

## **LEADERSHIP STYLE AND EMPLOYEE SATISFACTION IN SELECTED SMALL AND MEDIUM SCALE ENTERPRISES IN DELTA STATE.**

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### **ABSTRACT**

Employees have resigned from well-paid organization due to the leadership style of their managers. This study examines the effect of leadership style on employee satisfaction in selected small and medium scale enterprises in Delta State, Nigeria. Sixty copies of questionnaires were distributed to selected respondents in small and medium scale organizations in Delta State. Out of the sixty, fifty-one were returned and used for the analysis. This survey instrument was adapted from both the Multifactor Leadership Questionnaire (MLQ) which measures transactional and transformational leadership style and the Minnesota Satisfaction Questionnaire (MSQ) which measures employee satisfaction. The study used STATA 13.0 statistical package. The results show a positive and statistically significant relationship between employee satisfaction and leadership style when independent samples were treated separately (simple regression). However, when multiple regression models were applied both results report positive relationship but transactional leadership style now becomes statistically insignificant. It is recommended among other things that managing directors should select the right style of leadership that enhances their worker's productivity and motivation.

**Keywords:** Employee satisfaction, Motivation, Small and Medium Term Enterprises, Transformational leadership style, Transactional leadership style.

### **ABSTRAIT**

Les employés ont démissionné d'une organisation bien rémunérée en raison du style de leadership de leurs gestionnaires. Cette étude examine l'effet du style de leadership sur la satisfaction des employés dans certaines petites et moyennes entreprises de l'État du Delta, au Nigéria. Soixante exemplaires des questionnaires ont été distribués à des répondants sélectionnés dans les petites et moyennes organisations de l'État du Delta. Sur les soixante, cinquante et un ont été retournés et utilisés pour l'analyse. Cet instrument d'enquête a été adapté à la fois du questionnaire de leadership multifactoriel (MLQ) qui mesure le style de leadership transactionnel

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et transformationnel et du questionnaire de satisfaction du Minnesota (MSQ) qui mesure la satisfaction des employés. L'étude a utilisé le logiciel statistique STATA 13.0. Les resultants montrent une relation positive et statistiquement significative entre la satisfaction des employés et le style de leadership lorsque des échantillons indépendants ont été traités séparément (régression simple). Cependant, lorsque plusieurs modèles de régression ont été appliqués, les deux résultats indiquent une relation positive, mais le style de leadership transactionnel devenant désormais statistiquement non significatif. Il est recommandé, entre autres, que les directeurs généraux choisissent le bon style de leadership qui améliore la productivité et la motivation de leurs employés.

**Mots clés:** satisfaction des employés, motivation, petites et moyennes entreprises, style de leadership transformationnel, style de leadership transactionnel.

## INTRODUCTION

Organization goals are easily achieved by management if subordinates like the leadership styles of their superiors. In this regard, the success or failure of organization depends on the workforce and effectiveness of its leaders for providing direction for the workers to follow towards achieving desired organizational goals (Fiedler, 1996). Kennerly (1989) argued that if employees are satisfied by the leadership style of their managers then they will be more productive and profitable to the organization in which they work. In a nutshell, the manager who possesses a good leadership style influences the attitude of workers positively to achieve the desired goals of the organization (Skansi, 2000).

Brayfield and Crockett (1995) propounded the happy worker thesis which states that “a happy worker is a productive worker”. They argued that it can only be achieved if there is a well-known manager (leader) that directs the affairs of the organization. It can be deduced that leadership style is a major determinant of employee's satisfaction. In principle, which is also supported by existing literature “all leaders are not managers but all managers are leaders”. This assertion is correct as all management position comes with designated authority to perform leadership role in such organizations. It is the desire of every staff to get to management position and if such employee does not possess the appropriate leadership styles it will impact negatively on the organization when he subsequently becomes a manager in that organization. To buttress the above statement, studies had shown that there is tendency for low satisfaction for employees if the leadership is ineffective or inappropriate (Dieleman, Cuong, Anh & Martineau (2003); Henderson & Tulloch, 2008 and Nguyen 2011).

Several studies on the relationships between management leadership style and job satisfaction exist but very few works have focused on transformational leadership especially with reference to Small and Medium Scale Enterprises. House (1977) argued that transformational or charismatic leadership appears most appropriate when the task of followers comprises some ideological components or there is a high degree of stress and uncertainty in the organization. This study therefore focuses on the relationship between transactional and transformational leadership style and employee satisfaction in the Small and Medium Scale Enterprise in Delta State.

### **Employee Satisfaction**

Job Satisfaction is defined as the feelings and attitude employees have towards their jobs (Spector, 1997). Spector made it clear that both job setting characteristics and individual characteristics influence job satisfaction. Therefore, an effective manager should be able to know the key variables that drive job satisfaction of employees in an organization. Most studies have shown that a happy worker is more productive because he would devote more private time to his work activities. In the same vein, Bakotic (2016) quoted Napoleon who stated that “the effectiveness of the army depends on its size, training, experience and morale and specified that morale is worth more than all other factors together”. From the quotation of these military maxims, leadership style is the key variable that can make an employee have satisfaction in the job.

Armstrong (2003) believed that employees are satisfied if they have pleasant and positive attitude towards their job and are dissatisfied as a result of unpleasant and negative attitudes. In the same vein, Metwally, El-bishbishy and Navar (2014) clearly stated that job satisfaction is the employees’ feelings towards intrinsic and extrinsic components of satisfaction. And they emphasized that there are distinct differences between the intrinsic and extrinsic factors of job satisfaction. Metwally, El-bishbishy and Navar (2014) buttressed the findings of Kalleberg in 1977 by indicating that intrinsic job satisfactions are derived from what an employee experience in the job such as skill development, responsibility and others to achieve self-actualization. While extrinsic factors comprise of supervision, company policies and other external reward (like Salaries and Work law).

### **Theories of Leadership**

Leadership theories had moved through different phases from the traits theory to the transactional and transformational theory (Northouse, (2007), Doci, Stouten &Holmans (2015) and Graham, Ziegert& Capitano (2015).

The trait theory is based on the belief that leadership styles are hereditary, which suggests that leaders are born with certain qualities or characteristics common to them than others (Bryman, 1940’to 1960, the behaviourist group came to fill the gap created by the trait theory, and these made the behavioural theory to become very popular. This theory clearly states that “the effectiveness of leadership depends on the leaders’ behaviour”. In nutshell, this theory is interested in the style of the leader’s behaviour rather than its qualities or characteristics.

The trait theory and behavioural theory believed on the prototype approach “one best way” of leading without considering how situational factors can affect leadership styles. This weakness gave birth to the situational and contingencies theories of leadership (Fiedler, 1996). The situational and contingency theories suggest that it is the duty of an effective leader to understand the situation on ground before applying the appropriate strategy to deal with the situation rather than adopting previous methods to current situations (Bryman, 1993). This theory conforms to the approaches adopted by Moses in the Bible in bringing out water from the rock. Godspoke to him initially to strike the rock (Exodus 17, vr 6), while at the second stage (Numbers 20, vrs 8-11), God instructed him to speak to the rock, but he decided to use the earlier approach and struck the rock. The major setback of the trait and behavioural theory are the inability of the leader to study the situation appropriately. This weakness leads to transactional and transformational leadership theory.

### **Transactional leadership**

This leadership style is focused on staff remunerations-basic and allowances. Their relationships guided by the terms of the contract. Burns (1978,p.19) stated that “transactional leadership behaviour occurs when one person takes initiative in making contact with others for the purpose of exchange of valued things”. The valued things in this context can be reward benefits for services rendered either in cash or other benefit.

### **Transformational leadership**

Transformational leadership is defined as “subordinate rewards through their efforts and performance”. It is characterized by individual influence, intellectual stimulation and spiritual encouragement. Such leaders take individual into consideration, establish vision, trust the staff to reach their goals, create open culture etc. These categories of leaders’ support and encourage the subordinate to achieve the desired goals of the organization. Such leaders make provision for training, tools for the employee to succeed and give opportunity to contribute in decision making rather than imposing decisions on them. The emphasis of the transformational leader is the impact of the leaders on the followers. Burns (1978, p.20) describes transformational leadership behaviour as “when one or more person engages with others in such a way that leaders and followers raise one another to higher levels of motivation and morality”.

### **EMPIRICAL REVIEW**

Previous studies on the relationship between leadership styles and job satisfaction or vice versa gives inconsistent results. Spagnoli, Caetano& Santos (2012) argued that the cause of inconsistent results is due to the fact that what makes staff to be satisfied changes with time. They concluded that some staff would be satisfied in some aspect of the job and at the same time be also dissatisfied with others aspects. Another study has found positive correlation between job satisfaction and leadership styles (Voon, Lo, Ngui&Ayob (2011).Voon et al, (2011) found a strong relationship between transformational leadership style and job satisfaction in public sector organization in Malaysia. The study used salaries, job autonomy, workplace flexibility and job security as variables to represent leadership style and Job satisfaction.

Tsai and Su (2011) study on leadership styles and job satisfaction in Taiwan used the flight attendants as case study. They found a positive relationship between job satisfaction and leadership style (transformational and transactional leadership). And they concluded that the relationship between transformational leadership and job satisfaction was lower in association when compared to that of transactional leadership. Also Yousef (2000) established that leadership behaviour impacts positively on employee job satisfaction. The study concluded by advising managers to exhibit the appropriate leadership style behaviour that can influence employee to perform their job effectively.

Ram and Prabhaker (2010) studied the effect of leadership style (transformational and transactional leadership) on work related outcomes and discovered that transformational leadership has a positive relationship with job satisfaction while transactional leadership has a negative relationship with job satisfaction. In the same vein, Aruoren, Iyayi&Akinmayowa (2010) found a positive relationship between transactional and transformational leadership with organization outcome. Their study involved the decomposition of organizational outcome into job

satisfaction and organizational citizenship behaviour. Both proxies of organizational outcomes were positively correlated to transactional and transformational leadership.

Dieleman, Cuong, Anh & Martineau (2003) in their study on health care employees in Vietnam found that leadership style has a direct impact on employee satisfaction. They concluded that employee's satisfaction was affected mainly by ineffective leadership styles. Similarly, Henderson & Tulloch (2008) concluded that inadequate supervision and management was the major causes of low levels of satisfaction and high-level turnover in Asian Countries. Ho, Ledinh & Vu (2016) found a positive and statistically significant relationship between job satisfaction and transactional and transformational leadership style in their study of local companies in Vietnam. They concluded that transformational leadership was a better predictor of job satisfaction than the transactional leadership.

## **HYPOTHESES**

Emanating from the gap created in the above literature and empirical reviews, the following hypotheses were proposed for this study.

H<sub>1</sub>: Transactional leadership has a statistically significant positive relationship with employee satisfaction.

H<sub>2</sub>: Transformational leadership has a statistically significant positive relationship with employee satisfaction.

H<sub>3</sub>: Both transactional and transformational leadership have a statistically significant positive relationship with employee satisfaction.

## **METHODS**

This study used purposeful sampling techniques. It is relevant for this study since the individual (staff) selected have the useful knowledge of leadership style and job satisfaction (Light., Singer & Willett 1990). Questionnaires on leadership style administered on subjects of this study were adopted with little modification from Podsakoff, Mackenzie, Moorman & Fesltes (1990) instrument which contains variables for transactional and transformational leadership. In order to measure satisfaction, the study adopted Molero, Guarado, Navas and Mordles's (2007) employee satisfaction questionnaire design. Both the leadership style and employee satisfaction questionnaires use four (4) scale measurements. A total of 51 completed questionnaires were retrieved out of 60 administered on the respondents. The returned questionnaires were coded into Excel and transferred to STATA 13.0 for analysis. A Cronbach Alpha reliability test on the instruments reports an overall of 0.83, which we considered acceptable as it meets Nunnally (1978) minimum value of 0.70.

## **Model Specification**

The study adopted a regression model analysis to capture leadership styles and employee satisfaction.

**Model 1:**  $EMPLS = f(TNSC + U_i)$

**Model 2:**  $EMPLS = f(TNFML + U_i)$

**Model 3:**  $EMPLS = f(TNSC + TNFML + U_i)$

Where  $EMPLS$  = Employee Satisfaction.

$TNSC$  = Transactional Leadership style.

$TNFML$  = Transformational Leadership style.

## Analysis and Findings

### a) Descriptive Statistics.

The Descriptive Statistics in table 1 shows the mean values of transactional leadership style, transformational leadership style and employee satisfaction. The transactional leadership style average mean is 2.40 and it is slightly lower than the transformational leadership style having 2.42. This view of the employee over their managers and supervisors indicates that their leadership style contributes positively to employee's satisfaction. Employee satisfaction recorded an average of 2.44 is an indication that the employees are satisfied with the leadership style of their organization as it is above 2 since we used four (4) scale measurement.

Table 1:		Descriptive Statistics.			
Variable	Obs	Mean	Std. Dev	Min	Max
TNSC	51	2.395098	0.7212666	1	3.800000
TNFML	51	2.419856	0.5762138	1.0125	3.447619
EMPLS	51	2.442503	0.5634515	0.8906525	3.549912

**Source:** Authors computation extracted from STATA 13.0 (2019).

### b) Correlation Analysis.

Table 2 reports the relationship between transactional leadership style, transformational and employee satisfaction. The result shows a positive relationship between transactional leadership style and employee satisfaction; and transformational leadership style and employee satisfaction. This finding supports the works of Voon, et al (2001), Tsai and Su (2011) and Aruoren, Iyayi&Akinmayowa, (2010). It is inconsistent with the study of Ram and Prabhalar(2010) reporting a negative relationship between employee satisfaction and leadership style.

Table 2: Correlation matrix.

Variable	TNSC	TNFML	EMPLS
TNSC	1.0000		
TNFML	0.6944	1.0000	
EMPLS	0.6869	0.7717	1.0000

**Source:** Authors computation extracted from STATA 13.0 (2019).

### c). Regression Results.

The regression results which helps to establish whether there is a significant relationship between transactional leadership style and employee satisfaction is shown in table 3.

Table 3: Regression Results Emplsand Tnsc

Variable	TNSC
Coefficient	0.5365965
R-Squared	0.4718
Adj R-Squared	0.4610
F-Statistics	F(1,49) = 43.77
t- Statistics	6.62
P-Statistics	Prob>0.0000

**Source:** Authors computation extracted from STATA 13.0 (2019).

The study finds a positive and statistically significant relationship between transactional leadership style and employee satisfaction at 5 % level of significance. However, transactional leadership could only explain 47.18 percent of the variances in employee's satisfaction, thus suggesting that 52.82% cannot be explained. The reason may be due to the fact that transactional leadership style, as explained in salaries and wages alone, cannot guarantee full satisfaction of employees (Ho, et al, 2016).

Table 4 shows that there is also a statistically significant positive relationship between transformational leadership style and employee satisfaction. The study reports R-squared of 0.9943 which suggest that 99.43% of employee satisfaction is caused by transformational leadership style. The result indicates that employee satisfaction in small and medium scale enterprises in Delta State is majorly determined by leadership style of the managers and or supervisors.

Table 4: Regression Results Emplsand Tnfml

Variable	TNFML
Coefficient	0.9502077
R-Squared	0.9943
Adj R-Squared	0.9431
F-Statistics	F(1,49) = 830.07
t- Statistics	28.81
P-Statistics	Prob>0.0000

**Source:** Authors computation extracted from STATA 13.0 (2019).

Table 5 takes into consideration of the relationship between employee satisfaction and transactional and transformational leadership style. The result shows positive relationship between employee's satisfaction with both leadership styles (transactional and transformational). Though the results shown that the transactional leadership styles relationship with employee satisfaction is not statistically significant, when compared to table 3 while transformational leadership style reported statistically significant relationship as shown in table 5. The significant of table 3 and table 5 differs because table 3 involved only employee satisfaction and transactional leadership style (simple regression). Table 5 is multiple regression, since the dependent variable (employee satisfaction) is accounted for by the effect of each independent variable on the other (transactional versus transformational leadership) (Chaterjee, Hadi& Price, 2012).

Table 5: Regression Results EMPLS, TNSC and TNFML

Variable	TNSC	TNFML
Coefficient	0.0183035	0.9342985
R-Squared	0.9445	
Adj R-Squared	0.9422	
F-Statistics	F(2,48) =408.77	
t- Statistics	0.50	20.23
P-Statistics	Prob>0.622	Prob>0.000

**Source:** Authors computation extracted from STATA 13.0 (2019).

The result shows that employees in an organization where the manager had both transactional and transformational leadership style would derive more satisfaction when compared to organization where the manager has only transactional leadership style. As shown in table 3, the unexplained variation of employee satisfaction on transactional leadership style is 54% (Adj R-squared 46%) and its combination with transformational leadership style in table 5 reduces to 6% (Adj R-squared 94%).

Thus, the major finding of this study indicates that 47.18% of the variance in employee's satisfaction is explained by transactional leadership as shown in table 3, while 99.43 % of transformational leadership style explained employee satisfaction (See table 4). This implies that transformational leadership style contributed more to employee satisfaction than transactional leadership style in small and medium scale enterprises in Delta State. This finding collaborates with Ho et al (2016) reporting that transformational leadership style is a better predictor of job satisfaction when compared to transactional leadership style in Vietnam local companies. Though it is at variance with Tsai and Su (2011) which reported that transformational leadership has lower association with employee satisfaction than transactional leadership style.

## CONCLUSION AND RECOMMENDATIONS

Arising from these findings, this study concludes that transformational leadership style is the most driver of employee satisfaction when compared to the transactional leadership style. Thus, employees in Delta State need more than wages and salaries (transactional leadership style) to be satisfied. This finding is expected because the transformational leaders take the employee into consideration in making policies and formulate achievable goals.

This study recommends that managing directors should avoid recruiting managers with only transactional leadership style. This is necessary because some managers had mismanaged their organizations due to their attitude to subordinates; and can therefore not achieve the objectives of the organization, as a going concern.



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