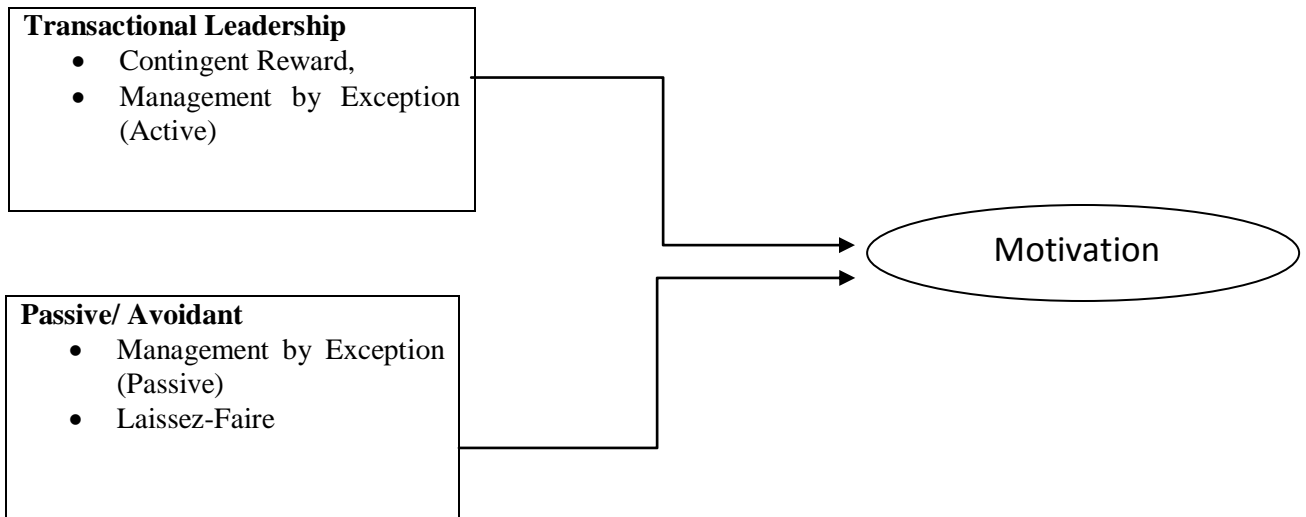
H$_1$. Transactional leadership has significant and positive association with Motivation.

H$_2$. Contingent reward has significant and positive association with Motivation.

H$_3$.Management_by_Exception (Active) has significant and positive association with Motivation.

H$_4$.Passive/Avoidant leadership has significant and positive association with Motivation.

H$_5$. Management_by_Exception (passive) has negative and significant relationship with Motivation.

H$_6$.Laissez Faire has negative and significant relationship with Motivation.

3. Methodology

This chapter manifestly explains the methodological part of this investigation. Because the research demanded qualitative and quantitative result of the matters, two of the approaches were taken to adopted, however, quantitative approach perform second fiddle to research. Not just this, Sample of the people chosen and the due to for their chosen are characterize which support the research methodology and the same time supporting point out some restriction in the research. The chapter also describes the structure of the questionnaire and the kinds of questions used to take out important consumer data. In research model of leadership style we observe the association between independent and dependent variable. This model given below explains the relationship between these variables.

Analysis and Interpretation

Total respondent were 278. 217 were male and 61 were female.

Age of the respondents

	Frequency	Percent
20-24	25	8.99
25-29	120	43.16
30-34	66	23.74
35-39	29	10.43
40-above	38	13.66

Total respondents are 278. Respondents who fall under the age bracket of 20-24 are 25 in numbers which further constitutes the percentage of 8.99. And other Respondents who fall under the age bracket of 25-29 are 120 in numbers which further constitutes the percentage of 43.16. At 3rd stage respondents who fall under the age bracket of 30-34 are 66 in numbers which further constitutes the percentage of 23.74. And other respondents who fall under the age bracket of 35-39 are 29 in numbers which further constitutes the percentage of 10.43 and at last respondents who fall under the age bracket of 40-above are 38 in numbers which further constitutes the percentage of 13.66. So, 25-29 and 30-34 respondents are higher frequency.

Experience of the respondents

	Frequency	Percent
1-4	113	40.64
5-9	109	39.20
10-14	8	2.87
15-19	27	9.71
20-24	9	3.23
25-29	5	1.79
30-36	7	2.51

Total respondents are 278. Respondents who fall under the age bracket of 1-4 are 113 in numbers which further constitutes the percentage of 40.64. And other Respondents who fall under the age bracket of 5-9 are 109 in numbers which further constitutes the percentage of 39.20. At 3rd stage respondents who fall under the age bracket of 10-14 are 8 in numbers which further constitutes the percentage of 2.87. And other respondents who fall under the age bracket of 15-19 are 27 in numbers which further constitutes the percentage of 9.71.

The next respondents who fall under the age bracket of 20-24 are 9 in numbers which further constitutes the percentage of 3.23. And other respondents who fall under the age bracket of 25-29 are 5 in numbers which further constitutes the percentage of 1.79. The next respondents who fall under the age bracket of 30-36 are7 in numbers which further constitutes the percentage of 2.51. So, the higher respondents are 1-4 and 5-9 which frequency is higher than the others.

Level of job

Entry Level		
	Frequency	Percent
Entry Level	63	22.7
Middle Level	193	69.4
Top Level	22	7.9
Total	278	100.0

Level of qualification

Level of job		
	Frequency	Percent
Graduation	88	31.7
Masters	177	63.7
Others	13	4.7
Total	278	100.0

Total respondents are 278. Respondents who fall under Graduation are 88 in numbers which further constitutes the percentage of 31.7. And other Respondents who fall under the Master are 177 in numbers which further constitutes the percentage of 63.7. At 3rd stage respondents who fall under the Others 13 in numbers which further constitutes the percentage of 4.7. So, Master respondent are more than the others.
Table 4.5

Gender of Respondents

	Frequency	Percent
Male	217	78.1
Female	61	21.9
Total	278	100.0

Total respondents are 278. Respondents who fall under Male are 217 in numbers which further constitutes the percentage of 78.1. And other Respondents who fall under Female category are 61 which further constitute 21.9% i.e. lower than male.

Table 4.6
Marital Status

	Frequency	Percent
Single	128	46.0
Married	150	54.0
Total	278	100.0

Total respondents are 278. Respondents who fall under Single128 in numbers which further constitutes the percentage of 46.0. And other Respondents who fall under the Married 150 in numbers which further constitute the percentage of 54.0. So, married are more than the Single.

Descriptive Statistics		
	Mean	Std. Deviation
Contingent Reward	3.2023	.71550
Management_by_Exeption(Active)	3.1466	.68101
Management by Exception(Passive)	2.4326	.95224
Passive/Avoidant	2.4469	.97022
Transactional leadership	3.1745	.63465
Laissez Faire	2.4613	1.10385
Motivation	4.1942	1.01525

Correlation of Transactional and its Traits with Independent Variable

		Motivation
Transactional leadership	Pearson Correlation	.342[**]
	Sig. (2-tailed)	.000
Contingent Reward	Pearson Correlation	.295[**]
	Sig. (2-tailed)	.000
Management_by_Exception(Active)	Pearson Correlation	.328[**]
	Sig. (2-tailed)	.000

    Note ** Correlation is significant at 0.01 level (2-tailed)

Transactional leadership has positive, moderate and significant relationship with Motivation (r=.342, p<0.01)
Contingent Reward has also positive, moderate and significant relationship with Motivation (r=.295, p<0.01)
Management_by_Exception has positive, moderate and significant relationship with Motivation (r=.328, p<0.01)

Passive/Avoidant and its Traits with Independent Variable

		Motivation
Passive/Avoidant	Pearson Correlation	.292[**]
	Sig. (2-tailed)	.000
Management_by Exception(Passive)	Pearson Correlation	.306[**]
	Sig. (2-tailed)	.000
Laissez-faire	Pearson Correlation	.250[**]
	Sig. (2-tailed)	.000

    Note ** Correlation is significant at 0.01 level (2-tailed).
    * Correlation is significant at 0.05 levels (2-tailed).

Passive/ Avoidant leadership style has moderate and positive and significant with Motivation (r=.292, p<0.01).
Management_by_Exception has also positive, moderate and significant relationship Motivation (r=.306, p<0.01).
Laissez-faire has also positive, moderate and significant relationship with Motivation (r=.250, p<0.01) Our study indicates that there is positive and significant relationship between Transactional leadership and Motivation so, we will accept the (H$_1$).

Our study shows that there is significant and positive association between Contingent reward and Motivation so, we will accept the (H$_2$). Our study shows that there is significant and positive association relationship between Management_by_Exception (Active) and Motivation so, we will accept the (H$_3$). Our study indicates that there is positive and significant relationship between Passive/Avoidant Leadership and Motivation so, we will accept the (H$_4$). Our study shows that there is significant and positive association between Management_by_Exception (Passive) and Motivations so, we will reject the (H$_5$). Our study indicates that there is positive and significant relationship between Laissez Faire and Motivation so, we will reject the (H$_6$).

4. Conclusions

In respect of transactional leadership style the bank having that method are more motivated then those having transformational; leadership style. So the workers are more motivated in those banks where transaction leadership style is used, however in transactional leadership style banks want to improve management by exception trait and try to be moderate in other traits of transactional leadership aspects. Motivation level is high in respect of transactional method of leadership and low rate if turnover under this method. And on the basis of our study we can rank it first in respect of leadership styles beneficial for management of banks. But the motivational level in respect of Laissez Faire is low because of not interference of management. Laissez Faire also have positive relation but due to insignificance relation it indicate that Laissez Faire style is not an important style that boost the motivation level of workers as compare to other leadership styles. So it is important for banking sector to focus and adopt that method which is beneficial and healthy for their workers.

Limitation

This study also poses some potential limitation which is as follows.

The first limitation is about to degree duration because the duration is 1.6 year and the research duration is just 6th month that's why my research is limited and short.

My Study was Cross-Sectional study because we have to gather data just one time not more than one time.

It had to submit my thesis within six months that's why I did not have much time to cover all Pakistan Banks.

Future Guideline

1. I suggest the new researcher to do research on ethically leadership rather than Transactional and Passive avoidant leadership.
2. If the research have big resource he can research all Pakistan and in all banking sector.
3. With a lot of funds the coming researcher can visit all Pakistan also other countries banking sector for cross sectional study
4. If there is no issue of timing then the coming researcher can research in all over the Pakistan banking sector and also can longitudinal study

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