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LEADERSHIP STYLE AND EMPLOYEES' 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 examined the effect of leadership style on employees' satisfaction in selected small and medium scale enterprises in Delta State, Nigeria. Sixty copies of questionnaires were distributed of which fifty-one were returned and used for this 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 showed a positive and statistically significant relationship between employees' 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: *Employees' satisfaction, Transactional leadership style, Transformational leadership style, Small and Medium Scale Enterprises, Motivation.*

1.0 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 the desired organizational goals (Fiedler, 1996). Kennerly (1989) argued that if employees are satisfied with 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 & Crockett in 1995 propounded the happy worker thesis which stated 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 employees' satisfaction. In principle, in addition to be supported by existing literature, it clearly establishes that "all leaders are not managers, but all managers are leaders". This assertion is correct as all management position comes

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with designated authority to perform leadership role in such organization. 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. In order to buttress the statement above, 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 employees' satisfaction in the Small and Medium Scale Enterprise in Delta State.

2.0 LITERATURE REVIEW

2.1 EMPLOYEE SATISFACTION

Job Satisfaction is defined as the feelings and attitude which employees have towards their jobs (Spector, 1997). Spector also made it clear that both job setting characteristics and individual characteristics affect job satisfaction. Therefore, an effective manager should be able to know the key variables that drive job satisfaction of the employees in the 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 this quotation of this military maxims, leadership style is the most key variable that can make an employee to be satisfied with his job.

Armstrong (2003) believes 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. Besides, 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 is distinct difference between the intrinsic and extrinsic factors of job satisfaction. Metwally, El-bishbishy and Navar (2014) buttresses 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. Meanwhile, extrinsic factors comprise of supervision, company policies and other external reward (eg Salaries and Work law).

2.2 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, that leadership styles are inborn from birth. Leaders are born with certain qualities or characteristics common to them than others (Bryman, 1993). The traits theory had a weakness of establishing the inborn qualities of leaders in the late 1940'to late 1960 in which the behaviorist group came to fill the gap and these made the behavioral theory became very popular. This theory clearly states that "the effectiveness of leadership depends on the leaders' behavior". In nutshell, this theory is interested in the style of the leader's behavior rather than its qualities or characteristics.

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The trait theory and behavioral 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 the 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. God spoke to him initially to strike the rock (Exodus 17:6), while at the second stage (Numbers 20:8-11), 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 behavioral 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 focuses on staff remunerations-basic and allowances. Their relationship is guided by the terms of the contract. Burns (1978:19) stated that "transactional leadership behavior 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 rewarded by benefits for services rendered either in cash or other benefit.
- Transformational leadership - It can be 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 (1978:20) described transformational leadership behavior 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".

2.3 EMPIRICAL REVIEW

Previous studies on the relationship between leadership styles and job satisfaction or vice versa gives inconsistent results. Spagnoli, Caeteno & 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 staffs would be satisfied in some aspects of the job and at the same time also dissatisfied with other 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 & Su (2011) studied on leadership styles and job satisfaction in Taiwan using the flight attendants as case study. They found that there was a positive relationship between job satisfaction and leadership style (transformational and transactional leadership). They also concluded that the relationship between transformational leadership and job satisfaction was lower in association when compared to the transactional leadership. In addition, Yousef (2000) established that leadership behavior affects employee job satisfaction positively. The study concluded by advising managers to exhibit the

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appropriate leadership style behavior that can influence employee to perform their job effectively.

Ram & Prabhaker (2010) studied on the effect of leadership style (transformational and transactional leadership) on work related outcomes and discovers 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 behavior. 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 employees' satisfaction. They concluded that employees' satisfaction was affected mainly by ineffective leadership styles. Similarily, Henderson & Tulloch (2008) concluded that inadequate supervision and management is 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 is a well better predictor of job satisfaction than the transactional leadership.

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

H_1: Transactional leadership has a statistically significant positive relationship with employees' satisfaction.

H_2: Transformational leadership has a statistically significant positive relationship with employees' satisfaction.

H_3: Both transactional and transformational leadership have a statistically significant positive relationship with employees' satisfaction.

3.0 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 adopts Molero, Guarado, Navas & Mordles (2007) employee satisfaction questionnaire design. Both the leadership style and employees' satisfaction questionnaires used 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 met Nummally (1978) minimum value of 0.70.

3.1 MODEL SPECIFICATION.

The study adopts a regression model analysis to capture leadership styles and employees' 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.

4.0 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

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transactional leadership style average mean was 2.40 and it was 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. Employees' 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 employees' satisfaction; and transformational leadership style and employees' 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 & Prabhaler (2010) reporting a negative relationship between employees' satisfaction and leadership style.

Table 2 CORRELATION MATRIX.

	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 EMPLS AND TNSC

	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 employees' satisfaction at 5 % level of significance. Employees' satisfaction is influenced by 46.10% of transactional leadership style. This finding is in line with the study of 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 an adjusted R^2 of 0.9431 which suggest that 94.31% of employee satisfaction is caused by transformational leadership style. The result indicates that employees' satisfaction is majorly determined by leadership style of the managers and or supervisors.

Table 4 REGRESSION RESULTS EMPLS AND TNFML

	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 & transformational leadership style. The result shows positive relationship between employees' satisfaction with both leadership styles (transactional and

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transformational). The relationship between transactional leadership styles is not statistically significant when compared to the transformational leadership style reporting a statistically significant relationship as shown in table 5.

Table 5. REGRESSION RESULTS EMPLS, TNSC AND TNFML

	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%).

Conclusively, despite that this study supports the works of Tsai and Su (2011) reporting positive correlation between employee satisfaction and transactional leadership style & transformational leadership style, it is at variance in aspect of association. Transformational leadership has more association to employees' satisfaction of 94.31% than transactional leadership style of 46.1% in this study as shown in table 4 and table 3 respectively. Tsai and Su (2011) reported that transformational leadership was lower in association than transactional leadership. In the same vein, this study collaborates with Ho et al (2016) reporting a positive and statistically significant relationship between employees' satisfaction and leadership style.

5.0 CONCLUSION AND RECOMMENDATION

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. 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. It is necessary because some managers had mismanaged their organizations due to their attitude to subordinates and the entire staffs.

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