

Using Leadership Style for Better Employee Performance in Organizations Keeping Succession Planning as a Moderator

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Abstract— The study aims at determining the influence of maintaining and developing the talent workforce through exhibiting leadership styles and ultimately showing their positive impact on the employees' performance. Data has been collected from personnel employed in Gujranwala region in different government and non government institutions. The study analyzes the effect of transformational and transactional leadership styles of managers on performance of employees through the inception of proper succession plans. Results show significant relationship between leadership styles and employee performance. The Multifactor Leadership Questionnaire (MLQ) has been used to collect the responses from the respondents through survey method. Leadership styles are positively related to whereas transformational have more significant effect than transactional style. As succession planning is an emerging concept, the basic aim of this study is to seek relationship between leadership styles and performance of employees, explaining side by side the importance and moderating role of succession planning in this relationship. The results of this paper can be generalized to the international organizational forums, keeping in view the alignment of Pakistan with WTO in 1995.

Keywords— Leadership, Transformational Leadership, Transactional Leadership, Succession Planning and Employee performance.

I. Introduction

At present era globalization and information technology are at boom by way of speed, size and variations in business world, flexibility and ability to response according to the goals and objectives set by their leadership both are crucial to become successful in today's highly competitive environment. In order to meet stakeholder's expectations and current complex environmental challenges a strong and clear leadership is necessary as leaders can play vital role to achieve organizational goals and objectives. Leadership can make changes in the way organizations operate through setting a vision, clear goals & objectives and by changing organizational methods, policies and attitude of employees towards core functions of organization (Paracha et al, 2012). But leadership is not just confined to goal achievement or leading employees for resolving only the current issues of the organization, rather it is also responsible for managing future crises by pre-planning and one of the best dimension of such pre planning is succession planning. Succession Planning... creating a link between organizational future needs and the employees aspirations for the greater good of the enterprise, is an important concept to be followed, especially is these days of competition when there is a dire

need of such a workforce team having high performing employees with high levels of job satisfaction and organization commitment, who can be trained and developed subsequently and on continuous basis for filling the vacant key posts as and when required (Evered & Wittwer, 2006).

Over the globe, all the organizations are naturally feared of losing their key leaders for many reasons like new job offers, dramatic and sudden life changes or retirement. In such circumstances, internal leadership transition is the most important issue that requires plethora of country-and-region specific research. Because owing to such and other unpredictable causes, the role of a leader becomes more demanding to sustain the pace of change by making the organization flexible, innovative and adaptive to achieve greater goals, otherwise, failure of proper succession planning will result in quantity loss on terms of loss of high level leaders and quality loss in form of reduced employee efficiency, decreased employee productivity and lower employee morale.

With this stark reality, it even becomes greater responsibility to retain and develop such back up of top talent at every hierarchical level in the organization that can be a perfect substitute for the outgoing talent and for their continuous assessment, grooming and development, leadership styles, both transactional and transformational, can hit the mark.

Transactional leadership works according to the rule of give & take means you have to bring high performance and get rewards. Employees are clearly communicated by their leaders that rewards and punishments are directly related with their good or bad performance (Paracha et al, 2012). Commonly transactional leadership is used by organization to access their performance and appreciate them by increasing their pay, improves their career and also punishes poor performers of organization (Bass, 1998)

Transformational leadership style brings the change in the organization and develops the concept of the team work by motivating the employees by leader. When the employees are motivated then they make the team to work and it results in better employee performance in the organization. According to Mulla & Krishnan (2011) it is relevant to the attitude and ethical values of subordinates.

These leadership styles are a pre-requisite for good succession planning, because maintenance of moderately sized and mobile workforce becomes a piece of cake when leaders is visional and foresighted enough to communicate organizational rules and regulations clearly to the employees and also capable of motivating employees in terms of team work. Succession planning through such leadership ultimately influences employees' performance by training such top talent after recognizing their competency gap by means of succession planning.

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II. Literature

A. Literature Review

The leadership concept derived from a theory named as "Great Man". The promoter of the great man theory says that leaders cannot be made they have qualities of leadership by birth. Most of the success stories of leaders are related to military men (Bolden, 2004). The great man idea is still supported by management scholars and organizational psychologists (Organ, 1996). For ensuring the success of organization it is necessary to select a right leadership style stated Paracha, et al (2012). If the leader is involved in examining, praising and assessing then transformational leadership is inapplicable in the situation (Parry & Thomson, 2002).

Transaction leadership is the first independent variable under study, it is the process of "exchange" where leader and follower have give and take relationship, follower act for expected reward and punished for the undesired behavior. Kuhnert, 1987 said that this exchange relationship is successful and desired outcomes are achieved if leader's interest and follower expectations are fulfilled with trust and respect. Bass (2000) stated that effective leaders encourage their subordinates by offering incentives, rewards and promises for those who succeeded in completing their goals and targets set by leaders and acting according to leader's interest or expectations. The first component of transactional leadership is contingent reward; Bass (1990) reported that transactional leader build a linkage between rewards and goals, set smart goals and ensures results are achieve according to their expectations. Giving rewards and recognition on good performance and appropriate behaviors are positively reinforced. While inappropriate behaviors are negatively reinforced. The second component is active management by exception is that leaders influencing behaviors by actively observing the performance of subordinates and uses corrective measures to prevent mistakes or ensuring that work is performed according to set rules and standards. The third component, passive management by exception is that leader influences by uses correction or punishment on unexpected or inappropriate behaviors of subordinates or which is not according to accepted standards. Bass (2003) argued in his research on military platoon that transactional leadership increases performance among the soldiers. Leader's control and encouraging behavior depends on adequate follower's performance in transactional leadership style (Bass B. , 1998). Studies on leadership behaviors and team performance conducted by (Burke, 2006) proved that transactional leader's behavior have considerable relation with team performance. Rowold (2009) also reported the relationship of transactional leadership and performance in which they stated that follower's performance amplified by transaction leader's reward as transactional leadership is the trade of clear transactions. In other words, we can say that transactional leader encourages followers to get rewards and promotion by performing according to the leader's expectation and interest. According to (Avolio B. J., 1999) performance of followers according to expectations is important to accumulate the feedback on using appropriate

contingent reward to make transactional leadership more effective.

Transformational leadership is the second independent variable. This theory states that followers inspired to perform great work through leader's personality and values. Employees perform well through positive motivation, than negative motivation (Manz & Sims, 1987). Bass stated that transformational leadership style is complementary to transactional leadership and it becomes ineffective if transactional leadership is absent between leaders and followers or subordinates, so that he viewed these two styles as continuum rather than opposite. Transformational leadership gives the concept of team work by motivating employees; by this leaders can bring change in organizations. Appealing picture of the future with sensible vision can create transformational leadership. Charismatic leadership gives rise transformational leadership.

In this research employee performance is criterion variable. From the initiation of globalization manger adopts many ways to motivate their employees so that they can show better performance (Habib et al, 2010). Leadership is linked with employee performance (Ogbonna & Harris 2000). The relationship between Leadership and performance is established considerable attention among the researchers (Gadot, 2006). For example, with the help of transactional leadership we can achieve our current goals more professionally if we guarantee that employees have enough resources for performing a job (Zhu, Chew and Spengler, 2005).

Depending upon the belief, civilization values, employees can be classified into two categories. One type of employees is more concern with the material gain while others are reluctant and more interested in spiritual development and value satisfaction (Campbell, 1990). So, this point out that leadership styles within the organization affect the employee work performance. A right leadership style can make an effective organization and can heighten up the performance. Succession planning is "the steadfast and managed effort of sustaining and building intellectual capital by an organization for the purpose of ensuring consistent leadership back-up to be utilized in the hour of need". It is a proactive approach that aids in formulating and implementing strategies for talent development and talent retention for the organization. It acts as a pre arranged tool to cater the leadership change before it actually occurs. It involves assessing the needs of talent leadership pool and preparing for it to meet the anticipated future needs of an organization.

H1: Transactional leadership influences employee's performance.

H2: Transformational leadership influences employee's performance.

H3: Succession planning moderates between transactional leadership and employee performance.

H4: Succession planning moderates between transformational leadership and employee performance.

B. Research Methodology

T Multifactor leadership questionnaire (MLQ) of Bass and Avolio (1997) has been used to collect the data from the

respondents and Brayfield (1951) questionnaire for employee performance has been adopted to measure the performance of employees. Questionnaire for succession planning is adopted from a survey conducted by Stanford University and its affiliates. A five point likert scale has been used. The questionnaires were distributed to respondent's employees working as managerial and non managerial positions in government and non government organizations/institutions in Gujranwala region, the 5th largest city of Pakistan. To investigate the influence of variables multiple regression technique has been used in SPSS. To see the interactional effect of succession planning moderated regression has been used in SPSS.

III. Analysis and Discussion

About 150 questionnaires have been circulated to employees working in government and non government organizations/institutions, 110 useable questionnaires were received back at 73.3% response rate. There were 34 total questions in the research instrument, 12 for transformational leadership, 8 to investigate transactional leadership and 8 items for succession planning and rest 6 questions based on employee performance. The questionnaire consists of two sections; the first section was about to get demographic data of the respondents like age, gender, experience etc. and second part related to variables used in this study. Participants were 104 male and 6 female out of 110 respondents. Among 110 respondents 46 were between 20-30 years, 43 were 31-40 years and remaining 21 were above 40 years. Out of 110 respondents 70 working in public sector organizations while 40 were in private sector. Majority of the respondents were having the 3-5 years of job experience.

The value of R square is .366 which predicts that model is moderate not much strong under this study. Although it's weak model but it has significant impact on dependent variable. Transformational leadership has strong impact on performance as its beta value (.561) which is significant at .05. Transactional leadership has minor impact on performance but it is not significant in this study as its significance value .105 is greater than .05. So hypothesis 1 (H-1) is rejected because of the insignificant value.

H-1: Transactional leadership influences the performance of employee

Results of regression analysis show significance value of transactional leadership is more than .05 so it is not accepted. On the other hand if we see beta value it is .116 which confirms the change in the dependent variable by 11.6 percent due to transactional leadership which is minor but not significant at .05 level. So the H-1 is rejected under this study.

H-2: Transformational leadership influences the performance of employees

Regression analysis results showed the significant relationship of transformational leadership and employee performance. The beta value is .561 which means 56.1% change in employee performance is due to transformational

leadership which is highly significant as value is .000 at .05 level. Therefore H-2 is accepted.

H-3: Hypothesis is rejected because the original relationship between transactional leadership and performance of employees is insignificant then there is no question of moderation. This is the assumption of moderated regression that there should be significant relationship between variables. This condition is not met in the said relationship so we can't run the regression with moderator.

H-4: To check the moderating effect of succession planning between the transformational leadership and employee performance. The moderated regression can be run because the strong relationship exists between transformational leadership and employee performance. For this purpose moderated regression has been run and the results are as follow in this table.

In the moderated regression table above it is very obvious that succession planning positively affects the relationship between transformational leadership and employee performance but it is not significant at .025 level because its significant value is .720 so H-4 is rejected. In other words it can be said that succession planning doesn't moderate the relationship between transformational leadership and employee performance.

A. Implications

Motivation level of the employees is directly linked with leadership style of the managers, which can significantly influence employee performance. Transactional leadership style still exists in major form in Pakistani culture but the management should take into consideration transformational leadership as call for ethics is emerging. In the light of this research if managers adopt the transformational leadership style the overall performance of the employees could be enhanced which is a burning issue in contemporary world.

B. Limitations and future Pursuit

The study is conducted in Gujranwala region; results may be different in different regional areas. Relationship between transactional leadership and employee performance is proved insignificant whereas in some studies it is proved significant, probable reason for this could be cultural differences. If someone extend this study or test it in different culture the results may be different. Succession planning is not proved significant moderator in this study, it may be tested as mediator.

Table 1. Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.605 ^a	.366	.354	.42577

a. Predictors: (Constant), TransacionL, TransformL

Table 3. Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	
	B	Std. Error	Beta			
1 (Constant)	1.576	.243		6.483	.000	
	Transform L	.589	.077	.591	7.623	.000
2 (Constant)	2.018	1.202		1.678	.096	
	Transform L	.409	.403	.411	1.016	.312
	SucsPlg	-.082	.330	-.132	-.249	.804
	Transf_sucPlg	.037	.102	.307	.360	.720

a. Dependent

Variable:Performance

Table 2. Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.253	.312		4.012	.000
TransformL	.561	.078	.564	7.149	.000
TransacionL	.116	.071	.129	1.633	.105

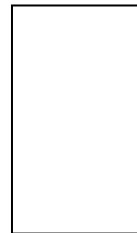
a. Dependent Variable: Performc

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