



**TRANSFORMATIONAL LEADERSHIP AND ITS IMPACT ON EMPLOYEES'  
TURNOVER INTENTION, A STUDY IN PRIVATE MID-GROWING BANKS IN  
PAKISTAN**

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*Abstract*

*With the arrival of WTO, organizational changes and reforms have been pondered constant, Transformational leadership has played a drastic role in transforming organizations from bottom to top as evident from corporations such as Facebook, Wal-Mart, Google, and many more but on contrary turnover intention have been found a factor, very troublesome and chronic violating diversity, growth, organizational prosperity and hampering attainment of objectives set by top management. In this survey based study we have found transformational leadership has inverse relationship with turnover intention but insignificant, in mid-growing banks of Pakistan where employees are probed to be more concerned with financial benefits such as salary, bonus, increments, loans and other perks and incentives due to compelling financial conditions and worse economic situations thus implying transformational leadership has limited role to play.*

*Transformational Leadership, turnover intention, leadership, job satisfaction, Pakistan (key words)*

**I. INTRODUCTION**

Leadership, performance management, competitive advantage, human capital, turnover and other factors are pondered to be pivotal for global organizations. According to Robbins and Coulter (2012, p. 80) The entire world when opened the borders for trade then manufacturers and industrialists contemplated menaces of competition and tough challenges accompanying



external factors such as economic problems, political instability, taxes, security, diversity and demographic issues.

According to Tawfik, Eman and Ayman (2012) Globalization and growing challenges for business firms require swift and corrective actions for meeting international requirements. It was narrated that (Ashique et al., 2012) In Pakistan, industrialists and business firms have faced same threats thus hindering firms to provide business products and services at low cost with differentiation. This compelling situation urges organizations to focus on the importance of employee's retention. The cost of employees' quitting is well known (Shukla & Sinha, 2013) and (Jhatial et al. 2012) employees are switching the jobs in Pakistan in such a way that it has become head ache for the HR managers and for companies and for these reasons those spending millions of rupees on their hiring, socializing, training, development and maintenance.

Organizations face shortfall of employees due to less retention and stay which causes bad impact on customer service particularly in service industry thus leading towards less profitability which is never an object of any organization. Quitting of an employee means quitting of tacit knowledge and loss of social capital. Turnover increases operation cost and cost on induction and training (Ongori, 2007).

## **II. LITERATURE REVIEW**

### **a. EMPLOYEES' TURNOVER INTENTION**

According to Nwagbara (2011) Employees are considered to be pivotal for success of any business organization whether it is non-profitable, private or governmental organization thus employees' turnover is observed carrying various critical issues, effects and problems (Decenzo, Robbins, & Verhulst, 2011 p. 136) those are, high cost of hiring new employees, training and development of new employees in organization, adjustment time period, talent exhaustion, organizational image, government influence, and company regulations. According to Ekong, Olusegun and Mukaila (2013) dynamics such as complexity, customization, competitiveness and people working in organization are more significant than dependence of technology and they accompany serious issues for management and human resource development.

It is cited in another study (Naresh, Pawan, and Chong, 2014) that employees have different mind sets or traits and reasons to switch the company or job as some of employees tend to job-hop for the reason that they like it, they enjoy and have fun and learning in it while few of employees are switching for financial reasons, few quit for bigger organization and few intend for leaving the organization because they want financial benefits and rest choose this option due to leadership styles and stress they have, in the organization which is of the great concern



Further study of Shukla and Sinha, (2013) explored that high turnover rate is problematic and have a negative impact on the organizational performance. No doubt high employees' turnover causes bothering in smooth working in banking sector resulting big loss of customers and in aftermath impacts negatively on banking growth and profitability.

**b. THE ROLE OF LEADERSHIP**

According to Long and Thean (2011) leadership Styles and job satisfaction have been identified as main factors which are causing labor turnover and many studies have brought findings in which negative relationship is being observed between job satisfaction and employees' turnover intentions similarly many studies and researches have argued that there does exist high correlations between leadership styles and job satisfaction. Leadership style is a method and approach which provides directions, guidelines and execution planning with inspiration to the people so that objectives can be achieved.

According to Robbins and Coulter (2012, p. 312) Human resource management has mainstream role in any organization particularly when we are talking about service industry and manufacturing where humans are intensively involved and play role, not only in meeting targets but going for marginal productivity. Questions about commitment and retention are of huge concern and require time and strategies from top management to lead for new directions and peaks so that win-win situation come in aftermath.

Leadership is pondered to be the main source of driving organization onto the peak of glory and success and (Gul et al., 2012) these are the people who rise with vision of transforming a smaller organization into a giant organization thus it aligns organizational goals with employees' goals. Challenges such as technological advancement, globalization, market and economic growth, competition and sustainability have refocused on the need of right people for the right job in order to set the directions and raise motivation of employees.

Another study of Pierre and Paul (2011) described further four styles including (1) leading by doing, Which is high on execution here less focus is on imagination further it is more commando type leader style where employees are less involved (2) leading by team working, so here teams are built, brainstorming is done, ideas are shared with each other and actions are taken (3) Leading by Inspiring, in this style more focus is on imagination but less actions are observed so more brain storming and more thinking from different paradigms is done further (4) Leading by Empowering here it means leader empowers employees for new ideas, let them have decisions and implementation is also done by themselves.

**c. Transformational Leadership**

Burns (1978) was the person who introduced transformational leadership theory and later many scholars added towards it. (Bass & Avolio, 1999), (Burns, 1978) Transformational leadership is the process in which leaders and followers exchange ideas and they both go at the level of



higher motivation and thus followers are converted into leaders and leaders into moral agents further (Bass, 1999) transformational leader moves ahead by quitting self interest through idealized influence and charisma with intellectual stimulation. Daft (2014) Leaders are the persons who inspire the followers to believe in their strength and potential so that better of the organization can be achieved.

It was further elaborated by Bass and Avolio, (1994) Transformational leadership is tool to motivate the employees and comprised of the following factors (1) Idealized influence, which asks employees to work and sacrifice for the sack of group (2) Inspirational Motivation, which inspires to go for the vision (3) Intellectual stimulation, that involves employees to look at the problems with different approaches, (4) Individual consideration, it's an approach where leader deals everybody individually having considered their needs, abilities, and with equality.

### III. Research Questions

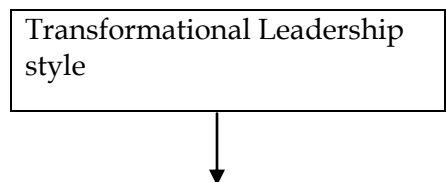
Through this paper we would be able to analyze the following questions such as first to evaluate the observable effects of transformational leadership styles on employees' turnover intention secondly to evaluate if there is any significant relationship between leadership styles and employees' turnover intention and if there is any association and causation then suggesting necessary policies for reduction of employees' turnover intention

### IV. SIGNIFICANCE OF STUDY

The study has central importance, vitality and significance in field of management and HRM, (Robbins & Coulter 2012, p.134) that HR department spends almost 50 percent to 70 percent of their precious time in recruiting new employees every year. That indicates that employees' turnover is the biggest hurdle causing loss of capital, change in culture, turmoil in diversity, and for meeting strategic objectives. Such factors can ruin and build the company and its image in mind of customers.

### V. THEORETICAL FRAMEWORK

Independent variable





Employees' Turnover Intention
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Dependent variable

**Figure # 1**

- **Transformational leadership and Employees' Turnover Intention**

Leadership styles plays vital role in getting work done and motivating employees to persuade and accomplish objectives being assigned by the top management so perhaps that is one of the reason that employees remain loyal with the organization thus reducing absenteeism and less turnover which has ultimately many benefits that lie with organization. Further Gul et al., (2012) concluded in their study there tends to be negative significant association between transformational leadership style and turnover intention. Voon et al., (2011) further strengthened the idea that effective leadership and job satisfaction are key factors that help in retaining employees and better organizational outcomes.

Other scholars Gul et al., (2012) also found that employees are the most valuable assets of the organization while leadership is one of the core areas of the organization which very significantly affects the employees of the organization and they suggested that employees tend to be more inclined towards transformational leadership style thus transformational leadership styles provides them clear vision, road map to success of themselves and of the organization and employees who worked with transformational leaders felt and exposed more committed and dedicated towards their job. Hamed and Ismi, (2013) further provided in their research that negative relationship between almost all leadership practices and turnover intention of the employees.

Another study of Naresh, Pawan, and Chong, (2014) examined three factors showing affect on turnover intention and came up with the idea that turnover can be controlled with proper management style provided that other factors are constant and same idea was further supported by (Voon et al., 2011) in which they stated that leaders can extensively influence and enhance productivity through increasing job satisfaction, commitment and employees morale. They further guided that transformational leadership style is perceived to be a suitable leadership style for managing government leadership style further they strengthened it with findings that respondents were more inclined towards transformational leadership style. (Voon et al., 2011) management style including autonomy, empowerment with opportunities and promotions can play a very stronger role for less turnover intentions and a leadership style like transformational has much more significance in reducing turnover intentions.



## VI. Research Method

In this research, it is observed that previous studies are available but very few in number so particularly in banking sector it was required to be done further exploratory research approach is adopted Since according to Saunders et al., (2011, p. 170) exploratory study is more about to seek that what is happening and to see new findings so that questions are raised and new light is being assessed therefore it is very helpful in understanding the problem further it may be proved that the research might not be proved worth pursuing.

In order to know about Transformational leadership style questionnaires were filled by the participants who were line managers including operation managers, relationship managers, business development managers, regional managers, regional operation managers and branch managers who had different leadership styles and working in branches of various banks of Pakistan where as data for turnover intention was collected from employees who were working as clerical staff or working under line managers.

### a. DATA COLLECTION METHOD

The main source of data collection was primary data collection technique in which questionnaires were distributed among employees and managers therefore 5 medium growing banks of private sector were chosen including Soneri bank Ltd, Bankislami Pakistan Ltd, JS Bank Ltd, Meezan Bank Ltd, and Bank Alfalah Ltd and the reason for taking these banks is that these are the banks counted in mid-growing banks and they are medium in size and growth so neither they are the big five banks nor smaller in Pakistan. Questionnaires were distributed among 5 organizations in private sector banks and questionnaires were sent to 200 branches of these 5 private banks and as our adjusted sample was 350 but response received from respondents were almost 209 which was 59.7% of responses received while those who didn't respond and return questionnaires were 39.3% while questionnaires 59.7% were found correct and used in research for analysis.

#### • RESPONSE OF SAMPLE POPULATION

Below mentioned table indicates data pertaining to sex representation in respondents in sample so out of total sample 209 respondents 185 were male and 24 were female so from 100% there are 11.5% females and 88.5% are male respondents in percentages showing majority of male dominant workers in banking industry. Our research has 79 respondents single which are 37.8% while those who are married are 130 in our sample so it shows 62.2% of total sample.

#### Response of Sample Population

Gender	Frequency	Percentage	Cumulative %	Marital Status	Frequency	Percentage	Cumulative %
Male	185	88.5	88.5	Single	79	37.8	37.8



Female	24	11.5	100	Married	130	62.2	100
Total	209	100		Total	209	100	

**Figure # 2**

• **CORRELATION ANALYSIS AND COEFFICIENT OF DETERMINATION (R<sup>2</sup>):**

From the results, it is found that Turnover intention (TO) (value is -0.097) has inverse relationship with transformational leadership but this result is found insignificant as value of significance is .163. In our model we have obtained R square value and it is .60 that means 60% variance is being explained by the model and this implies that our model has good score in goodness of fit.

**CORRELATION ,COEFFICIENT OF DETERMINATION (R<sup>2</sup>) AND REGRESSION ANALYSIS**

PEARSON CORRELATION			REGRESSION ANALYSIS		
	TFL_Mean	Sig: Value	(R <sup>2</sup> )	TFL_MEAN REG:VALUE	Sig: Value
TO_Mean	-0.097	0.163	0.60	-0.016	0.916

**Figure # 3**

• **REGRESSION ANALYSIS**

From this research and technique it is being deduced that turnover intention is dependant variable while Transformational leadership is independent variable (Predictors) so turnover intention of employees is whether influenced by these leadership styles is question that is to be answered from the regression and we extracted information that turnover intention has negative relationship with transformational leadership style but results are found insignificant.

$$(a) TO = \alpha + \beta_3 TFL + \epsilon$$

$$(b) TO = 5.37 + (-.016)TFL + \epsilon$$

From above equation we see that turnover intention is the function of leadership styles but we have noticed that transformational leadership tends to have negative relation with dependent variable.



**VII. DISCUSSIONS ON FINDINGS**

Results of our study are based on the data that is taken from banking sector so that sample comprised of line managers and employees working in the branches and here in our study results are industry based and it is found in case of transformational leadership there is insignificant result. From the results, it is found out that in all the situations, any single leadership style does not influence employees but it rather depends on the culture and organization where employees are working since it is matter of employees and their status so it is found that employees working in banking sector are more concerned and influenced by transactional leadership style then transformational leadership style and though there is inverse relationship between leadership styles and turnover intention of employees but these results were found insignificant.

**VIII. RESEARCH IMPLICATIONS**

As our research shows that transformational leadership has no significant role to play particularly in banking sector, financial institutions and profit oriented organizations where employees are perhaps more concerned about money, salaries, bonuses and financial rewards depending on workers and country economic conditions so employees tend to work for and are serious about working in exchange of financial rewards. If more research to be done on non-financial or charitable institutions then comparison of these studies would yield better comparative results. Study of the same research should be carried out on large sample so that results could be strengthened and policies to be inferred and designed to cater needs of the employees working and affected by leadership styles so this research should be extended at national level and at all industries (Ekong et al., 2013). Therefore in private organizations role of leaders is considered to be important and transparency is needed though out structure of people and policies.

Major studies of (Avolio & Bass, 1999) suggested that there tends to be negative relationship between leadership styles and turnover intention of working persons in organizations. Ghamrawi and Jammal (2012) suggested that there is inverse relationship between stress and leadership styles so if leadership is better than it can have positive impact on turnover intention of employees.

**IX. LIMITATIONS OF STUDY**

We chose data from banking sector and made efforts to know about leadership styles they have and these line managers were such as managers, operation managers, area managers and found employees turnover intention which was the result of these managers leadership style. So this kind of data and results are appropriate for particularly banking sector as five private growing banks were chosen for data collection. Further our data was taken from private industry so results and findings are biased towards private banking industry so these limitations must be





considered before generalizing this research and findings.

As in our research, Self administrative questionnaires are used to obtain information from leaders and employees working in branches so there can be some chances of favoritism in responses. Employees were fearful for leakage of information and resulting could hurt their career so employees tended to be less open to provide factual or true information and were found avoiding in providing real scenario so lots of hurdles and obstacles were faced during data collection which was the most difficult phase of this paper.

#### X. **FUTURE RESEARCH CONTRIBUTION**

Though having various limitations, this study raises need for future research for the purpose of broadening the sphere and changing angles as there are several other factors that influence employees' turnover intention (Ghamrawi & Jammal, 2012).

It is said that though leadership is one of the important factor for raising performance results but other factors such as personality characteristics, and career stress cannot be ruled out. Sajid, et al., (2012) suggested that there is one gap where more work need to be carried out and that is in organizational context and mediators such as organizational citizenship, job satisfaction, security of job, and other variables need to be gathered for long term effects.

From this we come to an opinion that motivation, team building, and productivity are factors that can be associated for the bigger picture. Researchers should focus on other spheres of society so that overall leadership impact can be known and how employees react. So the researchers should know relationship of these factors with leadership and how the gap of leadership can be filled so that organizations can reach at their maximum output and proceed to marginal productivity. In this research it is analyzed that employees' turnover is consequence of worst or lower leadership styles and employees have disliked lower transformational leadership style which is indirect proportional to turnover intention that is perhaps due to industry and people in banking sector also prefer to rewards with an inspiration. It is therefore more to be sought and researched in this regard so that new dimensions and approaches can be found

#### XI. **CONCLUSION**

From this research we have observed that there are various approaches and findings that are relevant with leadership and turnover intention of employee. Initially we have found inverse relationship between variables transformational leadership and turnover intention so it is inferred from results that this leadership style is inversely proportional to employees' intention



of switching job.

In this scenario when employees are motivated with both leadership styles, top management at this situation need to enlarge focus on profitability and cost reduction so that employees could be benefited more in financial matters otherwise they cannot be convinced with inspiration and ideology. People are more serious and put forward their efforts and endeavors if they are rewarded in the better way.

Results and finding suggest that managers have huge role to play but in private sector, more than transformational leadership, financial and non financial rewards matter for employees in the banking sector which is a bitter truth having considered economic condition of the country and of the people.

From this study and research, it is finally extracted that more of the research should be done on public and private sector with amalgamation of the other variables mentioned in limitations so that more advanced approach can be adopted keeping in view structure and types of organizations so that productivity and employees can be prospered and promoted together.

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