

## **Transformational Leadership in Jordanian Banks: A Study of Job Satisfaction and Self-Perceived Performance of Employees**

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### **ABSTRACT**

This study tested the transformational leadership theory among managers at the functional level in Jordanian banks. It examined the effects of both transformational and transactional leadership styles of bank managers/supervisors on employees' satisfaction and self-perceived performance. Self-efficacy, self-esteem and leadership disposition (Romance of Leadership) of employees were hypothesized to act as moderators. Data were collected from employees working in Jordanian banks. A multiple regression analysis indicated that transformational leadership style, transactional leadership style, and self-efficacy were all related to job satisfaction. On the other hand, self-efficacy, Romance of Leadership (RLS), and self-esteem were related to self-perceived performance. Furthermore, a MANCOVA analysis indicated significant effects of self-efficacy, RLS, and self-esteem as covariates. Results showed that to elicit higher levels of satisfaction among bank employees, managers/supervisors need to demonstrate transformational and transactional attributes at the same time.

### **INTRODUCTION**

The study of charismatic and transformational leadership styles and their impact on organizations has attracted considerable research interest (Bass, 1985; Conger and Kanungo, 1987; House, 1977). The charismatic (Awamleh and Gardner, 1999; Conger and Kanungo, 1994), transformational, and transactional (Bass and Avolio, 1993) are all dependent on perceptions. Across all of the "new leadership" approaches, as Bryman (1992) calls them, charisma remains a cornerstone. Indeed, charisma is a major component of all prominent transformational and transactional theories of leadership (Bass, 1985).

A number of critical organizational outcomes have been associated with these leadership styles, such as: satisfaction, organizational performance, group

performance, and commitment (Kirkpatrick and Locke, 1996). These results have also been validated across cultures and in different settings (Al-Dmour and Awamleh, 2002). The impact of charismatic/transformational leadership styles on followers' effectiveness and motivation has also been documented (Bass and Avolio, 1990; 1994). In spite of this, the effects of managerial leadership styles -from transformational and transactional perspectives- have not been examined in banks, which is a gap that this paper attempts to fill. The researchers designed a study to assess the effects of transformational leadership styles as opposed to transactional on bank employees' self-perceived performance and job satisfaction. Additionally, several possible moderating variables are considered. These are self-efficacy, (Gist and Mitchell, 1992), self-esteem (Rosenberg, 1979), and Romance of Leadership (Meindl, 1995).

### **Research Objectives**

The objectives of this research project are as follows:

- 1- Identifying the leadership styles at the functional

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level (bank branch and department managers/supervisors) in Jordanian Banks.

- 2- Investigating the influence of bank branch and department managers/supervisors leadership styles on employees' job satisfaction and self perceived performance.
- 3- Constructing a model to explain bank employees' satisfaction and performance and thus providing bank branch and department managers/supervisors with practical recommendations on how to successfully lead their staff.
- 4- Testing the possible effects of self-esteem, self-efficacy, and leadership disposition (Romance of Leadership) on satisfaction and performance.

### Literature Review

#### Origins of Charisma

The word charisma comes from the Greek word that means gift of grace. Charismatic authority is derived from faith in the leader's exemplary character (Conger and Kanungo, 1987). Furthermore, "the charismatic is set apart from ordinary men and treated as endowed with supernatural, superhuman, or at least... exceptional powers and qualities... [which] are not accessible to the ordinary person but are regarded as of divine origin or as exemplary, and on the basis of them the individual concerned is treated as a leader" (Weber, 1968:63).

Max Weber, the renowned German thinker, views charismatic authority as very unique because it is revolutionary by definition. It attempts to radically alter and shape current realities. Moreover, charismatic authority is in sharp contrast with rational and traditional authorities. They are forms of routine and bound by precedents and tradition, whereas charisma is not. Ultimately, the success of charismatic relationship depends on followers as well as leaders (Bass, 1985). Indeed, to a large extent, the degree to which followers display admiration, affection and trust depends on the leader's personality and their perceptions of it.

While working to advance a model of charismatic leadership, House (1977) proposed a set of testable hypotheses about the leader personal characteristics, leader behaviors, and their effects on followers. According to House (1977), the personal characteristics of the charismatic leader include a high degree of self-confidence, strong moral convictions, and a tendency to influence others as well as engaging in impression

management behaviors to boost trust and confidence in the leader. Furthermore, the articulation of a mission, setting challenging goals, and arousing motives are also important.

#### Transformational and Transactional Leadership

In his efforts to build on Burn's (1978) work, Bass (1985) proposed a new theory of transformational leadership and outlined its components. To understand transformational leadership, we must differentiate it from transactional leadership. Transactional leadership is based on the exchange process where the leader administers rewards and sanctions. One way or another, the leader and follower agree, explicitly or implicitly, that desired follower behaviors will be rewarded, while undesirable behaviors will draw out punishment. Potential rewards include an increase in salary, promotions, and more benefits. Conversely, penalties may include pay cuts, demotions, and terminations.

It can be seen that this type of leadership is not satisfactory for most situations. Undeniably, one could say that transactional leadership behaviors do not even qualify for a "true" leadership label (Bryman, 1992). Since it is based on exchange, transactional leadership does not seek to motivate followers beyond the level that is required to avoid punishment or gain extrinsic rewards. In sum, complete dependence on this leadership style may cause performance and satisfaction to suffer (Bass, 1985; Bryman, 1992; Burns; 1978; Peters and Austin, 1985). It is with this realization that transformational leadership becomes critical. It is thought to achieve remarkable levels of performance from followers. It engages followers by appealing to their upper level needs (e.g., self-actualization) and ideals that yield higher levels of follower satisfaction, performance, and organizational commitment (Bass, 1985; Bryman; 1992).

Even though Burns and Bass agree on the definitions of transactional and transformational leadership, they hold contrasting views on the relationship between these two constructs. Burns (1978) on one hand viewed them as opposite ends of a continuum, Bass (1985) on the other saw them as being more closely related. Bass maintains that leaders, to be effective, will exhibit aspects of both transactional and transformational leadership. To Bass, transformational leadership is more concerned with developing followers to their fullest potential (Bass and Avolio, 1990), whereas the focus of transactional leadership is on satisfying basic follower needs.

Empirical evidence offers support for Bass's view that to maximize their effectiveness, leaders should exhibit both transformational and transactional behaviors (Avolio, Waldman, and Einstein, 1988; Waldman, Bass, and Yammarino, 1989). This suggests that when it is appropriate to do so, transformational leaders should be capable of engaging in transactional behavior. Therefore, transformational leadership does not serve as a substitute for transactional leadership; rather, it builds upon and augments transactional leadership in achieving desired goals (Bass and Avolio, 1990).

As modeled by Bass, transactional leadership is comprised of two fundamental dimensions: contingent reward and management-by-exception, while transformational leadership is comprised of four central components: charisma, inspiration, individualized consideration, and intellectual stimulation. A brief description of each of these components is provided below.

**Contingent Reward:** Here, the leader and follower have a mutual understanding of the rewards or sanctions for performance or non-performance. The emphasis is on completing tasks that have been agreed upon based on previous expectations. In effect, the leader relies heavily on using contingent positive and negative reinforcement (Bass, 1985).

**Management-by-Exception:** The leader takes action only when major deviations from plans are evident.

**Charisma:** It is the key component of transformational leadership. Charisma generates profound emotional connection between the leader and follower and it creates excitement about the mission (Bass, 1985). To become transformational, charismatics must both raise awareness of problems and expectations about the ability of followers to deal with them. Charisma is operationalized through vision where the charismatic leader earns the respect and trust of followers, which leads to the acceptance of challenging goals (Bass and Avolio, 1990).

**Inspiration:** Inspiration is a key aspect of the charismatic relationship. Inspirational leaders communicate their vision with optimism and enthusiasm. They also use symbols to heighten awareness of desired goals (Bass and Avolio, 1990). Although inspiration was

initially viewed as a component of charisma, in Bass's more recent writings, inspiration is treated as a separate dimension.

**Individualized Consideration:** Here, the leader gives personal attention to his or her followers by treating them "differently but equitably" (Bass and Avolio, 1990). In exhibiting individualized consideration, the leader first diagnoses the individual needs and abilities of followers. Then, in attending them, he or she may take on the roles of mentor, counsellor, or coach. Furthermore, to encourage followers to assume additional responsibility, the leader uses delegation. It should be mentioned that this component is similar to the consideration component of leadership style identified through the Ohio State studies (Bryman, 1992).

**Intellectual Stimulation:** Intellectual stimulation develops followers to think on their own and analyze problems from their personal perspectives. In focusing on intellectual stimulation, transformational leaders encourage creativity, innovation, and challenge conventional wisdom. These leaders stress the utilization of both logic and intuition to solve problems (Bass and Avolio, 1990).

To systematically and reliably measure the components of transformational and transactional leadership, Bass (1985) developed the Multifactor Leadership Questionnaire (MLQ). Since its development, the MLQ has received extensive evidence of its reliability and validity, and is commonly used in leadership research (Bryman, 1992).

### **Self-Esteem**

Wells and Marwell (1976) define self-esteem as being a set of attitudes and beliefs that a person brings with him or herself when facing the world. Self-esteem is commonly addressed in management research. It has been used to explore such areas as conformity, responses to threats, social participation, competitive behavior, and causal attributions. Moreover, it has been studied under a variety of labels. Some of the related terms include self-love, self-confidence, self-respect, and self-worth. High self esteem is associated with risk taking, job satisfaction, and low inclination to please others (Brockner, 1988).

### **Self-Efficacy**

Self-efficacy refers to an individual's belief that he or

she is capable of performing a task (Bandura and Gist, 1987). self-efficacy has been shown to positively relate to exerting extra effort at work, number of attempts to solve a problem or perform a task. Accordingly, it is linked to self-confidence and attitudes toward work (Lock, Fredrick, Lee, and Bobko, 1992).

### Romance of Leadership

This construct refers to the generalized beliefs that individuals have regarding the significance of leadership to organizations which may influence how they see their leaders (Meindl, Ehrlich, and Dukerich, 1985). Consequently, these beliefs enhance followers' perceptions of charismatic/transformational qualities. To investigate this proposed individual difference, Meindl and Ehrlich (1988) developed the Romance of Leadership Scale (RLS). However, up to this point, only inconclusive empirical evidence is available regarding this concept (Al-Dmour and Awamleh, 2002; Awamleh and Gardner, 1999; Meindl, 1988).

### Problem Definition

As mentioned earlier, this study is conducted to address some key questions by examining transformational and transactional leadership styles in a banking setting. It would be worth finding if the normal effects of transformational and transactional leadership styles hold in such a situation. Other questions include: 1) to what extent are these leadership styles present at the functional level in Jordanian banks? 2) is there any relationship between a particular leadership style of bank managers/supervisors and bank employees' who perceived job performance and/or job satisfaction? and finally, 3) are there any effects for the individual differences of self-esteem, self-efficacy, and leadership disposition on bank employees' performance and satisfaction?

### Hypotheses

To answer the questions posed by the authors, and based on the review of literature, the following hypotheses were advanced:

**H1:** There is a significant relationship between transactional leadership style of bank managers/supervisors and bank employees' a) job satisfaction, and b) self-perceived performance.

**H2:** There is a significant relationship between transformational leadership style of bank managers/supervisors and bank employees' a) job satisfaction, and b) self-perceived performance.

**H3:** There is a significant relationship between individual differences of bank employees' (Self-esteem, self-efficacy, and RLS) and their a) job satisfaction, and b) self-perceived performance.

**H4:** The relationship of leadership styles of bank managers/supervisors and a) job satisfaction, and b) self-perceived performance, of bank employees is moderated by individual differences (Self-esteem, self-efficacy, and RLS).

### Method

#### Population, Sample and Subjects

Population of this study consisted of all national Jordanian commercial banks which are 14. Up to date information was collected about these banks including street addresses, phone numbers and contact information. They were all contacted regarding possible participation in this study. Out of the total number, 10 agreed to take part in the study. A total of 280 questionnaires were distributed by hand. The number of questionnaires for each bank was determined by the size of its workforce. Subjects were employees in non-managerial positions working full time. One hundred and seventy six questionnaires were returned (picked up by hand from banks) which is 62%, out of these 155 were used and the remaining were excluded for missing data or because they were filled out by someone other than the intended subject resulting in 55% accurate reply rate (66% of the respondents were males; 54% had more than 5 years experience). Data collection took four months.

#### Measures

To measure subjects' perceptions of transformational and transactional leadership styles, the Multifactor Leadership Questionnaire (MLQ-5x/Short Form) (Bass and Avolio, 1995) was employed. For the purpose of this study, four subscales were loaded together and used as a measure for transformational leadership (Charisma, e.g., "the sales manager instills pride in being associated with him", Inspiration, e.g., "the sales manager talks enthusiastically about what needs to be accomplished", Individualized Consideration, e.g., "the sales manager helps me develop my strengths", and Intellectual

Stimulation, e.g., “the sales manager seeks different perspectives when solving problems”), a total of 21 items. While transactional leadership style was measured by two subscales (Contingent Rewards, e.g., “the sales manager provides me with assistance in exchange for my efforts”, and Management-by-Exception, e.g., “the sales manager waits to take action until things go wrong”), a total of 7 items.

An eleven-item scale based on Bandura and Gists’ (1987) conceptualizations was developed to assess self-efficacy. Expert judges were asked to comment on the face validity of the designed instrument and their feedback resulted in re-shaping of the scale prior to administering it. Examples of items include “I can solve difficult problems at work by increasing my efforts”, “I know how to deal with new situations”, and “I find solutions to work problems”.

To measure self-esteem, Rosenberg’s (1979) 10-item scale was adopted. Example items of this scale include, “I feel I have a number of good qualities”, “I am able to do things as well as most other people”, and “At times, I think I am no good at all”. As for the last individual difference, Romance of Leadership, the RLS scale developed by Meindl and Ehrlich (1988) was adopted. The original Scale contained 32 items. However, several versions of RLS have appeared since its development. The current study used Form C (RLS-C), which has 11 items. Examples of items include, “when it comes right down to it, the quality of leadership is the single most important influence on the functioning of an organization”, “the process by which leaders are selected is extremely important”, and “a company is only as good as its leaders”.

The authors developed two instruments to measure the dependent variables. Job satisfaction was assessed by a 14-item scale covering areas normally tapped in organizational behavior research. Examples of items include, “In general, I am satisfied with work”, “I find that my opinions are respected at work”, and “My job provides me with adequate financial rewards”. As for the self assessed performance scale, it is comprised of 5 items such as “I consider my performance better than the average sales person in my company”, and “I always reach my sales targets”.

The entire set of these scales was included in one questionnaire. They all used a unified 5 point (strongly agree to strongly disagree) Likert scale. The questionnaire included a total of 82 items.

## RESULTS

### Scale Reliabilities

Before testing for relationships in data, scale reliability coefficients (Cronbach Alphas) for all measures adopted in this study were computed. Nunnally (1978) maintains that reliabilities which are less than 0.6 are considered poor, those in the 0.7 range are acceptable, while those above 0.8 are good. Results showed that the transformational leadership style scale reliability estimate is 0.96, and that of transactional is 0.80. Job satisfaction scale showed a reliability of 0.82, while performance scored 0.74. Reliabilities for self-efficacy, self-esteem, and RLS were 0.91, 0.81, and 0.85 (one item deleted), respectively.

### Correlations

Intercorrelations among all variables used in this study are summarized in Table (1). It is noted that the dependent variables are somewhat strongly correlated ( $r = 0.56, p < 0.001$ ), which would be expected. It is also worth mentioning that transformational and transactional styles of leadership are highly correlated ( $r = 0.87, p < 0.001$ ), which is not surprising given the fact that they are supposed to act as paired and not as contradictory factors.

### Hypotheses Testing: Multiple Regression and Partial Correlation Results

Two multiple regression models were run in order to test the first three hypothesis. Table (2) shows results of the multiple regression test with self-perceived job performance ( $m = 4.06; SD = 0.69$ ) acting as the dependent variable and entering transformational leadership ( $m = 3.52; SD = 1.02$ ), transactional leadership ( $m = 3.27; SD = 0.86$ ), self-efficacy ( $m = 4.07; SD = 0.59$ ), self-esteem ( $m = 4.03; SD = .65$ ), and RLS ( $m = 4.09; SD = 0.60$ ) as factors. The overall model is significant at  $p < 0.001$ . Multiple regression revealed significant impact of RLS ( $p < 0.001$ ), self-esteem ( $p < 0.05$ ), and self-efficacy ( $p < 0.001$ ). Conversely, transformational leadership and transactional leadership failed to show any significant relationship with job performance.

Results of the second multiple regression are shown in Table (3). Here, the test was conducted with job satisfaction ( $m = 3.44; SD = 0.82$ ) as the dependent variable while self-esteem, RLS, self-efficacy, transformational leadership, and transactional leadership

all entered as factors. Like the first test, the overall model is significant at  $p < 0.001$ . Transformational leadership style showed significance at the  $p < 0.05$  level, as well as self-efficacy at the  $p < 0.001$ . However, self-esteem, RLS, and transactional leadership showed no relationship.

To test the remaining hypothesis, a partial correlation is run controlling for self-esteem, RLS, and self-efficacy (Table 4). Compared to inter-correlations presented in Table (1), it is witnessed that correlations, albeit still significant, are greatly reduced in all cases with no exception. Two correlations worth noting here. The first is between transformational leadership style and performance ( $r = .01$ , *non-significant*) and the other is between transactional leadership style and performance ( $r = .05$ , *non-significant*) which is very consistent with findings of the multiple regressions presented earlier where performance was not at all related to neither leadership styles.

#### **Hypothesis Testing: MANCOVA Results**

To further explore data, Multivariate Analysis of Variance (MANOVA) and Multivariate Analysis of Covariance (MANCOVA) were utilized. These can be used to supplement the results of multiple regression and to test individual differences of the covariates. In order to carry out this operation, transformational and transactional leadership styles must be represented as dichotomous and not as continuous variables. Accordingly, the median for the transformational leadership variable was extracted (*median* = 3.65) as well as for the transactional leadership variable (*median* = 3.43). This resulted in splitting each variable in either *High* or *Low* condition. Specifically, high transformational leadership style (*observations*  $\geq 3.65$ ) and low transformational leadership style (*observations*  $< 3.65$ ) were created. Transactional leadership style was similarly treated by split-half.

MANCOVA was run where both self-perceived performance and job satisfaction entered as dependent variables. The independent variables were transformational leadership style (*High versus Low*) and transactional leadership style (*High versus Low*). Additionally, self-esteem, self-efficacy, and RLS were all used as covariates for this model. Table (5) above presents results of the general MANCOVA model. We see that the overall model is significant as entered ( $F$  is significant at the 95% confidence level) for both

dependent variables.

Results of between-subjects effects test are presented in Table (6). The results confirm the outcomes of regression analysis except that here transactional leadership is significantly related to satisfaction at  $p < 0.05$  level.

## **DISCUSSION**

Results of the statistical analysis provide partial support for some hypotheses and full support for others. Explicitly, multiple regression test results indicate that Hypothesis 1 (a and b) is not supported where transactional style of leadership of bank managers/supervisors is not significantly related to neither bank employees' self-perceived performance nor to their satisfaction. However, when transactional leadership was split into high versus low conditions, the multivariate analysis showed significant relationship with satisfaction. Hypothesis 2a, however, had a clear support from both the multiple regression and the multivariate analysis where transformational leadership style of bank managers/supervisors is directly related to bank employees satisfaction on the job. Similar to Hypothesis 1b, Hypothesis 2b was not supported. In sum, both leadership styles, and in varying degrees, are significantly related to satisfaction but not to self-perceived performance.

The third hypothesis received mixed support. Multiple regression revealed that RLS, self-efficacy, and self-esteem all are significantly related to job performance, whereas self-efficacy alone is significantly related to job satisfaction. As for the fourth hypothesis, partial correlation controlling for all three individual differences revealed a weaker correlation between dependent and independent variables in all cases. This indicates that RLS, self-esteem, and self-efficacy taken together positively mediate that relationship to a great extent. However, partial correlations alone provide us with limited evidence. Here is where MANCOVA results become critical. It confirmed, in the general model, our earlier interpretation that the individual differences (covariates) taken together are significant moderators. Nevertheless, taken separately, they vary in their impact. When performance is the dependent variable, all covariates are significant, but when satisfaction acts as our dependent variable, only self-efficacy comes out as a significant covariate.

**Table 1. Intercorrelations of Self-Esteem, Self-Perceived Performance, RLS, Job Satisfaction, Self-Efficacy, Transactional Leadership, and Transformational Leadership.**

	1	2	3	4	5	6
1. Self-Esteem						
2. Performance	0.40**					
3. RLS	0.39**	0.50**				
4. Satisfaction	0.19*	0.56**	0.38**			
5. Self-efficacy	0.40**	0.57**	0.50**	0.48**		
6. Transactional	0.10	0.32**	0.48**	0.51**	0.37**	
7. Transformational	0.19*	0.32**	0.56**	0.53**	0.37**	0.87**

\*correlation is sig. at  $p < 0.05$ .

\*\*correlation is sig. at  $p < 0.01$ .

**Table 2. Multiple Regression, Self-Perceived Performance is Dependent Variable.**

<b>Dependent variable ... Performance</b>					
<b>Multiple R</b> 0.643		<b>R Square</b> 0.413		<b>Adjusted R Square</b> 0.394	
<b>Standard Error</b> 0.53860					
<b><u>Analysis of Variance</u></b>					
	<b>DF</b>	<b>Sum of Squares</b>		<b>Mean Square</b>	
<b>Regression</b>	5	30.441		6.088	
<b>Residual</b>		43.223	43.223	0.290	
F = 20.987		Sig. F = 0.0000			
<b><u>Variables in the Equation</u></b>					
Variable	<b>B</b>	<b>SE B</b>	<b>Beta</b>	<b>T</b>	<b>Sig.</b>
Self-Esteem	0.183	0.075	0.173	2.426	0.016
RLS	0.290	0.097	0.252	2.993	0.003
Self-Efficacy	0.423	0.090	0.363	4.681	0.000
Transactional	0.111	0.106	0.138	1.044	0.298
Transformational	0.072	0.93	0.107	0.776	0.493
(Constant)	0.310	0.380		0.815	0.416

**Table 3. Multiple Regression, Job Satisfaction is Dependent Variable.**

<b>Dependent variable ... Satisfaction</b>					
<b>Multiple R</b>	0.616	<b>R Square</b>	0.379	<b>Adjusted R Square</b>	0.359
<b>Standard Error</b>	0.65765				
<b><u>Analysis of Variance</u></b>					
	<b>DF</b>	<b>Sum of Squares</b>	<b>Mean Square</b>		
<b>Regression</b>	5	39.396	7.879		
<b>Residual</b>	149	64.444	0.433		
<b>F = 18.217</b>	<b>Sig. F = 0.0000</b>				
<b><u>Variables in the Equation</u></b>					
Variable	B	SE B	Beta	T	Sig. T
Self-Esteem	0.011	0.092	0.009	0.123	0.902
RLS	0.022	0.118	0.016	0.187	0.852
Self-Efficacy	0.448	0.110	0.324	4.061	0.000
Transactional	0.115	0.130	0.121	0.884	0.378
Transformational	0.256	0.113	0.320	2.257	0.025
(Constant)	0.483	0.464		1.042	0.299

**Table 4. Partial Correlations Controlling for Self-Esteem, RLS, and Self-Efficacy.**

	1	2	3
1. Performance			
2. Satisfaction		0.38**	
3. Transactional	0.05	0.37**	
4. Transformational	0.01	0.40**	0.83**

\*\*correlation is sig. at  $p < 0.01$

**Table 5. MANCOVA. Self-Esteem, Job Satisfaction, and Self-Efficacy As Covariates.**

<i>Multivariate Analysis of Covariance</i>				
<b>EFFECT ... WITHIN + RESIDUAL Regression</b>				
<b>Multivariate Tests of Significance</b>				
<b>Test</b>	<b>Value</b>	<b>Approx. F</b>	<b>Hypoth. DF</b>	<b>Sig. of F</b>
<b>Wilk's</b>	0.951	3.747	2.00	0.026
<b>Univariate F-test</b>				
<b>Variable</b>	<b>F</b>		<b>Sig. of F</b>	
<b>Performance</b>	17.602		0.000	
<b>Satisfaction</b>	15.420		0.000	

**Table 6. General MANCOVA Results - Individual Univariate of Performance and Satisfaction.**

*Tests of Between – Subjects Effects*

Source	Dependent Variable	F	Sig.
Corrected Model	Performance	17.602	0.000
	Satisfaction	15.420	0.000
Intercept	Performance	1.215	0.272
	Satisfaction	7.545	0.007
Self-Efficacy	Performance	22.104	0.000
	Satisfaction	17.562	0.000
Self-Esteem	Performance	5.994	0.016
	Satisfaction	.164	0.683
RLS	Performance	9.206	0.003
	Satisfaction	0.016	0.899
Transformational	Performance	0.424	0.516
	Satisfaction	6.632	0.011
Transactional	Performance	1.641	0.202
	Satisfaction	8.287	0.005
Transformational * Transactional	Performance	3.68	0.545
	Satisfaction	0.273	0.602

**Effects of Transformational Leadership**

Findings of this study confirm that transformational leadership style of bank managers will boost employees’ job satisfaction. When managers operationalize charisma and utilize inspiration, individualized consideration, and intellectual stimulation they elicit positive reactions from employees. Seemingly, such transformational qualities do indeed stimulate higher level needs of followers and result in feelings of satisfaction. This finding is supported by rationale of other leadership researchers (Bass and Avolio, 1990). The attention that managers give to employees will be reflected in their general positive attitude toward work and work conditions, which in turn increases job satisfaction. However, transformational leadership came out as unrelated to employees’ self-perceived performance, unlike what we predicted earlier. This result will be discussed further in the combined effects section.

**Effects of Transactional Leadership**

Only high conditions of transactional leadership style are positively related to employee satisfaction in this study. This illustrates that followers in banks value being rewarded for good task performance while having some degree of independence (i.e., management-by-exception leadership style). They seem to respond positively to a manager who clearly spells out performance targets and

expectations thereby making patent performance-reward linkages. Moreover, such a leader seems to be greatly appreciated in the banking environment where the majority of tasks are highly standardized and routinized, and as a result they look for space and flexibility in the process of performing tasks.

**Combined Effects of Transformational and Transactional Leadership Styles**

In order to understand the results so far, it is imperative that we turn our attention to the whole model. Based on theory and earlier empirical studies, we predicted both independent variables to be significantly related to satisfaction and performance since we view both leadership styles to be complementary as was shown in a recent study (Al-Dmour and Awamleh, 2002). However, results clearly show that both transformational and transactional styles are only positively and significantly related to satisfaction and not performance. Indeed, this is a major result that requires explanation. Our interpretation of this result rests upon the fact that the functional operations of a bank are specialized and standardized to a high degree, especially at the processing level to which subjects belonged, which leaves no room for high variations in performance. Individual performance, is for the most part, determined by the flow of work, (e.g., bank tellers) more than with the input of

their managers especially on daily or weekly basis. Of course, as the performance in this study is self assessed, it reflects only what employees perceive as the role of their manager. On the other hand, satisfaction is significantly influenced by both leadership styles where they seem to truly complement each other. Evidently, bank employees saw them as such. While they perceived their performance to be less impacted by the manager, they attributed a part of their satisfaction to him/her. In such a routine and programmed environment, satisfaction becomes a result of appealing to higher needs which helps to overcome the routine. In addition, it is also a result of recognizing when to administer contingent rewards. Again such explanation is reinforced by the notion that both styles are necessary conditions for leadership to be operationalized. Both act as components of the same construct, they are neither exchangeable nor competing.

#### **Effects of RLS, Self-efficacy and Self-esteem**

Mixed support was given to the romance of leadership construct in the current study. Results showed it to be a positive moderator of performance, but not satisfaction. The more positive a disposition toward leadership that a bank employee has, the more likely he or she will have high perceived performance, but not satisfaction. In particular, subjects who believe in the importance of leadership seem to think that it can facilitate their performance which supports the general premise of the construct. Yet, satisfaction in this case seems to be affected by other and more diversified factors.

Self-efficacy was consistently shown to be related significantly to dependent variables. As expected, it came out in regression analysis as a good predictor of satisfaction and performance. In addition, it is a significant covariate in both models. It moderates the relationship between dependent variables and leadership styles. In both cases, it acts as a positive moderator. In other words, the higher self-efficacy an employee has, the higher his satisfaction and self-assessed performance will be in the presence of both transformational and transactional leadership styles. Moreover, individuals with high self-efficacy are more likely to exert extra effort and are less affected by environmental and situational factors.

Finally, self-esteem was shown to be significantly related to performance. Specifically, the higher self-esteem an employee has, the higher his self-assessed

performance will be in the presence of both transformational and transactional leadership styles. Although one would expect self-esteem to be related to satisfaction, for the obvious connection, it is not. An explanation could be that self-esteem is a necessary requirement for one to feel good about their performance while satisfaction might be perceived by employees as a function of other factors in the working environment external to the employee himself or herself.

#### **Limitations and Future Research Directions**

Clearly, the interaction of leadership styles and followers' performance requires further studying. Moreover, further investigation of the banking environment is necessary. Was the organizational variable (banks) responsible for lack of significance in the performance leadership relationship? Or are the reasons more general or more specific? This study either did not capture that relationship properly or the situational factors were strong enough to override. If so, what are these factors? Once more, it must be mentioned that performance was measured using a self-assessment instrument. This a possible limitation as self assessed performance is commonly overrated (Bretz, Mikovich, and Read, 1992). Furthermore, the nature of contact that a bank employee has with his or her sales supervisor and the level of closeness were not assessed. Also, experience, training, personality attributes, success requirements (Micali, 1981) of employees were not assessed in relation to the other constructs.

The above limitations provide us with some clues for future research directions. Areas that deserve attention include the relationship between leadership style and independently measured performance. Also, worthy of scholarly attention is the assessment of effects that experience, level of skills, career aspirations have on perceptions of leadership. Moreover, the satisfaction relationship should be further explored. For example, how would task structure, position power, and group norms impact satisfaction.

#### **CONCLUSION**

While most of transformational/ transactional leadership models assume that followers attribute leadership qualities based on face-to-face exchanges with the leader, the bulk of studies in this area end up measuring distant as opposed to close leadership

relationship. This tends to weaken their results and invite criticism. For instance, Meindl (1995) argues that attributions of leadership often emerge from social contagion processes, whereby influential followers “spread the word” to persons who lack direct contact with the leader. In that respect, this study is different, leadership qualities were tapped at a functional level. More specifically, this study provides evidence of transformational and transactional effects in a real organizational setting where followers were assessing the leader since they know him very well and deal with him on a daily base.

An important contribution of this study is our finding that not only transformational and transactional models are not mutually exclusive, but that they are partly complementary in some settings. To maximize the satisfaction levels of their followers, leaders must possess charisma, provide individualized consideration, be intellectually stimulating and inspiring to followers. It is shown again in this study that leaders certainly require the attributes of both leadership styles in order to be effective. We would be reasonable to expect that a leader who exhibits strong transformational style, but minimizes the importance of transactional qualities, will see his or her leadership effectiveness diminish.

Self-efficacy continues to show relevance as one of the determining factors of satisfaction and performance. These results justify pursuing an active research agenda in self-efficacy to shed more light on its determinates,

impact and potential in leadership research. Additionally, when it comes to performance, leadership disposition among followers plays a role. Followers seem to react positively in terms of performance when a strong presence of leadership is maintained, as if they expect it. This finding could have a cultural dimension though, as people in certain cultures come to accept such a conclusion as a natural condition. Still, we would predict that in situations like this one, where the leader-follower interaction is close and continuous, the impact of RLS will be minimized over time in favor of real experience with the leader. Lastly, similar to self-efficacy, self – esteem plays a major role in eliciting higher performance levels.

In the end, we wish to emphasize that since leadership has been shown to be a key factor for eliciting higher levels of individual satisfaction, we should focus on training and developing more managers to become leaders. Indeed, systematic and serious attempts to train leaders to acquire some transformational skills have already begun (Bass and Avolio, 1990; Dvir, Eden, Avolio, and Shamir, 2002). Especially helpful in this respect, are the studies done by Howell and Frost (1989), Holladay and Coombs (1994), Kirkpatrick and Locke (1996), and Awamleh and Gardner (1999). In today’s fast changing environment of diversity, managers need all the skills and attributes they can get to maximize their chances of boosting satisfaction and performance of their staff.

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