

Impact of Leadership Style on Employee Motivation: A Study on the Employee Serving in Banking Organization in Bangladesh

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Abstract: *Leadership is one of the most valuable factors for motivating others to achieve particular goals. In the organizational boundaries, motivation remains a vital secret of managing people. Every organization is a combination of the different human workforce having different objectives incompatible to corporate aims. Among other factors, motivation is one of the important actors for combining personal and organizational targets. Appropriate leadership style help in motivating employee towards attaining organizational goals. In Bangladesh financial sectors, especially banking sectors have a significant influence on the overall economy. Recent down trends of the performances of the banking sector are highly concern for the economy. Among other factors, leadership and motivation are considered vital by the researcher. Present study inspects the influence of leadership style on the intrinsic and extrinsic motivation of the employee in the banking organization of Bangladesh. Data has been collected from some selected manager and personnel having a charge with any department or division in the local bank. Descriptive statistics using SPSS was used for analyzing the hypothesis and the data. Results from the analysis reveal that transformational, transactional, and Laissez fair leadership has a significant collective impact on employees' intrinsic motivation. Conversely, only transformational leadership has a significant impact on extrinsic leadership. Among the styles, transformational leadership had found the most active association with both intrinsic and extrinsic motivation. Findings of the current study will help the leader to motivate employees effectively towards the achievement of the organization goals.*

Keywords: *Transformational leadership, Transactional leadership, Intrinsic and Extrinsic motivation*

I. INTRODUCTION

Bangladesh is one of the largest economies considering purchasing power parity (PPP) in the world. GDP growth rate was also improving regularly in the near past years (UNData, 2013). Goldman Sachs' include Bangladesh in its list as Next Eleven (N-11) for rapid growth and development. But the people who are contributing to the development of the economy are not getting an expected valuation from their institution. Employee wellbeing is not duly recognized in the different organization available in Bangladesh (Rubel & Kee, 2013). Demotivation and absenteeism have been considered a prime issue for the less development of employee status in Bangladesh. Among other reason, absence of appropriate leadership is essential to cause behind this. Thus, the study scrutinized the association of leadership style exhibited by the leaders and motivation among the employees in the banking division of Bangladesh. The banking sector in Bangladesh has developed in recent time compared to the 1990s (IMF, 2010). The banking service sector is suffering from some administrative issue that causes slower development in the past years. Employee wellbeing is not getting appropriate consideration in this sector. Leadership or supervisory system is not able to perform an active role in accelerating the growth of the industry (Rubel & Kee, 2013). The purpose of this study was to understand whether a variety of leadership style has an impact on employee intrinsic and extrinsic motivation on the employee serving in banking organization in Bangladesh.

II. LEADERSHIP AND MOTIVATION

Employee motivation has been changing the subject to changes in the style of leadership. Perception of management leadership styles determined the employees' level of motivation (Rajiv, Alan, & Rolph,

2003) Changes in the leadership style help the employee to experience a different environment in the organization. There is a positive association between employee motivation and the changing nature of leadership practices (Gil, Rico, Alcover, & Barrasa, 2005). The charismatic leader has the ability for arousing employee motivating that leading to an incremental commitment to the mission and vision articulated by the leader (Conger & Kanungo, 1988).

Conversely, transactional leadership having characteristics of management by exception, intervention, and correction- behaviors can be the reason for adverse sentiments and performance on the part of subordinates (Ball, Trevino, & Sims Jr, 1992). Over monitoring and complicated guideline from the leader reduce the tendency of the employee to take part in citizenship behavior (Niehoff & Moorman, 1993). Conversely, inspirational leadership positively associated with perceptions of subordinates' about the ability of the leaders. A positive attitude about leaders' effectiveness has higher levels of impact on employee motivation (Yukl & Van Fleet, 1982).

III. PROBLEM STATEMENT

Appropriate leadership in the organization enhances the employee learning process to have positive employee outcomes. Leadership approaches improve understanding the way to drive employee motivation for achieving identified goals (Kolak, 2010). Different strategies, including autocratic, consultative, persuasive, and democratic approaches fitted in the changed situation and environment. The decision regarding the uses of leadership approach influences the long-term and short-term strategic goals of the organization. The current study focuses on administrative leadership styles that affect the intrinsic and extrinsic motivation of the employee. Recognizing motivation is crucial for the employee because it affects employee performances to accomplish individual and organizational goals. The motivation for conducting this empirical research was to examine the impact of transformational, transactional, and laissez-faire leadership styles on employee intrinsic and extrinsic motivation.

IV. THEORETICAL FRAMEWORK

Leadership helps in producing and maintaining cultural innovation by ensuring new organizational standards or strengthening corporate principles, shared values, beliefs, ideal norms, and practices (Schein, 2010; Trice & Beyer, 1993). A visionary leader uses his creative vision, intuitive, intelligent, and courageous decision making to improve employee motivation. This type of leader not only motivate employee but also make a strategic plan, take the risk for organizational growth. Like a visionary leader, charismatic leader instills passion among team members in steering employee effort (Robbins, DeCenzo, & Wolter, 2004).

A transactional leader focuses on a team member, organizational structure, and policies. In addition to that, formal disciplines, exchange of benefits are the original key of transformational leader to motivate their followers. On the other hand, the transformational leader inspires employees, use charismatic qualities, share responsibility with the follower, and create visionary goals for the employee of the institution (Bass & Avolio, 1993). Moreover, the transformational leader inspires and stimulates values of employees for emotional association with the organization. Although approaches and strategies of a transformational and transactional leader vary in some instance, both the types of leader distinguished to understand and use their salient points of references.

V. RESEARCH HYPOTHESIS AND QUESTIONS

This empirical research examines managerial leadership styles and employee motivation in the banking sector of Bangladesh. Three leadership style as transformational, transactional, and laissez-faire leadership was measured by the Multifactor Leadership Questionnaire (MLQ), and employee intrinsic and extrinsic motivation was the prime factor of the present study. The research questions are as follows

RQ: Whether the leaders' styles influence the employee motivation those who are serving in the banking sector of Bangladesh? Following hypothesis was assumed to analyze the research question stated here.

H01: Transformational, transactional, and laissez-faire leadership do not have an impact on the intrinsic motivation of employee serving in the banking sector of Bangladesh.

Ha: Transformational, transactional, and laissez-faire leadership do have an impact on the intrinsic motivation of employee serving in the banking sector of Bangladesh.

H02: Transformational, transactional, and laissez-faire leadership do not have an impact on the extrinsic motivation of employee serving in the banking sector of Bangladesh.

Hb: Transformational, transactional, and laissez-faire leadership do have an impact on the intrinsic motivation of employee serving in the banking sector of Bangladesh.

VI. METHODOLOGY

Population, sample, data collection

Population for the current study was selected from the employees serving in the banking institution in Bangladesh. More than eighty thousand employees are working in the different financial institution in Bangladesh (Correspondent, 2018). Random sampling technique was used to gathering respondents from the various banking institution. A total of 550 questionnaires were disseminated to the respondent. Among them, 407 were replied to the survey. Due to incomplete information, 23 responses were rejected. Finally, 384 questionnaires were selected for the analysis.

Instrumentation

Leadership style was measured by using the Multi-Factor Leadership Questionnaire (MLQ) developed by Bernard M. Bass and Bruce J. Avolio in 1994 (Bass & Avolio, 1994). This survey instrument helps in identifying a broad range of leadership styles. The author suggested a total of twenty items for transformational leadership, eight items for transactional leadership, and eight items for laissez-faire leadership. The scale ranges from 1 (not at all) to 5 (frequently) points to measure the styles of leadership.

On the other hand, employees' intrinsic and extrinsic motivation was measured by employing Workplace Extrinsic and Intrinsic Motivation Scale (WEIMS) scale (Vallerand, 1989). A total of 18 items were suggested by the author of the scale for measuring intrinsic and extrinsic motivation.

The survey instrument was delivered to the respondent using the online and offline mood. The email was sent to the distance respondents, and a hard copy was given to nearer respondents. The respondents spent an average of 25 to 30 minutes for responding to the survey.

Method

Multiple regressions using SPSS AMOS 22 was applied to analyze the impact of leaders' style on employee motivation. Descriptive statistics as mean, median, the standard deviation was calculated for identifying demographic status. Correlation among the study variable was measured for examining the association among the variable, checking normality and multicollinearity of the study variable. Finally, multiple regression was estimated between the dependent and independent variable to test the hypothetical relation between leaders' style and motivation of the employees.

VII. ANALYSIS OF THE STUDY

Demography

Among the respondents, 27% were female, and 67% were male. The range of employee experiences was between fresher to 15 years. Of the participants 14.6% having 0–3 years' of experience, 42.2% with 4–6 years' of experience, 17.9% with 7–9 years' of experience, and 25.3% employees with 10–15 years' of experience.

Testing Normality and Multicollinearity

Descriptive statistics of the study variable has shown in table 1. Normality and multicollinearity were examined in this section. The variable skewed between ± 1.96 proved that there is no problem with normality (Trochim, 2006)).

Results from the analysis shown in table 1 disclose that VIF value for the predictor variable is less than 10. Table 2 showed that the correlation among the predictor variable is less than 0.8. There is no close association among the predictor variable. All the information has supported that there is no problem of multicollinearity in the predictor variable (Pallant, 2013; Stevens, 2012).

Table 1: Descriptive statistics

	N	Min	Max	Mean	Std. Dev	Skewness Statistic	Std. Error	Kurtosis Statistic	Std. Error	VIF
Transformational leadership	384	1.20	4.95	3.266	1.067	-.194	.125	-.960	.248	3.76
Transactional leadership	384	1.00	5.00	3.410	.967	-.547	.125	-.636	.248	2.56
Laissez fair leadership	384	2.00	4.75	2.495	.965	.641	.125	-.339	.248	2.41
Extrinsic Motivation	384	1.27	6.93	4.272	1.730	-.269	.125	-1.324	.248	
Intrinsic motivation	384	1.00	7.00	4.123	1.799	-.006	.125	-1.233	.248	

Table II: Correlation, Reliability, and Internal Consistency

	1	2	3	4	5
1 Transformational leadership	0.91[20]				
2 Transactional leadership	.780**	0.78[8]			
3 Laissez fair leadership	.764**	.625**	0.94[8]		
4 Extrinsic Motivation	.778**	.609**	.632**	0.88[15]	
5 Intrinsic motivation	.785**	.659**	.663**	.654**	0.91[3]

** . Correlation is significant at the 0.01 level (2-tailed).

Note: Cronbach Alpha value are noted along the diagonal. The number of items is noted in [brackets].

VIII. TESTING HYPOTHESIS

Two hypotheses were assumed to analyze the study variable. The null hypothesis was leaders’ style do not have an impact on the motivation of employee serving in the banking sector of Bangladesh. In the following hypothesis was tested using multiple regression.

Hypothesis 1

The first hypothesis was examined between leadership style and employee intrinsic motivation using multiple regression analysis. The model of the multiple regression reveals that the association between leaders’ style and employee intrinsic motivation was significant $F(3, 380) = 216.44, p = .0040 R^2 = .631$. The collective impact of transformational leadership, transactional leadership, and laissez-faire leadership on the employee intrinsic motivation was 63.1 percent.

Table 3 is showing coefficient of multiple regression analysis between leadership style and employee intrinsic motivation. Among the three leadership style, transformational leadership ($t = 9.75, p = .000$) was the most

significant predictor of intrinsic motivation, whereas transactional leadership had the lowest ($t = 2.14, p = .032$) significant impact on intrinsic leadership. The remaining laissez-faire leadership had found moderate ($t = 2.99, p = .003$) significant impact on intrinsic motivation.

Table III - Multiple Linear Regression with Subscales of Leadership Predicting Intrinsic Motivation

Model	Unstand. Coefficients		Stand. Coefficients	t	Sig.	95% Confidence Interval for B	
	B	Std. Error	β			Lower Bound	Upper Bound
1 (Constant)	-.484	.208		-2.328	.020	-.893	-.075
Transformational leadership	.995	.102	.590	9.758	.000	.795	1.196
Transactional leadership	.200	.093	.107	2.147	.032	.017	.382
Laissez fair leadership	.271	.090	.145	2.999	.003	.093	.449

a. Dependent Variable: Intrinsic motivation

Results of the above analysis prove that the null hypothesis is not valid. So the study accepts the alternative hypothesis that transformational, transactional, and laissez-faire do have a statistically significant impact on the intrinsic motivation of employee serving in the banking sector of Bangladesh.

Hypothesis 2

The second hypothesis was leadership style measured by MLQ have no impact on employee extrinsic motivation. Multiple regression analysis was conducted between leadership styles and employee extrinsic motivation to examine the hypothesis.

ANOVA table from the multiple regression analysis showed significant ($F(3, 380) = 232.32, p = .000, R^2 = .608$) association between leaders' style and employee intrinsic motivation. Collective accountability of transformational leadership, transactional leadership, and laissez-faire leadership on employee extrinsic motivation is 60.8 percent.

Findings of the analysis are shown in table 4. In comparison with the transactional and Laissez-faire leadership, transformational leadership had a stronger ($t = 11.362, p = .000$) relationship with extrinsic motivation. On the other hand, transactional and laissez-faire had an insignificant association with extrinsic motivation.

Table IV - Multiple Linear Regression with Subscales of Leadership Predicting Extrinsic Motivation

Model	Unstand. Coefficients		Stand. Coefficients	t	Sig.	95% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (Constant)	.117	.206		.566	.572	-.288	.522
Transformational leadership	1.147	.101	.708	11.362	.000	.949	1.346
Transactional leadership	.001	.092	.001	.014	.989	-.180	.182
Laissez faire leadership	.162	.089	.090	1.809	.071	-.014	.338

a. Dependent Variable: Extrinsic Motivation

Although there is a significant collective impact of leaders' style on employee extrinsic motivation is significant. But the individual impact on extrinsic motivation is not significant for transactional and laissez-faire

leadership. Only transformational leadership had a significant association with extrinsic motivation. So the study concludes that the alternative hypothesis is partially valid.

IX. DISCUSSION

Employee serving bank in Bangladesh had been facing many challenges from their job duties, responsibilities, and environment. Many challenges the employees are overcoming by their individual effort, and many of them overcoming by the help of the leader or administrator of the organization. Some employees are motivated by their supervising administration, and some employees are not motivated. The purpose of this study was to check the effect of leadership style on employee intrinsic and extrinsic motivation.

Employees serving in the bank were considered for the sample population. Spontaneous responses were gotten from many respondents, whereas many of them were unable due to their time constraints. The results of the analysis discover some dimension of association between leadership style and employee intrinsic and extrinsic motivation. Leadership style collectively had a significant connection with employee intrinsic motivation. Transformational motivation had the most significant association with intrinsic motivation.

On the other hand, leadership style had not found significant collective association with extrinsic motivation. But only transformational leadership has found a significant association with extrinsic motivation.

Transformation leader can transform the situation and follower to achieve the organizational goals. Transformational leader helps transform situations and employees (Currie & Lockett, 2007), which support the research findings of the present study that a leader who is serving financial sector in Bangladesh highly influenced by transformational leadership. Transformational leader helps follower enhancing effectiveness for achieving their target (Bass, 2000).

In the present study, transactional and laissez-faire leadership had found a significant association with intrinsic motivation. Past research also found that the leader following a laissez-faire style allows the follower to accomplish their task based on the way they know better. The relationship between the laissez-faire leader and the follower developed from trust and confidence (Anderson et al., 2015). Flexibility in the workplace helps in improving employees' internal motivation. Like other leadership styles, transactional leadership also had a significant association with intrinsic motivation. A transactional leader is emphasizes on team working, discipline, structure, and policies of the organization. Over that, the transactional leader focuses on monetary reward and exchange of benefits for the achievement of organizational goals (Bass & Avolio, 1993). After interpreting the findings from the analysis, it is clear that leader in Bangladesh more transformative in nature than transactional. The employee will be motivated more if the administration of the organization follows the transformative leadership style.

X. CONCLUSION

Present study examined the impact of transformational, transactional, and laissez-faire leadership on the intrinsic and extrinsic motivation of the employees serving in the banking sector of Bangladesh. The current study found that intrinsic motivation is positively influenced by all the three leadership style, whereas transformational leadership had the most significant impact on the intrinsic motivation of the employee. On the other hand, only transformational leadership had a significant effect on extrinsic leadership. From this finding, it is clear that transformational leadership style is highly preferable and suitable for the proper motivation of the employee in the banking service. The inherent nature of the transformational leadership style emphasizes more on transforming instead of transacting. Transformational leaders aware of their subordinates' ability to attain the organizational goals and the awareness direct the leader to form an environment by which the employee can flourish their ability.

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