

Transformational Leadership a Study of Banking Sector in Saudi Arabia

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Abstract

This is a study of Transformational Leadership and its relationship with job satisfaction organizational commitment among the employees of banking sector. This study was carried out in Jeddah, a commercial city of Kingdom of Saudi Arabia. The research concentrated on four commercial banks that are Al Bilad Bank, AL Rajhi Bank, Riyadh Bank and SABB. 300 questionnaires were circulated to employees of banks operating in Jeddah. Full-time bank employees mostly working as trainee officers were our targeted population. The questionnaire consisted of 38 items, divided into four categories; transformational leadership, overall job satisfaction, organizational commitment and turnover intentions. Primary resources were used for collecting data in order to carry out research work. Multifactor leadership questionnaire developed by Bruce Avolio (2009) was used to measure the respondents' perception about the transformational leadership.

Index terms—

1 Introduction

Human resource is an important and indispensable factor for every organization. It is important to run an organization smoothly, effectively and efficiently (Mosadragh, 2013). Every success of an organization depends directly or indirectly on the hard work, loyalty and involvement of its managers and employees. In the era of globalization where the whole world is a global village, firms are considered to be competitive on the basis of competence of their human resources.

According to Rennie (2013) employees are the backbone for every organization and success of the organization depends on performance their workforce. In order to improve organizational performance, workers should be guided and managed in an effective and proper organized manner. Tighe (2014) found that management of employees largely dependent upon the quality of leadership within the organization. He further postulates that leadership is a bond which makes people to work together. These days organizations care for understanding, development and improvement of their leadership.

Leadership is an important and crucial factor in the commencement and implementation of the transformations in organizations (Thomas & Dennis 2014).

If leaders want to produce a positive influence on individuals, groups and organizations, then leadership should be broadened from old rigid autocratic style to friendly and contemporary style (Tighe 2014). Modern leaders tend to adopt an attitude which supports employees, support them with a vision, cultivate a series of hope, encourage them to continuously think innovatively, individualized consideration and broaden their communication.

All these factors are the main features of transformational leadership style leading to boost up organizational strengths and increasing level of job satisfaction among workforce. Transformational leaders not only think about the competencies, skills and needs of individual workers but also engage them towards accomplishing organizational goals.

According to (Tighe 2014) transformational leaders are an important factor in obtaining the success of the organization.

The major variable of this study is transformational leadership. The core aspire of this study is to investigate whether transformational leadership is being implemented by bank managers of Saudi Arabia or not as studies found that that Arab firms used bureaucratic and hierarchical leadership styles where leadership is centralized (Thomas & Dennis 2014).

Muthuveloo & Rose (2012) defined organizational commitment as worker's level of involvement with his job and organization. Organizational commitment can be attributed as employees' loyalty and faithfulness towards organization and his intentions to be the part of that organization. There are three main types of organizational commitment: affective, continuance and normative. But, in the current study, our center of attention will be organizational commitment in general.

According to Tella (2012) Organizational commitment is the strongest motivator that highly affects persons' intentions to perform well, increases his efficiency, and improves his skills.

2 II.

3 Literature Review

The complete literature review is divided into sub-groups for the better understanding of the subject. All the subgroups have been detailed below. Respondents to the survey said issues such as confidentiality, reputation and pricing of services were among the key factors in building confidence. Despite the increase in lending activity, asset quality remains high, ratings agency Fitch wrote in an early 2014 report, attributing this to better underwriting standards, a stable operating environment, and new loans directed mainly towards government-related projects.

4 b) Leadership

The Malcolm Baldrige National Award gave a comprehensive definition on leadership in its core values. According to this agency the organization's senior leaders should set the directions and create a customer focus, clear and visible values and high expectations. The directions, values and expectations should be in balance with the needs of all your stakeholders. Your leader should ensure the formation of strategies, systems and methods for getting excellence, having innovation, building knowledge and capabilities. The values and strategies should help the leaders in guiding all activities and decisions of the organization. Senior leader should play a role of a person that inspires and motivates the entire workforce and should encourage all the employees to do their part, to develop and learn, to be innovating and to be creative in work (Bester field, 2010). According to Lok & Crawford (2011) leadership plays a crucial role in determining the success and failure of a firm.

Jong & Hartog (2010) described leadership as a process to influence people in order to get desired results. "the transformational style of leadership has characteristics of charisma, individual consideration, intellectual stimulation, and inspirational motivation whereas transactional leadership is characterized by contingent reward and management-by-exception". Gill (2010) described that job stress and burnout leads to job dissatisfaction which will result in lower workers' performance and a decrease in their efficiency and performance.

5 c) Transformational leadership

Organizations, by applying transformational leadership can reduce job stress and burn out.

Zopiatis & Constanti (2010) investigated the relationship between various leadership styles of hospitality managers in Cyprus and burnout of employees. The study found that transformational leadership serves as an exposing factor for personal achievements and have a negative relationship with emotional exhaustion and burnout. Transactional leadership improves employees' productivity but it is insignificantly related with emotional exhaustion and depersonalization.

So to conclude it can be said that transformational leaders are the most positive, effective and beneficial leaders for an organization.

6 d) Job Satisfaction

According to Lu (2011) job satisfaction is a topic which has taken attention of not only business unit employees rather also of researchers. Job satisfaction is the sentimental response of an individual toward his or her job or place of job extracting from his or her experience from the job.

Luthans (2007) defined job satisfaction as "a pleasurable or positive emotional state resulting from the appraisal of one's job or job experience. Mosadeg Rad & Yarmohammadian (2009) mentioned that job satisfaction is the general behavior of the employees regarding their jobs and the place where they perform their duties, Job satisfaction can be affected by a various factors and overall job satisfaction consists of satisfaction from its different parameters. In this study, our area of interest is overall job satisfaction. Many researchers had indicated different parameters that can affect job satisfaction. Arnett (2010) related organizational performance with worker's job satisfaction. High degree of job satisfaction makes employees to do their jobs more efficiently. Satisfied employees will perform better which will result in customer satisfaction. They indicated a positive relationship between supervisor's leadership styles and employee job satisfaction. The study found that if employees have the right to participate in decision making, it will increase their confidence and sincerity with the job which will result in job satisfaction and would be beneficial for the organization performance.

i. Organizational commitment Luthans (2007) gave a comprehensive definition of organizational commitment. According to him, "It is an attitude reflecting employees' loyalty to their organization and is an ongoing process through which organizational participants express their concern for the organization and its continued success and well-being". Henkin & Marchiori (2011) defined organizational commitment as a feeling of employees which influence them to be the part of their organization and understand the goals, values, norms and ethical standards of an organization.

Allen & Meyer (2009) define organizational commitment as "A psychological state that binds the individual with the organization (i.e., makes turnover less likely)."

7 Shaw

(2007) defined organizational commitment in three dimensions; affective, continuance and normative commitment. A positive, sincere and utmost involvement of employee for the organization is called affective commitment. Continuous commitment can be observed when individual is committed with the organization because of certain benefits like pension, insurance, medical and other benefits whereas in general he does not have a positive thinking for organization.

ii. Job satisfaction and organizational commitment Gunlu & Aksarayli (2010) identified the effect of workers job satisfaction on organizational commitment. He found the relationship between job satisfaction, employee's characteristics and organizational commitment. The result indicated that extrinsic, intrinsic and general job satisfaction positively and significantly co-relates with normative and effective commitment. There is strong relationship between subordinate's age, level of pay, education and extrinsic job satisfaction. Popoola (2009) explored that organizational commitment of employees is determined by socioeconomic factors, job satisfaction and level of control. Low rate of absenteeism, increased job commitment and positive effect on productivity would be the results of high level of job satisfaction. Job satisfaction will also affect the quality of work. Socio-economic factors consist of employee's age, gender, marital status, level of education, length of service and salary. Gender, age, marital status, length of service and remuneration had strong positive effect on organizational commitment while on the other hand level of education negatively correlates with organizational commitment.

iii. Job satisfaction and employees' turnover ??ksu (2008) argues that employee satisfaction is inversely related with employee turnover. Satisfied employees are less intended to leave the job.

Tian-Foreman (2009) studied the effect of job satisfaction on employee' turnover and found that employees often thought to quit their job when they are not satisfied with their job thus proved a negative relationship between job satisfaction and turnover. Eliason (2007) argued that the general model of job satisfaction focuses on all feelings that employees has about his work. Level of job satisfaction is dependent on the nature of work and expectation of workers about their job. Study focused on the fact that more dissatisfied workers will experience a higher degree of turnover. Satisfaction from job security, working conditions and working hours are also positively related to overall job satisfaction but effect of these factors gets reduced with the passage of time.

8 iv. Transformational leadership and employees' job satisfaction and organizational commitment

The leadership style or behavior of a manager can influence the job satisfaction of employees. Many studies have been carried out to determine the relationship between leadership styles and employees' job satisfaction and concluded how organizations can use leadership styles to affect followers' level of satisfaction (AL-Hussami, 2007).

Kim (2011) stated that managers 'encouraging attitude enhances employees' job satisfaction and also affects the factors related to workers' job satisfaction. If managers are in good relationship with their employees it could result in having more satisfied workers. And if employees are given right to participate in strategic planning of organization, it would boost their job satisfaction. The study recommended transferring the conventional autocratic management style into participative management. Bass (2012) found a sound relationship between leadership styles, values and norms at the job, satisfaction, productivity, motivation and organizational commitment.

Managers should be capable to use different styles for different situations. Different management styles should be applied as per organization's culture. Although there are many managerial styles which could have an effect on employees' job satisfaction and their organizational commitment but one should mainly consider transformational leadership. This study considers transformational leadership because of its friendly, productive and creative nature. These days most of the organizations are switching over from traditional autocratic style to transformational style because now employees not only consider financial benefits but they also require support and encouragement from their management.

9 III.

10 Research Methodology

The present study was carried out on the banking sector and more specifically on commercial and Islamic banks of Saudi Arabia. Presently, there are 39 Scheduled banks, seven Micro finance banks and eight Development finance institutions functioning in Saudi Arabia (Government of Saudi Arabia, 2010).

The study was conducted to attain the following objectives: 1. To find the effect of transformational leadership on job satisfaction and organizational commitment of employees in banking sector.

2. To find the effect of job satisfaction on organizational commitment and turnover intentions of employees in banking sector. 3. To know the perceptions of employees about transformational leadership style, job satisfaction, organizational commitment, turnover intentions 4. To measure the satisfaction and commitment level of employees with their job. 5. To identify the significance of relationship between job satisfaction and organizational commitment and turnover intentions of employees. 6. To highlight the problems in transformational leadership, job satisfaction, organizational commitment and turn over intentions, affecting the performance of employees.

11 Figure 1 : Research Model

The above research model is presenting correlation amongst all independent, and dependent variables. Here transformational leadership is shown as independent variables (IV), job satisfaction is shown as independent variables (IV) while turnover intentions and organizational commitment are working as dependent variables (DVs). Model is indicating that transformational leadership is positively affecting employees' job satisfaction and organizational commitment on the bases of which is derived our first two hypothesis H1 and H2, whereas job satisfaction is influencing employees' organizational commitment positively and turnover intention negatively on the basis of which were developed our H3 and H4. a) Hypothesis H1: An appreciably positive relationship exists between transformational leadership and employees' job satisfaction. There is no impact of TL on JS. H2: A significantly positive relationship exists between transformational leadership and employees' organizational commitment. There is no impact of TL OC.

Riyad Bank and SABB. 300 questionnaires were circulated to employees of banks operating in Jeddah. Full-time bank employees mostly working as trainee officers were our targeted population. The questionnaire consisted of 38 items, divided into four categories; transformational leadership, overall job satisfaction, organizational commitment and turnover intentions. Most of the respondents were males (75.7%), having Masters Degrees (53%), lies between 20 to 30 (59.9%) years of age and on average having the experience of 2-5 years (45.7%).

12 b) Sampling Technique

The target population for this study was banks operating in Jeddah. A list of all four AL Bilad bank, AL Rahji, Riyad bank and SAAB these banks was sample the sampling frame. From the sampling frame four banks were chosen using non-probability convenience sampling technique. According to kinra (2006) theories a typical range of sample size used by most researchers was 150-300. This research aimed for a sample size of 181.

The research used semi-structured questionnaire to collect data from the banking staff. The questionnaires were administered in four banks. Initially, 211 questionnaires were returned however 181 were usable because 30 questionnaires were incomplete or wrongly filled out. In order, to increase the response rate and ensure representativeness, more questionnaires were circulated using email.

The instrument used in the present study was personally administered questionnaire because of conducting primary research and questionnaire is most effective tool for this type of research (Sekaran, 2010). Multifactor leadership questionnaire developed by Bruce & Avolio (2009) was used to measure the respondents' perception about the transformational leadership. The MLQ is a 5-point Likert scale was used, where (1) Not at all (2) Once in a while (3) Sometimes (4) Fairly Often and (5) Frequently, then researcher used (1) Strongly Disagree (2) Disagree (3) Neutral (4) Agree and (5) Strongly Agree and in later portion of questionnaire 1=completely unsatisfied and 5=completely satisfied, to determine the overall job satisfaction of employees, as suggested by Cook (2009).Based on the questionnaire analysis, the reliability and validity of this instrument was 0.85 i.e. Cronbachalpha value. We have adopted a questionnaire developed by Mowday (2010) to measure an important variable of the study that is organizational commitment of the employees.

13 c) Validity and Reliability

A check of the reliability of the items of the questionnaire showed a coefficient of 0.877. The indication of this is that the 38 items that measured the independent and dependent variables did that reliability and validity. Primary resources were used for collecting data in order to carry out research work. Data was taken from employees of banks. Self-administered questionnaires were used in January 2015 to collect data from the individual respondents.

An over-all of 300 questionnaires were distributed to banks operating in Jeddah. An equal amount of questionnaires were distributed to each targeted bank. Full-time bank employees mostly working as trainee officers were our targeted population. Response rate was 60.33 % as 181 out of 300 questionnaires were returned. 75 questionnaires were returned by AL Bilad bank, 48 from AL Rahji, and 26 from Riyad bank and 32 questionnaires

were being collected from SAAB. The questionnaires returned were either completely responded or contained few unanswered questions for which mid-points were taken. e) Data Analysis Tool SPSS 16.0 was used for data analysis. Data related to studied variables were coded and entered to the computer using SPSS (16.0) software as it was most widely available and powerful statistical software package. SPSS is user friendly and cost effective for quantitative research in social sciences (Prabhakar, 2008). The responses of the employees regarding transformational leadership, job satisfaction, organizational commitment, and turnover intentions were scored. The entered data were edited. For blank

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Volume XV Issue III Version I Year () G responses mid-points (average) was considered suitable, as five-point Likert-type scale was opted for use and the blank responses were taken as undecided responses and were scored as such. It was examined whether the relationship exists between transformational leadership and job satisfaction and organizational commitment on the basis of responses of employees, the effect of job satisfaction on organizational commitment and turnover intentions was also examined. The job satisfaction, organizational commitment and turnover intentions with respect to demographics was also measured.

15 f) Findings

This study was carried out because of the researcher's interest in determining the effect of a transformational leadership style of bank managers on employee's job satisfaction and their organizational commitment. Employees' turnover intentions were significantly and negatively correlated and were influenced by level of overall job satisfaction and proved that more satisfied employees were having fewer intentions to quit their organizations. Employees overall satisfaction was also appreciably and positively correlated with organizational commitment. It was found that employees were moderately satisfied with their jobs and have very less intentions to leave their current jobs and they are loyal to their organizations but not at a very high level.

Further the study found no appreciable differences in commitment level of men and women working in conventional and Islamic banks. The study also indicated that employees with different educational backgrounds have significantly different level of satisfaction but education did not affect employees' organizational commitment. The significant differences were also found in satisfaction level of permanent, contractual and temporary employees. The study also found that age, name of bank and experience with current job did not affect employees' level of organizational commitment. Significant differences were found in organizational commitment of employees having different overall experience.

The study also indicated that age, overall experience and experience with current job did not affect employees' level of satisfaction.

There were no significant differences found in turnover intentions of bank employees on bases of following factors: name of bank, age, overall experience, experience with current job and type of job.

The present research tried to make important contributions towards existing transformational leadership overall job satisfaction, organizational commitment, and overall job satisfaction organizational commitment, turnover intentions relationships literature by utilizing Islamic and conventional banks sample, in this way contributing to a wider theorization and ultimately develops an enhanced understanding of the above mentioned relationships.

16 g) Implications

As far as, the managerial implications concerned, the current study helps leader to better understand the fact that if they want to have more satisfied and committed staff and lower turnover rate, they require to exercise improved leadership style i.e. transformational leader. Employees are the most valuable asset in organizations. Well-qualified and capable personnel are important in context of achieving goals and objectives of an organization. However, managers don't take required interest in learning human attitudes, improved ways of communication and how employees' performance is affected by managers' behaviors. Management should be willing to understand human nature, the basic requirements, needs and skills of staff. For this, managers can assess employees overall job satisfaction, organizational commitment on permanent bases which will also help to predict related attitude of turnover. Further, organizations should properly train their managers for exercising transformational leaderships.

17 IV.

18 Conclusion

Productivity and performance of an organization relies upon their employee satisfaction. Satisfied employees improve the performance of an organization in optimal time and escort it to growing profits. Transformational leadership is a device to develop higher level of job satisfaction and organizational commitment of employees which will eventually lead to the lower rate of turnover. Transformational leaders also help employees to become more creative, innovative and bring such new ideas which make the organization to flourish competitively and adapt itself to the changing external environment. Unfortunately this type of leadership is not being exercised by the



Figure 1:

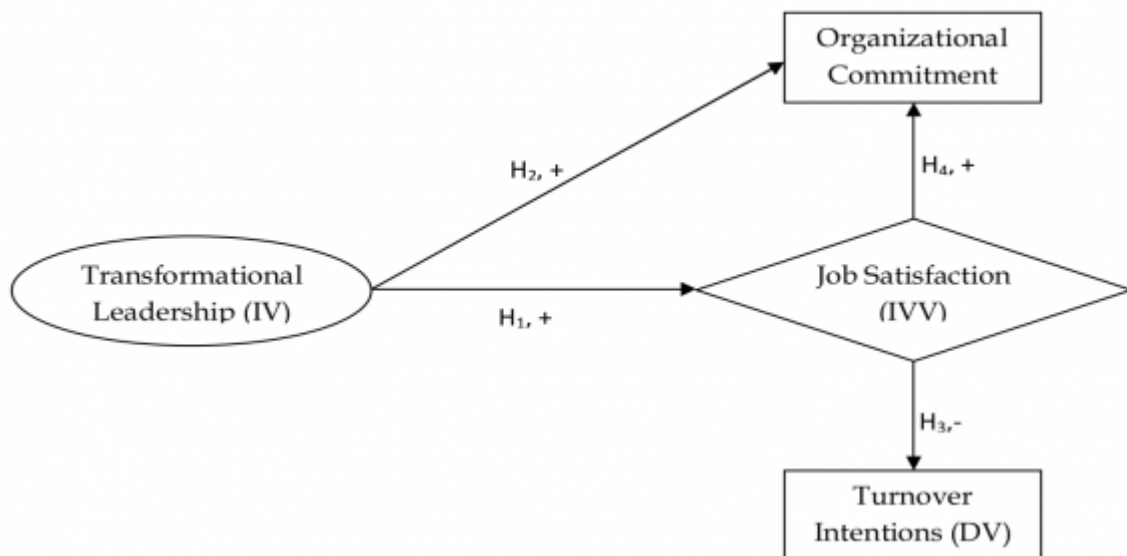


Figure 2:

269 bank managers of Saudi Arabia. The results of this recent study depicted that if managers use transformational
270 leadership attitude, they would get more satisfied and committed employees. ¹

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