

# THE EFFECT OF LEADERSHIP STYLE ON EMPLOYEE SATISFACTION AND PERFORMANCE OF BANK EMPLOYEES IN BANGKOK

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**Abstract:** *This paper aims to determine the effect of leadership styles on employee job satisfaction and the effect of employee job satisfaction on employee job performance. A survey was conducted by administering questionnaires to 400 respondents in the banking sector in Bangkok. The results show that most of the bank employees, most of them females between 20 and 39 years old, are neither satisfied nor dissatisfied. They are ambivalent. Transformational leadership style was seen to have a positive effect on various facets of employee job satisfaction. Transactional leadership also turned out to be perceived as having a positive effect on different facets of employee job satisfaction. So did laissez-faire leadership. Employee job satisfaction was seen to have a positive effect on the various aspects of employee job performance analyzed. It was found that leaders and managers combine the various leadership styles identified in the research paper in proportions that produce a positive result when administering their leadership duties. The proportions at which these leadership styles are combined depend on the nature of the situation they encounter in the workplace.*

**Keywords:** *Leadership, Transformational, Transactional, Laissez-faire, Satisfaction, Performance*

## 1. Introduction

Most firms and businesses consist of employers and employees or, put differently, management and staff or leaders and followers. Most of them are goal oriented. In order to achieve the desired objectives, there must be an interaction between employers and employees (or management and staff or leaders and followers).

The leadership style that characterizes the interaction between leaders (or managers) and their followers (or staff members) is most important in terms of employees' efficiency and productivity.

Employees are the workforce of any businesses and they carry out the duties required to achieve the desired objective of any firm. As Eskildsen & Nussler (2000) stated, employee satisfaction is impacted by the employees' perception of their job and the organization for which they work for. Employees' perception of leadership behavior is an important predictor of employee job satisfaction and commitment (Jaskyte, 2004). Individual perception of the organization is related to job attitudes (Morris & Bloom, 2002).

Leadership styles can either motivate or discourage employees, which in return can cause employee's increase or decrease in their level of performance. According to Schyns &

Sanders (2007), the sources of employee job dissatisfaction include inadequate salary, conflicting job demands (from the leadership) and absence of promotion prospects.

For efficiency purposes, an effective leadership style, one that positively affects employees' satisfaction and results in better performances, effectiveness and productivity is clearly desirable (Turner & Muller, 2005).

This paper aims to determine the effect of leadership styles on employee job satisfaction and the effect of employee job satisfaction on employee job performance in the banking sector in Bangkok Metropolitan Area.

The various schools of thought about leadership and leadership styles will be fully documented in the literature review part of this article. The conceptual framework and methodology will then be considered. Next, the findings will be discussed and recommendations made.

## 2. Literature Review

### - Leadership

Yukl (1994) defined leadership as the process of influence on the subordinate, in which the subordinate is inspired to achieve the target, the group maintains cooperation, and the established mission is accomplished, with support from external groups obtained. Also, Fry (2003) pointed out leadership means the use of a leading strategy to offer inspiring motives and to enhance the staff's potential for growth and development. Northouse

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(2004) again described leadership as a process whereby an individual influences a group of people to achieve a common goal.

#### - Theories of Leadership

Several schools are considered in chronological order in this part..

(i) *The Trait School*: Turner and Muller (2005) stated that this school of thought was popular before 1940's. It assumes that leaders are born, not made and that they possess certain features that are not in non-leaders.

(ii) *The Behavioral or Style School*: As Turner and Muller (2005) mentioned, this school of thought was popular from the 1940's to the 1960's. It assumes that effective leaders can be made. Anyone can be trained to be a leader.

(iii) *The Contingency School*: The contingency theory suggests that what makes an effective leader depends on the situation. House (1971) made mention of the Path-goal theory which is a contingency theory that identifies four leadership behaviors, namely, directive leaders, supportive leaders, participative leaders and achievement-oriented leaders.

(iv) *The Visionary or Charismatic School*: The visionary or charismatic school of thought was popular during the 1980's and 1990's (Turner & Muller, 2005). Under this school of thought, Burns (1979) mentioned the transactional and transformational leadership styles.

(v) *The Emotional Intelligence School*: Goleman, et al (2002) identified six leadership styles under the emotional intelligence school of thought: visionary, coaching, affiliative, democratic, pace-setting and commanding. This school of thought was popular in the late 1990's.

(vi) *The Competency School*: This school of thought is similar to the trait school in that the emphasis has been to identify the competencies of effective leaders. Dulewicz & Higgs (2003) suggested that three types of competence explain most managerial performance: intellectual and managerial skills and emotional competencies which can be translated into leadership styles.

This article will focus on three leadership styles: transformational leadership, transactional leadership and laissez-faire leadership styles:

(i) *Transformational Leadership Style*: This is a leadership style that motivates followers by appealing to higher ideals and moral values

which can inspire employees to perform beyond expectations and transform both individuals and organizations (Bass, 1985).

(ii) *Transactional Leadership Style*: This leadership style is based on bureaucratic authority and legitimacy within the organization. It emphasizes work standards, assignments and task-oriented goals. It focuses on task completion and employee compliance and relies on organizational rewards and punishments to influence employee performance (Burns, 1979).

(iii) *Laissez-Faire Leadership Style*: This leadership style is characterized by a total or general failure to take responsibilities for managing (Bass, 1999).

#### - Employee Satisfaction

Employee Satisfaction is the way people feel about their jobs and the different aspects of their jobs (Spector, 1997). Spector added that employee or job satisfaction is an important concern in every organization since it focuses on both humanitarian and utilitarian perspectives. According to the humanitarian perspective, people deserve to be treated fairly and with respect. The utilitarian perspective proposes that employee or job satisfaction can lead to employee behaviors that affect organizational functioning and performance.

Herzberg (1959) stated that hygiene factors which include supervision, salary, company policy and administration, relationship with peers, working conditions, personal life and security as well as motivation factors which include recognition, responsibility, achievement and the work itself affect job satisfaction.

#### - Employee Performance

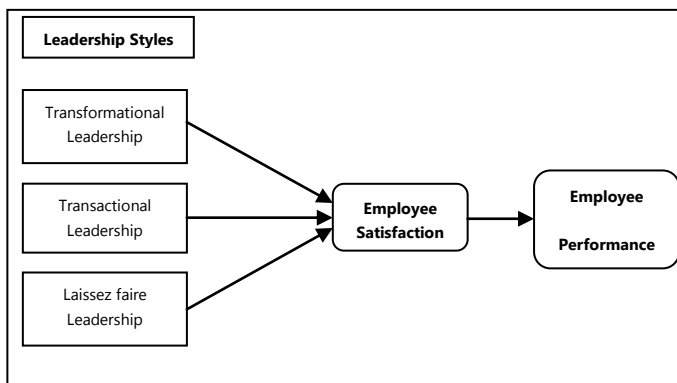
Employees require the proper working conditions to perform better. A proper working condition will encourage employees to put up the right attitudes or behavior to their job. Employee commitment which consists of organizational and job commitment is positively related to job satisfaction, supervisory support and organizational career support (Allen, Drevs & Ruhe, 1999). Employees who find their organization's image attractive and/or positively evaluate their job performance in the organization are likely to exhibit a high level of both internal job satisfaction and organizational commitment (Yurchisin & Park,

2010).

### 3. Conceptual Framework and Research Methodology

As the conceptual framework shown below indicates, the independent variables are the leadership styles and employee satisfaction the dependent variable. However, employee satisfaction is also an independent variable with employee performance the dependent variable in this case.

Figure 1: Conceptual Framework



Source: Created by the author for this study

On the basis of the conceptual framework, the following four hypotheses were developed:

- Hypothesis 1: According to the null hypothesis (Ho), the effect of Transformational leadership style on employee satisfaction is insignificant while according to the alternative hypothesis (H1), the effect of Transformational leadership style on employee satisfaction is significant.
- Hypothesis 2: According to the null hypothesis (Ho), the effect of Transactional leadership style on employee satisfaction is insignificant while according to the alternative hypothesis (H1), the effect of Transactional leadership style on employee satisfaction is significant.
- Hypothesis 3: According to the null hypothesis (Ho), the effect of Laissez-faire leadership style on employee satisfaction is insignificant while according to the alternative hypothesis (H1), the effect of Laissez-faire leadership style on employee satisfaction is significant.
- Hypothesis 4: According to the null hypothesis (Ho), the effect of employee

satisfaction on employee performance is insignificant while according to the alternative hypothesis (H1), the effect of employee satisfaction on employee performance is significant.

#### - Data Collection

Primary data was obtained by issuing questionnaires to respondents in the Bangkok Metropolis Area (BMA). The respondents are banks employees who are working in different branches of different banks in Bangkok. The sample size consists of 400 respondents who represent the banking sector of the Thai economy.

#### - Analysis of Variance (ANOVA)

Given the presence of multiple dependent variables, this research uses MANOVA to analyze the effect of leadership styles on employee satisfaction and employee performance. The data to be analyzed with regard to the effect of leadership styles on employee job satisfaction involves 10 dependent variables. As to the effect of employee job satisfaction on employee performance, it involves 5 dependent variables.

### 4. Results and Discussion

Table 1: Transformational Leadership

Dependent Variable	Idealized Influence Sig Value	Inspirational Motivation Sig Value	Intellectual Stimulation Sig Value	Individualized Consideration Sig Value
Pay	.033*	.068	.266	.299
Promotion	.374	.376	.497	.169
Supervision	.030*	.627	.002**	.834
Fringe Benefits	.001*	.002**	.062	.343
Contingent Reward	.967	.101	.770	.499
Operating Reward	.001*	.107	.863	.678
Coworkers	.470	.507	.244	.131
Nature of work	.054	.363	.170	.281
Communication	.090	.131	.294	.565
Total Satisfaction	.236	.493	.530	.051

\*\* = significant at 0.05 confidence level

As indicated in Table 1, Idealized Influence has a significant effect on Pay, Supervision, Fringe benefits and Operating rewards since the P-value is less than 0.05 confidence level. Inspirational motivation has a significant effect on fringe benefits and Intellectual Stimulation a significant effect on Supervision. Individual Consideration, on the other hand, has no significant effect.

**Table 2: Transactional Leadership**

Dependent Variable	Contingent Reward Sig Value	Management by exception Sig Value
Pay	.073	.293
Promotion	.153	.061
Supervision	.003**	.002**
Fringe Benefits	.000**	.417
Contingent Reward	.000**	.085
Operating Reward	.060	.128
Coworkers	.062	.002**
Nature of work	.118	.390
Communication	.004**	.033**
Total Satisfaction	.997	.688

\*\* = significant at 0.05 confidence level

As shown in Table 2, Contingent Reward has a significant effect on Supervision, Fringe benefits, Contingent rewards and Communication since its P-value is less than 0.05 confidence level. Management by exception has a significant effect on Supervision, Coworkers and Communication since its P-value is less than 0.05 confidence level.

**Table 3: Laissez-faire Leadership**

Dependent Variable	Laissez faire Sig. Value
Pay	.555
Promotion	.000**
Supervision	.001**
Fringe Benefits	.142
Contingent Reward	.002**
Operating Reward	.355
Coworkers	.000**
Nature of work	.111
Communication	.007**

Total Satisfaction	.011**
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\*\* = significant at 0.05 confidence level

Laissez-faire has a significant effect on Promotion, Supervision, Contingent rewards, Coworkers, Communication and Total satisfaction since its P-value is less than 0.05 confidence level.

**Table 4: Effect of Employee Job Satisfaction on Employee Performance**

Dependent Variable	Pay Sig Value	Supervision Sig Value	Contingent Reward Sig Value	Operating Reward Sig Value	Coworkers Sig Value	Nature of work Sig Value	Total Satisfaction Sig Value
Relevance of job satisfaction to job performance	.032**	.896	.233	.001**	.822	.008*	.680
Importance of motivation and rewards to job performance	.361	.451	.013**	.311	.000**	.014*	.000**
Important of job standards	.652	.009**	.001**	.034**	.131	.000*	.000**
Job performance measurement	.016**	.002**	.450	.883	.616	.543	.278
Retention policy in the organization	.182	.493	.000**	.740	.005**	.236	.526

\*\* = significant at 0.05 confidence level

As can be seen in Table 4, Pay has a significant effect on the relevance of Job Satisfaction to Job Performance and also on Job performance measurement. On the other hand, Supervision has a significant effect on the importance of job standards and Job performance measurement. Their P-values are less than 0.05 confidence level.

Contingent reward has a significant effect on the relevance of Job satisfaction to Job performance as well as on the importance of motivation to job performance and retention policy. Operating reward has a significant effect on the relevance of Job satisfaction to Job performance and on the importance of job standards. Their P-values are less than 0.05 confidence level.

Coworkers have a significant effect on the importance of motivation to job performance. Likewise, the Nature of work has a significant effect on the relevance of Job satisfaction to Job performance as well as on the importance of motivation to job performance and on the importance of job standards. Total satisfaction has a significant effect on the relevance of Job satisfaction to Job performance and on the importance of Motivation to Job performance. Their P-values are less than 0.05 confidence level.

## 5. Conclusion and Recommendations

The findings in this study show that managers (leaders) in the banking sector in Bangkok combine various aspects or factors of leadership styles which depends on the working environment in which they operate. As seen in the tables above, using various leadership styles produces various effects on job satisfaction and job satisfaction on the other hand affects employee performance.

Transformational leadership was seen to have a positive effect on the significant subscales of job satisfaction. Transactional leadership also had a positive effect on the significant subscales of job satisfaction and laissez-faire leadership had a positive effect as well on the significant subscales of job satisfaction. The subscales of Job satisfaction that were significant to Job performance were seen to have a positive effect on job performance.

Since various factors of leadership styles affect various aspects of employee job satisfaction, which in turn affect job performance, managers, supervisors, leaders and organizational heads should not stick to only one form of leadership style. A combination of the various leadership styles will bring more satisfaction and enhance employee performance. They should therefore

find the appropriate combinations of the leadership styles that would achieve the organizational goals together with the individual targets or objectives of the employees.

### - Limitations of the Study

Some of the respondents' failure to fill the questionnaires without making sure that the information was correct on the one hand and time constraints on the other were the two main limitations encountered in conducting this research paper.

### - Further Research

Further research could be conducted on the effect of leadership styles on employee job satisfaction and performance in other sectors of the Thai economy. Research could also be conducted on the same sector but outside of the Bangkok Metropolitan Area.

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