TRANSACTIONAL AND TRANSFORMATIONAL LEADERSHIP STYLES AND EMPLOYEE PERFORMANCE: A STUDY OF SELECTED PRIVATE SECTOR FIRMS IN THE SOUTH-EAST OF NIGERIA

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Abstract
This study examined the effect of various leadership styles on employee job performance, using selected large private sector organisations from some states in the South-East, Nigeria as the study area. The study used descriptive survey design. The tools of analysis were Pearson Correlation and multiple regression analysis. Results of the analysis indicate that F-value of 28.381 is statistically significant, valid and fit for any predictive purposes. It is also an indication that overall regression model is significant. The regression coefficient represented by ‘R’ has a value of 0.811 and it shows that 81.1 percent relationship exists between the dependent and independent variables. The coefficient of determination represented by ‘$R^2$’ was estimated to be 0.735 and it implies that about 73.5 percent variation in the dependent variable can be explained by the independent variables. The following were the specific findings of the study: transformation and transactional leadership styles have significant effects on employee performance. It was concluded that democratized work environment with better human relations are more likely to enhance work performance in an organisation while autocratic, harsh and insensitive leadership style can only promote negative work attitude and poor performance by the employees. It was recommended among others that organisations should adopt transformational leadership style which has proved to be the most effective in enhancing employees’ performance.

Keywords: Leadership Styles, Employee performance, Selected Private Sector Firms

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Background to the Study

Good and effective leadership make business in an organisation relatively easy. Without appropriate leadership style in an organisation, business move slowly, stagnate and sometimes face serious challenges (Northhouse, 2007). Much of the literature about organisations stress the importance of decision-making, that is, making decisions, that are timely, complete, correct and prompt. But Northhouse (2007) notes that a decision by itself is nothing unless it is effectively implemented. Therefore, it is an indication that the problem of implementation is the real issue and it goes to show how leaders can influence behaviour, change course of the events and overcome resistance. Thus, effective leadership is a crucial factor in implementing decisions successfully and an essential ingredient of effective management in organisations.

Different styles of leadership exist to match different situations in an organisation and each of these styles work best only if the leader has a vision of what can be achieved and then communicates it to his/her subordinates and evolve strategies for realizing the vision (Reddins, 1990 in Mawoli&Tanimu, 2013). In his opinion, most leaders motivate people and are able to negotiate for resources and other support to achieve set goals. Such leaders ensure that the available resources are well organized and applied to produce best results. Inspite of the limited resources and difficult operating environments of many businesses in Nigeria, the managers are expected to achieve optimum results.

There have been several propositions on leadership styles by various schools of thought. The subject; leadership has also evolved over the years in literature in an attempt to find the best leadership style that can lead to effective and efficient exploitation of resources so that the performance of the employees could be enhanced in order to achieve organisational goals. As Nayebetal (2013) have noted, the improvement of the employees’ performance can be caused by internal and external factors. To them, one of the external factors that is considered to be positively affecting
employees’ performance is leadership style. They reiterated that it is only the leadership style that can actually arouse the ability of the employee and put it to use to achieve quality results.

In trying to measure the effect of leadership styles on employees’ performance in an organisation, two types have been identified and they include the following: Transformational and Transactional Leadership Styles. The problem here is the determination of the extent each style influences the employee to improve performance in the selected organisations. As it is, each of the two leadership styles listed above has at least one unique feature or characteristic that stands it out among others. For instance, transformational leadership style is about inspiring followers to transcend their own self-interests as well as having a profound and extraordinary effect on followers. While transactional leaders are those who guide or motivate their followers in the direction of established goals by clarifying role and task requirements (Robbins & Judge, 2007), Meanwhile, leadership styles are used as framework for creating organizational cohesion, discipline, culture and performance. Leadership styles can critically influence the disposition and productivity of employees. Thus, this work attempts to investigate the extent transactional and transformational leadership styles influence employees performance in an organization.

**Statement of the Problem**

In today’s volatile and competitive business environment, employees of an organisation seem to be the most crucial and valuable asset in pursuing the goal of the organisation. Organisations have failed due largely to poor or inappropriate leadership style. Effective leadership style leads to employees’ job satisfaction and superior performance. As Tumer and Müller (2008) have noted more than 80 percent of business failures are accounted for by poor human resource management. To them, successes or failures of business organisations are determined by the leadership quality. The activities of the
managers/leaders in an organisation can either motivate employee to enhance performance or discourage them from putting in their bests. Studies in the related area have found different results on the effect of leadership styles on employees’ performance in the organisation. For instance, while Umer et al (2012) found out that democratic leadership style exerts significant effect on employees’ performance, Tandoh (2011) found out that people-centered and democratic leadership styles have no significant effect on employees’ job performance rather, autocratic style is more effective. Consequently, it has become necessary to investigate further on the issue given the conflicting results presented above.

**Objectives of the Study**

The broad objective of the study is to examine the effect of leadership styles on employees’ job performance in the selected organisations, using selected private sector organisations in the South-East, Nigeria as the study area. More specifically, the study sets out to:

i. Examine the effect of transformational leadership style on employees’ performance in the selected organisations.

ii. Determine the effect of transactional leadership style on employees’ performance in the selected organisations.

**Research Questions**

The following research questions were considered very germane to the study and therefore, they were raised to guide the objectives of the study:

i. What is the effect of transformational leadership style on employees’ performance in the selected organisations?

ii. What is the effect of transactional leadership style on employees’ performance in the selected organisations?

**Hypotheses**
The following null hypotheses were formulated to guide the objectives of the study and strengthen the analysis:

1. Transformational leadership style does not have positive and significant effect on the performance of the employees in the selected organisations.

ii. Transactional leadership style does not have positive and significant effect on the performance of the employees in the selected organisations.

**Scope of the Study**

The study covered selected private sector organisations in some states of the South-East, Nigeria. The study period is between 2015 and 2017 both years inclusive. The industries involved are Sabmiller Breweries, Onitsha in Anambra State; Nigeria Breweries in Enugu State and Nigeria Bottling Company, Irette-Owerri in Imo State. The issues involved are the determination of effects of various leadership styles on employees’ job performance in the organisation.

**The Concept of Leadership**

Leadership and management are two terms that are often confused. Kotter (1999) argues that management is about coping with complexity. Good management brings about order and consistency by drawing up formal plans, designing rigid organisation structures and monitoring results against the plan. Leadership, in contrast, is about coping with change. Leaders establish direction by developing a vision of the future; then they align people by communicating this vision and inspiring them to overcome hurdles (Judge et al 2004).

More formally, Robbins and Judge (2007) define leadership as the ability to influence a group of people towards the achievement of a vision or a set of goals. They added that the source of the influence may be formal, such as that is provided by the possession of managerial rank in an organisation. This, in their opinion, is because management positions come with some degree of formally designated authority, a person may
assume a leadership role simply because of the position he/she holds in the organisation.

**Transformational Leadership Style**

Transformational leadership style has been defined by Avolio and Bass (2008) as a style of leadership that inspires followers to transcend their own self-interest and also capable of having a profound and extraordinary effect on followers. It is a leadership style that pays attention to the concerns and developmental needs of individual followers; they change followers’ awareness of issues by helping them to look at old problems in new ways; and they are able to arouse, excite and inspire followers to put out extra effort to achieve group goals.

**Transactional Leadership Style**

Robbins and Judge (2007) define transactional leadership style as a leadership where followers are guided or motivated in the direction of established goals by clarifying role and task requirements. The transactional leaders are willing to work within existing systems, negotiate to attain goals of the organization and tend to think inside the box when solving problems (Kabeyi, 2018). They are not likely to make major structural or an administrative change because they are usually at home with the status quo. The implication is that by its characteristics, the transactional leadership style is narrower in content.

**Employee Performance**

In the opinions of Mawoli and Tanimu (2013), an organisation is judged by its performance; hence, the word “performance” is utilized extensively in all fields of management. Despite the frequency of the use of the word, its precise meaning is rarely explicitly defined by authors even when the main focus of the article or book is on performance. Ivancevich (2007) defines job performance as the behaviour that is expected to contribute to organisational success, while Mullins (1999) feels it should be seen as the product of job ability multiplied by motivation that is, $\text{JP} = \text{A} \times \text{M}$. 
Furthermore, Adaeze (2003) concurs that job performance is ultimately an individual phenomenon with environmental factors influencing performance primarily through their effect on the individual determinants of performance – ability and motivation.

Theoretical Exposition

Transformational Leadership Style and Employee Job Performance

Dvir et al (2012) made it clear that the transformational leader employs more inspirational tactics to influence their follower’s goals and ambitions by providing them with self-belief. Yulk (2006) also asserts that transformational leadership ensures that the relationship between the leader and the followers is mutually beneficial. The leaders lead by example by showing their charismatic behaviour which inspires, motivates and stimulates the intellectual capability and arouses the admiration of their subordinates, as well as considering the needs of their followers individually. Boonzaier (2008) notes that transformational leaders develop strong emotional bonds with their followers through the use of individual attention, vision and inspiration, and direct their followers towards the future and create organisation culture of creative change and growth. In his opinion, this type of leadership style is often considered more proactive and more involved in the work of the employees.

Jansen (2013) observes that transformational leadership style goes with idealized influence, inspirational motivation, intellectual stimulation and individualized consideration. He notes that it involves charting, having the ability to articulate for the employees where one is headed and how one is going to get there.

Transactional Leadership Style and Employee Job Performance

Unlike transformational leadership style, transactional leadership style has been described as an exchange commitment where the employee receives a reward in exchange for accomplishing specific objectives (Avolio&Bass, 2004; Yulk, 2006). Most studies have proposed that with transactional leadership style, employees tend to be more motivated and ultimately perform better (Jansen, 2013). Bass (2005) perceives
transactional leadership approach as cost-benefit process between leaders and their followers. In his opinion it is a situation where the leader depends on the appropriateness of the behaviour or performance of the followers to either punish or reward them. The transactional leadership has three components that comprise contingent reward, management by exception (passive), he observes. This class of leaders guide or motivate their followers in the direction of established goals by clarifying role and task requirements to enhance performance and productivity.

**Research Design**
The design chosen for the study is descriptive survey design. The choice of the design was informed by the fact that primary data was involved and it was collected through the administration of questionnaire which were analyzed and the result generalized for the entire population of interest. As Obasi (2000) has noted, the use of survey is always adopted because it provides an important means of gathering information, especially when the necessary data cannot be found in any statistical records in form of official statistics (secondary data). Besides, survey results are often more precise and accurate than the result of total enumeration.

**Area of the Study**
The study is taking place in the South-East, Nigeria. It covers large scale industries in some states located in the zone. For the avoidance of doubt, the industries are Sabmiller Breweries, Onitsha in Anambra State; Nigeria Breweries in Enugu State and Nigeria Bottling Company Irette-Owerri in Imo State.

**Population of the Study**
The population of the study comprised senior staff of the large-scale enterprises in the selected areas. This category of staff was chosen to ensure that respondents possess the knowledge and experience necessary to be able to effectively discuss all issues relating
to leadership styles and employee performance in the organisation. A total of 2060 employees of this category were identified across the industries selected for the study.

**Sampling and Sampling Technique**

The sample size for the study is 395 senior staff of the affected industries. Systematic sampling technique in selecting the units of observation. This method was chosen in preference to others because of its ability to spread the sample evenly across the population of interest. This is demonstrated below:

**Instrument and Method of Data Collection**

An item structured instrument of five (5) points Modified Likert Scale was designed and used in eliciting information from the respondents. The methods adopted was direct questionnaire administration. This was done to give the respondents opportunities to ask question where necessary and to give the researcher the opportunity of assessing whether the respondents understood the questionnaire items. This approach also reduced the volume of non-response rate which often associates with surveys of this nature. Out of the 395 copies of questionnaire that were issued out, 353 completed and returned theirs thus showing a response rate of 89.4 percent which was considered adequate for the study.

**Validity of the Instrument**

The instrument was both face and content validated. This was achieved by giving copies of the instrument to three experts in businesses administration, human resource management and two lecturers in the department of Measurement and Evaluation, Nnamdi Azikiwe University, who are quite knowledgeable in questionnaire drafting to criticize. The corrections and comments of the experts were duly reflected in the final draft of the questionnaire.

**Reliability of the Instrument**
The internal consistency of the instrument was ascertained using Cronbach Alpha. The procedure involved giving 20 copies of the instrument to a group of employees in an organisation, Notre Dame Company, Benin, outside the study area to complete. It yielded the indices of 0.73, 0.80, 0.90 and 0.83 coefficients for the four research questions respectively. Thus, showing an average coefficient of 0.82 and was considered reliable in line with the view of Gliem and Gliem (2003) that the closer Cronbach’s alpha coefficient is to 1.0, the greater the internal consistency of the items in the scale.

**Method of Data Analysis**
The data were analyzed quantitatively through summary statistics of percentages, Pearson product moment correlation and multiple regression analysis. All tests related to the analysis were carried out at 0.05 level of significance.

**Model Specification**
The model tries to estimate the effect of predictor variables on the dependent variable (employee performance). Thus the functional relationship between the dependent and independent variables is stated as follows:

Employee Job Performance = f(TML, TSL) - - - - - - (1)

Specifying econometrically, we have:

EJP = α₀ + α₁TML + α₂TSL + μ₁ - - - - - - (2)

Where:

- EJP = Employee Job Performance
- TML = Transformational Leadership Style
- TSL = Transactional Leadership Style

The expected signs of the coefficients or a priori are:

α₁> 0, α₂> 0, α₃> 0 and α₄> 0 or αᵢⱼ> 0
As could be seen from equation (2), the econometric expression relates the coefficient ($\alpha_{10}$) to the independent variables. The implication is that direct or positive relationship is expected to exist between the dependent and independent variables.

Pearson Correlation Coefficient was used to determine level of relationships between employee performance and leadership structure; team members’ abilities; team members esprit de corps and team members flexibilities and preferences. The result obviously determines whether there is multicolinearity or orthogonal between and among the variables so as to know whether the regressional analysis could still be performed or not.

**Table 1: Correlation Matrix**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Employee Performance</th>
<th>Transformational Leadership Style</th>
<th>Transactional Leadership Style</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Performance</td>
<td>Pearson Correlation</td>
<td>1</td>
<td>0.825**</td>
</tr>
<tr>
<td></td>
<td>Sig.(2-tailed)</td>
<td>0.000</td>
<td>0.751**</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>353</td>
<td>353</td>
</tr>
<tr>
<td>Transformational leadership</td>
<td>Pearson Correlation</td>
<td>0.825**</td>
<td>1</td>
</tr>
<tr>
<td>style</td>
<td>Sig.(2-tailed)</td>
<td>0.000</td>
<td>0.613**</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>353</td>
<td>353</td>
</tr>
<tr>
<td>Transactional leadership style</td>
<td>Pearson Correlation</td>
<td>0.751**</td>
<td>0.613**</td>
</tr>
<tr>
<td></td>
<td>Sig.(2-tailed)</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>353</td>
<td>353</td>
</tr>
</tbody>
</table>

**: Correlation is significant at 0.05 level (2-tailed).

*: Correlation is Significant at 0.01 Level (2-tailed).
Table 1 shows correlation matrix of employee performance, transformational leadership, and transactional leadership. The analysis shows that there is strongly positive and significant relationship between dependent variable and the independent variables at both 0.01 and 0.05 significant levels.

**Test of Hypotheses**

As a tentative answer to the problem of the research under investigation and an answer which has no evidence supporting it until a full investigation is carried out, the hypotheses formulated to guide the objectives of the study and strengthen the analysis, were tested in this section of the analysis.

**Table 2:** Model Summary of Dependent and Independent Variables

<table>
<thead>
<tr>
<th>Source of Variation</th>
<th>df</th>
<th>Sum of Squares</th>
<th>Mean Squares</th>
<th>F-ratio</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>4</td>
<td>129.755</td>
<td>32.439</td>
<td>28.381</td>
<td>.000a</td>
</tr>
<tr>
<td>Residual</td>
<td>95</td>
<td>108.591</td>
<td>1.143</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>99</td>
<td>238.346</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictor: (constant), Transformational leadership style and Transactional leadership style.

b. Dependent variable: Employee Performance

Table 2 shows that the F-value is 28.381 and it is significant because the significance level is 0.000 which is less than 0.05 i.e., P < 0.05. Thus, the result shows that overall, regression model is statistically significant, valid and fit. It is also an indication that all the independent variables are positively related to the dependent variable.
Table 3: Summary of Regression Result

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R²</th>
<th>Adjusted R Square</th>
<th>Standard Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>0.811</td>
<td>0.735</td>
<td>0.724</td>
<td>0.70112</td>
</tr>
</tbody>
</table>

a. Predictor: (constant), Transformational leadership style and Transactional leadership style.

Table 3 is the summary of the regression results. It shows that regression coefficient represented by ‘R’ is 0.811 and it implies that about 81.1 percent relationship exists between dependent and independent variables. Also, the coefficient of determination represented by ‘R²’ is estimated to be 0.735 and it implies that about 74 percent of variation in employee performance can be explained by the independent variables.

Table 4: Summary of Coefficients of Regression, t-value and Significance Level

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>β</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>-186</td>
<td>.207</td>
<td>-</td>
<td>-.785</td>
</tr>
<tr>
<td>Transformational</td>
<td>.648</td>
<td>.49</td>
<td>.778</td>
<td>10.219</td>
</tr>
<tr>
<td>leadership style</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transactional</td>
<td>.189</td>
<td>.057</td>
<td>.647</td>
<td>3.482</td>
</tr>
<tr>
<td>leadership style</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Employee Performance

Interpretation of Regression Results

In this section of the analysis, the researchers interpreted the coefficients of regression beta (β), t-statistic and other parameters in the result. Accordingly, the results presented in Table 4.9 indicate that the values of the regression coefficients show their relative weights in predicting the dependent variable (employee performance). As could be seen
from the table, the coefficient of transformational leadership style is $\alpha_1$ in the model and it has a value of 0.778 which show that a unit increase in the variable will increase employee performance by 8.8 percent when other variable is held constant. The coefficient is also significant given the t-value of 10.219 and the probability level of 0.000 which is less than 0.05, the chosen significance level for all the tests. Consequently, we rejected the null hypothesis while the alternative which suggests that transformational leadership style affects employee performance positively and significantly was accepted.

In the same vein, the coefficient of transactional leadership is represented by $\alpha_2$ and the estimated value for it in the model is .647 which means that a unit increase in transactional leadership will lead to 6.5 percent increase in employee performance if other variable are held constant. The t-value of 3.482 indicates that the coefficient is significant given the probability level of 0.000 which is less than 0.05 level of significance. As a result, the null hypothesis was rejected while the alternative which suggests that transactional leadership have positive and significant effect on employee performance was accepted.

Table 5: Eigen Values, Condition Index and Variance Proportion

<table>
<thead>
<tr>
<th>Model</th>
<th>Eigen value</th>
<th>Condition Index</th>
<th>Variance Proportions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Constant</td>
</tr>
<tr>
<td>1</td>
<td>4.718</td>
<td>1.003</td>
<td>.00</td>
</tr>
<tr>
<td>2</td>
<td>.106</td>
<td>6.673</td>
<td>.14</td>
</tr>
<tr>
<td>3</td>
<td>.084</td>
<td>7.179</td>
<td>.08</td>
</tr>
<tr>
<td>4</td>
<td>.058</td>
<td>10.205</td>
<td>.67</td>
</tr>
<tr>
<td>5</td>
<td>.037</td>
<td>11.344</td>
<td>.24</td>
</tr>
</tbody>
</table>

a. Dependent variable: Employee Performance
This post estimation test indicates that there is no presence of multicollinearity in the model as no value of condition index is up to 15. Also, the Eigen values are close to zero thus suggesting non-presence of multicollinearity.

**Discussion of Research Results**

The discussion is based on the results of the test of hypothesis. As could be seen from the first test of hypothesis, the result of the test indicates that transformational leadership style affects employee performance in the organisation positively and significantly. Infact, it has the highest coefficient of .778 thus showing that it has the highest influence on performance when compared with other leadership styles. Workers appear to be at home with this leadership style more than any other. This could be as a result of the fact that it inspires them to transcend their own self-interests and could also have profound and extraordinary effect on them.

The results of the test showed that transactional leadership style has positive and significant effect on the performance of the employees but not as much as that of transformational leadership style. Therefore, transformational leadership style has proved to be the most effective leadership style.

**Summary of Findings**

The study examined the effect of various leadership styles on employee performance in the organisation. Through the application of Pearson correlation coefficient and multiple regression analysis, the effect of the independent variables on the dependent variable was determined. Preliminary results through the F-statistic show that overall regression model is statistically significant, valid and fit for predictions. The regression coefficient represented by ‘R’ showed that about 81.1 percent relationship exist between the dependent and independent variables. Also the coefficient of determination represented by ‘R²’ showed that about 73.5 percent of variation in employee
performance can be explained by the independent variables. More specifically, the findings can however be summarized as follows:

- It was found that transformational leadership style has positive and significant effect on employee performance.
- The result of the second test of hypothesis also shows that transactional leadership style has positive and significant effect on employee performance.

**Conclusion**

The style of leadership that is predominant in a work environment, determines to a large extent the level of employees’ job satisfaction and consequently, performance. Democratized work environment where intimacy between the management and the employees can easily be noticed, will surely enhance job performance. No worker can give his/her best under a harsh, autocratic and insensitive leader. Thus, transformational and transactional leadership styles have positive and high coefficients in terms of the effect of leadership style on employee job performance. However, transformational leadership style is the most effective style.

**Recommendations**

From the findings and the conclusions arrived at in this study, the following recommendations/policy dialogue were made:

- Organisations are therefore advice to make use of leaders that possess the characteristics of transformational leadership so that the mission and vision of the organisation may be achieved since it is the most effective leadership style.
- Managers are encouraged to take steps to ensure that they offer contingent rewards to their employees to compensate their dedication and commitment in line with transactional leadership style.
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