Relationship Between Leadership Style, Job Satisfaction and Employees’ Turnover Intention: A Literature Review

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ABSTRACT

Employee’s turnover has been always a key concern issues faced by organizations regardless of its locations, sizes or natures of business. All parties in the organization play crucial role in promoting human capital to achieve competitive advantage. Therefore, high employee’s turnover definitely will defeat this objective. Leadership styles and job satisfaction have been identified in this study that gives great impact to employees’ turnover intention. Base on the literature review, majority of the studies had identified a negative relationship between job satisfaction and employees’ turnover intention in various fields of industries. Similarly, researches on examining the relationship between leadership styles and job satisfaction have also indicated substantial degree of co-relationship between these two variables.

Key words: Leadership style, job satisfaction, turnover intention, transformation, transactions, organizations, motivation

INTRODUCTION

Employees’ turnover has been always a key concern issues faced by organizations regardless of its locations, sizes, natures of business, business strategy (profit or non-profit oriented). Yin-Fah et al. (2010) also quoted employees’ turnover as a serious issue especially in the field of human resources management. Ali (2009) also argued that organizational cost expenditure will be increased if high employees’ turnover is not solved. Studies have also been carried out regionally and globally to explore and to study the relationship between various variable(s) with employees turnover. These studied variables includes occupational content (Salahudin et al., 2009), leadership styles (Gwavuya, 2011; Ramey, 2002) and job satisfaction (Ali, 2009; Park and Kim, 2009).

Salahudin et al. (2009) stressed that employees’ turnover is ranging from 3 to 27% in the Small Medium Enterprises (SMEs). This is according to the report from the World Bank on the situation in the developing countries. SMEs in Malaysia, being a developing country have surprisingly recorded one of the highest numbers of turnover which is 19% for small enterprises and 22% for medium-sized Enterprise.

Employees turnover is costly to all level of organizations regardless of its nature and usually the productivity and quality of the products or services are always negatively affected. Ali (2009) has quoted that tremendous impact on direct and indirect cost can be resulted from high employees turnover and this would brings destruction to the organizations. Direct costs are referring to costs such as expenditures incurred on the selection, recruitment, induction and training of new employees (Staw, 1980). Indirect costs are referred to cost of learning, reduced morale and pressure
on the existing employees (Dess and Shaw, 2001). In addition, high employees turnover will jeopardize the progress on achieving organization pre-determined objectives and goals. Apart from monetary measureable cost, non-monetary cost such as deteriorated reputations, lost of customer’s loyalty, reduced branding trust, etc. may bring forward much more severe long term impact (Dess and Shaw, 2001).

Therefore, the objective of this study was to look at the independent variables such as leadership styles and employees job satisfaction that may affect employees’ turnover intention. These independent variables may be the most effective in overcoming the problem of high employees’ turnover in an organization.

LITERATURE REVIEW
Leadership: Leadership issues have always been a widely discussed topic. It had raised interest and attracted the attention of many historians, philosophers, researchers or scholars who wish to explore the true meaning of leadership (Bass, 1990). Burns (1978) also stated that leadership is one of the most observed and least understood phenomena on earth (Awan and Mahmod, 2010).

Leadership is one of the critical and important factors in enhancing an organizational performance (Riaz and Haider, 2010). Leaders in any organization are expected to carry out tasks with limited resources to the maximum level in order to maintain the competitive edge and to sustain profitability position of the organization (Riaz and Haider, 2010). Leadership was also quoted by various researchers as the major elements in order to preserve and improve an organization competitive advantage among its competitor (Zhu et al., 2005; Rowe, 2001; Riaz and Haider, 2010). According to Kotter (1999), leadership is about setting a direction or developing a vision of the future together with the necessary strategies for producing the changes needed to achieve this vision. Another definition of leadership by Bennis and Nanus (1985) and Hamidifar (2010) is “Leadership is an influence relationship among leaders and followers to perform in such a way to reach a defined goal or goals”. Leadership therefore is an important element for the success of an organization, regardless of its nature of activities, profit or charity orientated, private or government linked organizations.

Leadership styles
Transformational leadership: Transformational leadership was first coined by Downton (1973) as well as cited by Northhouse (2010). Transformational leadership is one of the more popular approaches to leadership that has been focused by many researchers since early 1980s (Northouse, 2010). According to Bryman (1992), transformational leadership is part of the “New Leadership” paradigm which gives more attention to charismatic and effective elements of leadership.

Transformational leaderships are defined as:

- Leadership that makes subordinates or followers aware of the importance of their jobs and performance to the well being of the organization as well as their own needs for personal career advancement and growth and able to motivates subordinates to work harder for the good of the organization (Jones and George, 2004)
- Rising the level of motivation of the followers through leaders’ connection and engagement process (Northouse, 2010)
- Leader who able to stimulates and inspires or transform his or her subordinates to strive hard in order to achieve extraordinary outcomes (Robbins et al., 2010)
Leadership that inspire followers to believe in their own potential so as to create a better prospect and future for the organization as well as to believe in the leader personally (Daft, 2010)

The leadership process that involves exercising influence on the attitudes and assumptions of organization members and building commitment for the organization’s mission, objectives and strategies (Dessler and Starke, 2004)

Leaders who are able to change the beliefs and attitudes of subordinates and inspire them to pursue their own interests for the well being of the organization (Burns, 1978)

In contrast to the earlier theories on traits or characteristics or situational approaches which concentrate on the leaders, this transformational leadership instead focused on the leaders and followers relationship. Transformational leadership is expected to be able to provide a clear vision and mission, inspire self-esteem and gain trust and respect through charisma (Bass, 1980). Bass (1990) further highlighted that a transformational leader would ask his or her subordinates to go beyond self-interest for the benefit of the team, organization as well as society. Furthermore, this type of leaders will take serious consideration on the long term need for self-improvement and development over short term or current needs.

Transactional leadership: Transactional leadership focuses and emphasizes on completion and accomplishing of allocated tasks on hand. This type of leader maintains and preserves harmony working relationships coupled with promises on rewards for satisfactory performance (Dessler and Starke, 2004).

Furthermore, this leadership focused on leader-follower exchanges in which followers or subordinates are expected to carry out his or her duty and perform according to the given instruction. The followers in turn with expectation that they will be compensated positively in line with the result generated by them. These rewards shall also include negative based rewards such as punitive and penalized actions in the event that the followers or subordinates fail to perform as per the instruction. Positive rewards are such as complimentary comments, praise and recognition upon successful compliance with instruction from the leaders and achievement of objectives (Riaz and Haider, 2010). Similarly, Avolio et al. (1991) has commented that transactional leaders are supposed and expected to conduct frequent and regular communication with their followers in particularly explanation on work instruction and guidance in order complete the assigned task. Any rewards following satisfactory completion of assigned tasks are to be conveyed and communicate to his or her followers too (Hamidifar, 2010).

Laissez-faire leadership: In contrast to transformational and transactional leaderships, Laissez-Faire leadership is a passive kind of leadership style. This type of leader generally gives his or her followers or employees complete freedom to make decisions or to complete a task in whichever way they deems fit and appropriate (Robbins et al., 2010). It also being interpreted as a non-transactional kind of leadership style in which prompt decisions are not made with delay in action taken, coupled with ignoring of leadership responsibilities and non-exercise of authority. Hamidifar (2010) commented that leaders who are practicing this leadership style are usually do not care and take no consideration and concern on issues that arises in organization environment.

Laissez-Faire is refers to "hands-off, let things-ride" approach in its original French phrase. Leader of Laissez-Faire are said to relinquish responsibility, give no feedback, delays in decision making and not keen to help followers in satisfying their needs (Northouse, 2010).
**Job satisfaction:** Job satisfaction has been defined as a perceived relationship between what one wants from one’s job and what one perceives it as offering (Lund, 2003). Jones and George (2004) stress that job satisfaction is the collection of feelings and beliefs that employees have about their jobs. Employees’ general attitude toward his or her job is also referred as job satisfaction (Rezaiean et al., 2010). It is an important concern for employer as it is believe that a satisfied employees are more likely to show up for work, have higher levels of performance and will stay with an organization (Robbins et al., 2010). Alternatively, job satisfaction is also referred to one’s positive attitude on his or her assigned tasks or job (Daft, 2010).

Similar to leadership, job satisfaction has been widely studied by researchers and theorists in various organizations content, industries or profession in the last four decades (Curivan, 1999) (Lund, 2003). Researchers and theorists from different continents have been trying to explore and develop various factors and theories on job satisfaction. This includes the exploration of relationship between job satisfaction and organization variables such as performance, cohesion, organizational commitment, age and gender, industries and organizational environment (Lund, 2003).

Theorists such as Maslow (1954), Herzberg (1968) and Bryman (1992) had investigated and developed respective theories related to job satisfaction. For instance, Maslow’s hierarchy of needs theory proposes that people are motivated by multiple needs in hierarchical order. Lower-order needs must be fulfilled before higher-order needs are satisfied. These needs in sequence are physiological needs, safety needs, belongingness needs, esteem needs and self-actualization needs (Daft, 2010).

Another popular theory on motivation is Herzberg’s two-factor theory (Hygiene and Motivator factors) which suggested that work behavior or characteristics associated with dissatisfaction are different from those related to satisfaction. Herzberg pointed out two separate dimensions which contributed to employee’s behavior during work are hygiene factor and motivators. Hygiene factor are refers to factors outside the job such as working conditions, salary, security, companies policies and supervision. Motivator factors refer to factors such as opportunities for achievement, recognition, responsibility, personal growth and challenge on the job which are intrinsic to the work itself (Dessler and Starke, 2004). When motivator factors are absent workers are neutral toward work. However, workers are highly motivated and satisfied with the present of motivator factors. Herzberg commented that the best way to motivate employees is to build challenge and opportunities for achievement into job, i.e. to provide intrinsic motivation(Akinyele, 2007).

**Turnover intention:** Turnover intention is defined as an employee’s personal estimated probability that he or she has a deliberate intent to leaving the organization permanently in near future. Employee turnover intention is refers to an employee who are considering and thinking to quit a job (Firth et al., 2004). The word “intention”, is the main determinants of actual quitting from the job behavior (Salahudin et al., 2009).

Turnover are classified and categorized into voluntary or involuntary, as well as functional or dysfunctional, each will have varying degree of impact on the organization (Wells and Peachey, 2010). Wells and Peachey (2010) claimed that voluntary turnover is defined as a process in which an employee makes decision whether to stay on or leave the organization. Mobley (1982) further commented that this type of turnover is usually dysfunctional and can be most detrimental to the organization. It is also warned that those that most likely to leave the organization are those most talented and smartest employee within the group. Their valuable experiences, talent, skills and knowledge will leave with them and resulted in deteriorating efficiency (Abbasi and Hollman, 2000).
In contrast, involuntary turnover is referred to the situation in which the organization undertakes the control over the employee’s decision to stay or leave the organization (McPherson, 1976). The reason why it is classified as functional turnover is due to the often removal of under-performing employees (Watrous et al., 2006).

**Direct relationship between research variables**

**Relationship between transformational and transactional leadership and job satisfaction:** Several studies have been conducted in the education profession (Silins and Mulford, 2002; Blogler, 2002; Rossmiller, 1992). For instance, study by Silins and Mulford (2002) has revealed high level of teacher satisfaction and learning in school systems where transformational leadership is implemented. Similarly, some previous investigation on teacher's job satisfaction revealed that lack of effective leadership skills had negatively affected teachers’ job satisfaction as in Blogler (2002) study. Further empirical studies such as the study carried out by Rossmiller (1992) revealed that teachers' perception of principals' transformational leadership skills has significant impact on teachers' job satisfaction and often concluded that principles of the school practicing transformational leadership are more likely to foster and enhance job satisfaction among teachers, as compare to those principles who are not transformative in their leadership styles.

Ejimofo (2007) also conducted a study to investigate the relationship between teachers perceptions of principals, transformational leadership skills and teachers, job satisfaction in two large Local Government Areas in a metropolis of Southeastern Nigeria. Participants included 518 secondary teachers and 48 principals and the result of the study also asserted that teachers, perception on principals, transformational leadership skills have substantial and significant impact on teachers, job satisfaction.

Further studies with similar aim to explore the relationship between leadership and job satisfaction have been carried out by Ramey (2002). Ramey (2002) has conducted a study to examine the relationship between leadership styles of nurse managers and job satisfaction of registered staff nurses in hospital settings in an Appalachian state, USA. A total of 200 participants has been selected using simple random sampling method from the total registered nurses of 7190. Similar to other research study such those mentioned earlier, a positive and moderate association was found between job satisfaction of registered staff nurses and nurse managers who practicing transformational leadership. The association between job satisfaction of staff nurses and their superiors who practicing transactional leadership was found to be in contrary. This finding has further supported the existence of positive relationship between transformational leadership styles and job satisfaction between staff nurse and nurse managers.

Hamidifar (2010) also conducted similar study on the relationship between leadership and employee job satisfaction at Islamic Azad University 16 Branches in Tehran, Iran. 400 questionnaires have been distributed using random sampling method and 386 completed. The result of the study is found to be consistent with other similar studies which shown the significant positive influence of transformational leadership factors on employee job satisfaction. This study undertaken by Hamidifar (2010) also shown that there is significant negative influence of laissez-faire leadership on subordinates’ job satisfaction.

Walumbwa et al. (2004) has conducted a study on the relationship between transformational leadership and work outcomes using a sample of 402 employees in China and India in the banking and finance sectors. The result has again demonstrated a positive relationship between transformational leadership and job satisfaction as well as organizational commitment.
Choi et al. (2007) found that transformational leadership of the athletic director in sport field was associated with head coaches’ altruistic behavior, effective commitment and job satisfaction. Another study was also quoted from Yusof and Shah (2008) study in the sport organization and found that athletic director exercising transformational leadership had led to greater job satisfaction among head coaches. In another recent study by Burton and Peachey (2009) in the similar field, the result revealed that transformational leadership of the athletic director was positively associated with satisfaction with the leader and transformational leaders was preferred regardless of the gender of the leaders (Wells and Peachey, 2010).

**Relationship between transformational and transactional leadership and turnover intention:** The relationship between transformational and transactional leadership and turnover intention has been explored by a number of researchers such as Bycio et al. (1995) and Martin and Epitropaki (2001). Their studies have generally shown that transformational leadership is the key factor in reducing and mitigating turnover intentions (Bass, 1990). In the studies undertaken by Martin and Epitropaki (2001), it was found that transformational leadership was contrary related to turnover intentions among employees for several commercial and profit-oriented based businesses. In another study carried by Bycio et al. (1995) in the nursing profession, it was found that higher degrees of transformational leadership were associated with lower intention to leave.

Wells and Peachey (2010) has conducted a separate study to investigate the relationship between leadership behaviors (transformational and transactional), satisfaction with the leaders and voluntary turnover intentions. This study was conducted on 200 participants from National Collegiate Athletic Association Division I softball and volleyball assistant coaches in the USA. The study result revealed significant negative relationship between transformational leadership behavior and voluntary organizational turnover intentions. Negative relationship is also found between transactional leadership behavior and voluntary organizational turnover intentions.

**Relationship between job satisfaction and turnover intention:** Various studies have been carried by researchers to examine the relationship between job satisfaction and turnover intention (Yin-Fah et al., 2010; Ryan et al., 2010; Park and Kim, 2009; Ali, 2009; Amah, 2009).

Research conducted by Yin-Fah et al. (2010) on private sector employees in Petaling, Selangor (Malaysia) with the aim to study the organizational commitments, job stress, job satisfaction and turnover intention has revealed a contrary or negative relationship between job satisfaction and turnover intention.

Ryan et al. (2010) has conducted a study to examine the deciding factors for the intention to leave a job held by non-managerial staff in the Malaysian fast food industry which also includes issues such as job stress and peer groups. The result of the study has revealed that 20% of the total sample think frequently of leaving and quit their job, while another 20% were found being committed and stayed to their employment. It was further analyzed that the high intention to quit are in fact resulted from the influenced by friends coupled with experiencing of job stress and “being burn-out” (Ryan et al., 2010). Job stress and feeling of “being burn-out” are obviously a factor that would have impact on job satisfaction of employee.

Park and Kim (2009) has carried out a study to examine the relationship between organizational culture and job satisfaction and turnover intention among hospital nurses in Korea.
One of the hypothesis being tested was “job satisfaction will be negatively associated with turnover intention”. The hypothesis was eventually accepted and asserted that job satisfaction is negatively related to turnover intention for nurses in Korea.

Ali (2009) has conducted a study on the factors affecting overall job satisfaction and turnover intention on academic staff or lecturers of private college in Pakistan. It is found that the overall job satisfaction was found to have a significant negative association with turnover intention.

Amah (2009) has conducted a survey on the moderating effect of job role centrality and life satisfaction on the relationship between job satisfaction and turnover intention in a new generation bank with its head office in Lagos of Nigeria, with branches throughout the states in the country. According to Amah, new generation banks are highly automated and carries aggressive marketing plan and strategies. It is also common for these banks to recruit and employ staff with varying academic qualification. Generous salary structures and substantial autonomy are granted and offered to the staff with core intention to retain them. The result of the survey which comprises of 1200 participants out of 5000 staff strength has again revealed the existence of negative relationship between job satisfaction and turnover intention which is coincided with most other studies mentioned above.

Research propositions and conceptual framework: This study would like to explore the linkage between leadership style, job satisfaction and turnover intention as shown in the authors conceptual model (Fig. 1). Therefore, propositions established state that:

- **Proposition 1**: Leadership style will be positively related to job satisfaction
- **Proposition 2**: Leadership style will be positively related to turnover intention
- **Proposition 3**: Job satisfaction will be positively related to turnover intention

CONCLUSIONS

Understanding the impact of leadership style and job satisfaction on employees turnover intention is critical and an integral part of the success of an organization. Leaders must realize that proper style of leadership skill is pivotal and will also effect employees' job satisfaction. A good understanding of the leadership style is vital in supporting human capital management is likely to be a key factor in determining the success of both the leaders as individual and the organization.

REFERENCES
