

## **Effect of Leadership on Organizational Commitment**

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This Paper focuses on the relationship between Leadership and Organizational Commitment in the Indian Context. It traces the research on Leadership and commitment and arrives at a conceptual framework establishing the linkages between the relevant variables.

### **Introduction**

In today's competitive environment organizations are trying to outperform their competitors by producing better products and services. To achieve this objective, an organization requires highly committed employees. Organizational commitment refers to an employee's psychological bond with the organization (Mowday, Steers & Porter, 1982). The concept of organizational commitment has received considerable attention because of its impact on individual performance, organizational effectiveness and its relationship with desirable work outcomes (Simosi & Xenikou, 2010). Thus, the factors which influence organizational commitment have become an important area of research in the field of human resource development (Joo & Shim, 2010).

An Increasing number of studies focus on identifying the antecedents of organizational commitment (Chen & Francesco, 2000; Lok & Crawford, 2001; Mathieu & Zajac, 1990; William & Hazer, 1986). The influence of leaders on creating and maintaining organizational culture is an accepted fact (Panda & Gupta, 2001), the Literature on Leadership suggests that the ability to understand and work within a culture is a prerequisite to leadership effectiveness (Henessey, 1998). In this paper we study the influence of leadership styles on organizational commitment. Transformational and transactional leadership styles are studied to understand its influence on affective, continuance and normative commitment.

### **Leadership**

Leadership is one of the most widely and frequently studied topics in the area of organizational behaviour (Yammarino, 2013). There are numerous definitions and approaches to leadership. Leadership can be viewed from multiple perspectives. It can be represented as an act (Bennis & Goldsmith, 1994), behaviour (Hemphill & Coons, 1957; Gerber, Nel & Van Dyk, 1996; Rowden, 2000) or process (Jacques & Clement, 1991; Stogdill, 1974; Yukl, 1999; Northhouse, 2007)

Similar to the wide range of leadership definitions used by different researchers and practitioners, there are also differences in conceptualizing and measuring leadership. Some of them have focused solely on the leader to explain leadership, while there are others who have used follower centered approach. Graen and Uhl Bien (1995) classified leadership theories into three categories: the leader, the follower and the leader follower relationship. Hernandez, Eberly, Avolio and Johnson (2011) integrated the numerous theories of leadership on the basis of two fundamental principles i.e. the locus and mechanism of leadership.

The Locus of leadership refers to the source from which leadership emerges. While the mechanism of leadership implies the means by which leadership is enacted. Hernandez et. al. (2011) categorized leadership theory into five loci; i.e. leader, follower, leader dyad, collective, and context. Hernandez et. al. (2011) also identified four mechanisms of leadership i.e. traits, behaviours, cognition and affect.

### **Transformational & Transactional Leadership Theories**

Transformational and transactional theories of leadership are based on the concept given by McGregor Burns (1978) in his bestselling book "Leader-ship". The Concept of transformational leadership emerged from the interest in the concept of charismatic leadership. Transformational leadership consists of four components; charisma or idealized influence, inspirational motivation, intellectual stimulation and individualized consideration (Bass, 1985). Charisma or idealized influence is the degree to which the leaders can influence followers to identify with the leader by arousing strong emotions. Inspirational motivation is the degree to which the leader communicates an appealing vision and inspires followers to pursue that. Intellectual stimulation is the degree to which the leader articulates new ideas, encourages followers to question conventional practices and fosters creativity among the followers. Individualized consideration is the degree to which the leader provides support, encouragement and coaching to followers.

Transactional leadership refers to the exchange relationship between the leader and the follower to fulfill their interests (Bass, 1999). Transactional leaders try to fulfill follower's needs in exchange of their completing the job requirements. Transactional leadership consists of three components; contingent reward, management by exception – passive. Contingent reward refers to the degree to which leaders can establish transaction with followers by rewarding the efforts of followers by communicating with them as to what they must do to get rewards and punishing undesirable action. Management by exception is the degree to which the leader takes action by intervening so that the decided standards are achieved. The difference between active and passive management by exception is made on the basis of the timing of the leader's intervention (Bass & Avolio, 1993). Active leaders intervene by anticipating mistakes and problems and taking preventive action before the problem becomes grave while passive leader intervenes only after the follower fails to meet the pre-determined standards.

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### **Organizational Commitment**

Organizational Commitment is the degree of identification and participation in an organization. It is the mental contract which connects the individual to the organization (Wallace, 1995). It helps in developing voluntary cooperation within the organization. It shows the strength of an individual's identification with the involvement in an organization and also the willingness to remain in the organization (Mowday, Steers, & Porter, 1979). Organizational Commitment has three characteristics: (a) belief in and acceptance of organizational goals, (b) willingness to be the member of the organization (Porter, Steers, Mowday & Boulian, 1974).

Mathieu and Zajac (1990) conducted a meta – analysis to examine the antecedents, correlates and consequences of organizational commitment. They identified twenty six common antecedents of organizational commitment. They classified those twenty six antecedents into five categories: (a) Personal and demographic variables. (b) Variables related to job characteristics. (c) variables related to group leader (d) organizational characteristics related variables and (e) role related variables. Another major study on the antecedents, correlates and consequences of organizational commitment was the meta-analysis conducted by Meyer, Stanley, Herscovitch and Topolnytsky (2002). They investigated the correlation between the variables identified in the three component model of organization commitment unlike Mathieu and Zajac (1990) who had based their observation on attitudinal – behavioral perspective of organizational commitment. They divided the antecedents into four categories: (a) demographic variables such as age, gender, education, organization tenure, position tenure and marital status, (b) variables related to individual differences such as locus of control and self – efficacy, (c) variables related to work experiences such as organizational support, transformational leadership, role ambiguity, role conflict, interactional justice, (d) variables related to alternatives/investments such as alternatives available, investments made, transferability of education and transferability of skills.

### **Three Component Model**

Meyer and Allen (1991) developed a three component model of organizational commitment. They defined these three themes as components of organizational commitment namely affective commitment, continuance commitment, and normative commitment.

Affective commitment leads to continuing to work for an organization because of the employee's emotional attachment. Involvement and identification with the organization (Wasti, 2003). Employees with affective commitment remains in the organization because they “want to”. Continuance commitment refers to the commitment that is based on the costs that are linked with leaving a specific organization (Wasti 2003). In the case of continuance commitment. The employee primarily stays with their current organization because they perceive that leaving the organization would cost too much (Clugston, Howell & Dorfman, 2000). Normative commitment refers to the employee's perceived obligation to remain with their organization (Lee et al; 2001 ; Wasti, 2003). An employee with normative commitment will stay with an organization because they feel that they “ought to” (Clugston et al., 2000).

### **Transformational Leadership**

Commitment is as a result of effective leadership style (Walumbwa, Lawler, Avolio, Wang & Shi, 2005; Walumbwa & Lawler, 2003). Transformational leaders motivate employees through emotionally connecting with them and creating a compelling vision. They promote values which are related to the

goal accomplishment, by emphasizing the link between the employee's efforts and goal achievement and by creating a greater degree of personal commitment to the ultimate common vision of the organization (Shamir, Zakay & Popper, 1998). Transformational Leaders are sensitive to the needs of the employees and thus try to satisfy them by creating environment where employees desire to continue with the organization (Jackson, Meyer & Wang, 2013). They influence organizational commitment by encouraging employees to think critically by involving followers in decision – making processes, inspiring loyalty, while recognizing using innovative ways, and appreciating the different needs of each follower to develop his or her personal potential (Avolio, 1999). Walumbwa and Lawler (2003) found that transformational leaders can motivate and increase follower's motivation and organization commitment by getting them to solve problems creatively and also understanding their needs. They may also create a sense of obligation in employees which leads to normative commitment (Bass & Riggio, 2005).

Research on the relationship between transformational leadership and the different components of commitment have resulted in different findings. The meta-analytic studies suggest that employees working with transformational leaders demonstrate fewer withdrawal behaviours and are more committed to their organizations (Walumbwa et al., 2004; Walumbwa & Lawler, 2003). Heinitz and Rowold (2007) and Rafferty and Griffin (2004) reported positive relation of transformational leadership with affective commitment. Meyer, Stanley, Herscovitch & Topolnytsky (2002) identified four studies that examine the relationship between transformational leadership and affective commitment and continuance commitment and three studies investigating the relation with normative commitment. They found positive relation with affective commitment and normative commitment and a negative relation with continuance commitment. The meta analytic study of Jackson et al. (2013) also found transformational leadership is positively related to affective and normative commitment.

**Transformational Leadership is positively related to affective and normative commitment.**

Based on the Literature, following hypothesis are proposed:

**Hypothesis 1:** Leadership is positively related to organizational commitment.

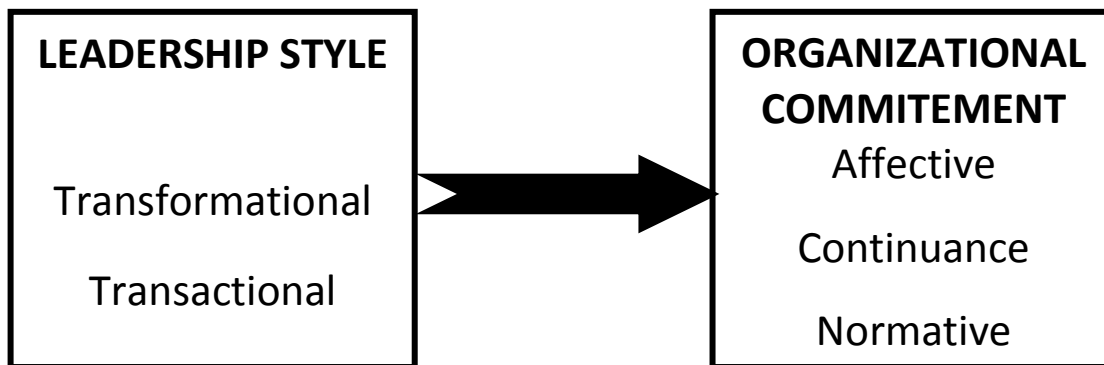
**Hypothesis 2:** Transformational Leadership is positively related to affective commitment.

**Hypothesis 3:** Transformational Leadership is positively related to normative commitment.

The links between transformational / Charismatic leadership is relatively complex because it is a multidimensional concept (Powell & Meyer, 2004) which includes the perceived cost of leaving because of lack of alternatives and also tendency to stay back because of investments made in the organization (Jackson et al., 2013). At a conceptual level, it is expected that there might be a positive correlation between transformational / Charismatic leadership and continuance commitment because the positive conditions created by transformational leaders would be perceived as a loss if employees decided to leave the organization (Connel, Ferres & Travagilone, 2003). Felfe, Yan & Six (2008) found weak positive correlation between transformational leadership and continuance commitment.

Organizational Commitment was measured using organizational commitment scale (Allen & Meyer, 1990). It consists of three scales reflecting the three component conceptualization of organizational commitment namely affective commitment scale (ACS), the continuance commitment scale (CCS) and the normative commitment scale (NCS). Each of the scales consists of eight statements and all statements were linked to a five point Likert type interval scale. Cronbach's Alpha was 0.87 for affective, 0.75 for continuance and 0.79 for normative commitment (Allen & Meyer, 1990).

Leadership was measured using 32 items from Avolio and Bass' (2004) Multifactor Leadership Questionnaire (MLQ Form 5X). It Consists of Eight factors i.e. idealized influence, inspirational motivation, intellectual stimulation, individualized consideration, contingent reward, management by exception (active) and management by exception (passive). Cronbach's Alpha was 0.73 for eight idealized influence items, 0.83 for four inspirational motivation items, 0.75 for five intellectual stimulation items, and 0.77 for three individualized consideration items, 0.75 for four active management by exception items (Avolio & Bass, 2004).



### Implications

The findings of the present study have implications on the training and development of managers. Training programs should be designed and delivered to hone behaviour and skills that lead to transformational leadership style. The findings also have an impact on the recruitment. Selection and the promotion policies of the managers in organizations.

### Limitations

The sample size of the present study is small. Therefore, the Conclusions can be seen as indicators to the larger trend. The study should be carried out on a larger sample to get more reliable conclusions. Further, the survey comprised employees from banking, education, IT and manufacturing sectors. Inclusion of employees from other sectors would make the study more comprehensive.

### Future Directions

Future research can include paternalistic leadership style and its influence on organizational commitment. Comparison of transformational, transactional and paternalistic leadership style of leadership leads to higher commitment in the Indian Context. Further, future research can also study the moderating influence of organizational culture on this relationship.

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