

Effect of Leadership on Organizational Commitment

Shiji Lyndon & Preeti S. Rawat

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. Data was collected through questionnaires to measure leadership styles and organizational commitment. A total of 239 responses was gathered from employees working in banking, higher education, Information Technology and manufacturing sectors. The research finds a positive linkage between leadership style and organizational commitment. One important finding of the study has been that, in the Indian context, contingent reward is perceived more transformational than transactional factor. Implications of this study on managerial practice are also discussed.

Shiji Lyndon (Email: shiji@somaiya.edu) is Assistant Professor & **Preeti S. Rawat** (Email: preetirawat@somaiya.edu) is Professor, K. J. Somaiya Institute of Management Studies and Research, Vidyavihar (E), Mumbai 400077.

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 lead-

ership 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 behavior (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), behavior (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-follower dyad, collective, and context. Hernandez et. al. (2011) also identified four mechanisms of leadership i.e. traits, behaviors, cognition and affect.

Transformational & Transactional Leadership Theories

Transformational and transactional theories of leadership are based on the concepts given by McGregor Burns (1978) in his bestselling book "Leadership". 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-active and 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 actions. 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.

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.

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 put effort and (c) desire to continue 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 organizational commitment unlike Mathieu and Zajac (1990) who had based their observations 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, distributive justice and procedural 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 remain 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 employees' 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 obliga-

tion 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 behaviors 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 hypotheses 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 and continuance commitment 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. However, Rafferty & Griffin (2004) and Meyer, Stanley, Herscovitch & Topolnytsky (2002) found that several dimensions of transformational leadership correlated negatively with continuance commitment. Therefore, because of the lack of conclusive literature on relation between transformational leadership and continuance commitment, no specific hypothesis was formulated and analysis was considered exploratory.

Transactional Leadership

There are two aspects of transactional leadership i.e. contingent reward leadership and management by exception leadership. Contingent reward relationship is rewarding employees when they achieve the desired objective. Management by exception is involving with the employees only to correct the mistakes. Management by exception can be active or passive. Judge and Piccolo (2004) found that contingent reward leadership had strong positive correlation with job satisfaction and performance which has been linked to commitment (Meyer et al., 2002). The meta analysis by Jackson et al., (2013) also found a strong positive relation between contingent reward leadership and affective commitment. They found that management by exception (active) also had positive but weak correlation with affective commitment. While, management by exception (passive) had negative correlation with affective commitment.

Therefore, based on the literature, following hypotheses are proposed:

Hypothesis 4: Leadership style following contingent reward relates positively to affective commitment.

Hypothesis 5: Leadership style following the dimension of management by exception (active) relates positively to affective commitment.

Literature does not give any strong theoretical rationale for the relations of transactional leadership with normative and continuance commitment, therefore,

no specific hypothesis was formulated and analysis was considered exploratory.

Transformational vs. Transactional Leadership

Transformational and transactional leaders differ in terms what the leaders and followers have to offer one another (Conger & Kanungo, 1998). Transformational leaders offer purpose to the follower which is beyond the short term goals and also aims to fulfill their higher order intrinsic needs while transactional leaders focus on proper exchange of resources. Transformational leadership helps the followers to identify with the needs of the leaders, whereas, transactional leader provides the followers with something which they want in exchange from the leader for their contribution (Kuhnert & Lewis, 1987). Therefore, conceptually transformational leadership leads to more commitment than transactional leadership style.

Conceptually transformational leadership leads to more commitment than transactional leadership style.

Research also shows similar findings. Limsila and Ogunlana (2007) found that transformational leadership style is likely to generate commitment from subordinates while transactional is not. Therefore, based on the literature, following hypothesis is proposed:

Hypothesis 6: Transformational leadership style leads to higher organiza-

tional commitment than transactional leadership style.

Research Design

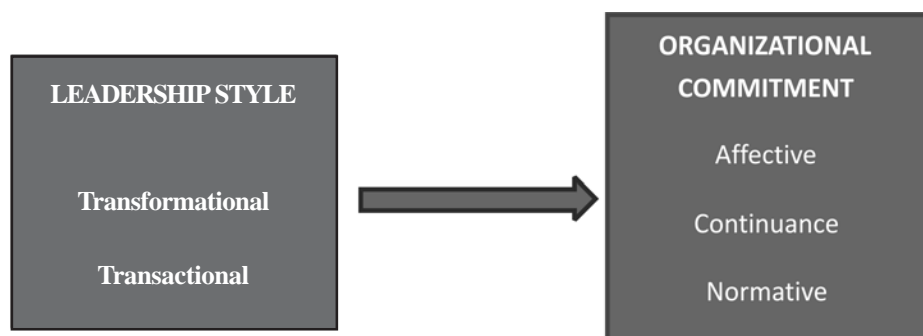
Data was collected through questionnaires to measure leadership styles and organizational commitment. A total of 239 responses was gathered from employees working in banking, higher education, information technology and manufacturing sectors. There were 137 males and 101 females. The sample consists of 133 employees with graduation, while 106 employees had post-graduation or professional degree. 129 employees had less than 5 years of experience while 54 of them had more than 6 but less than 10 years of experience and 56 had more than 11 years of experience in their present organization. The sample comprised 83 employees from banking sector, 50 from higher education, 65 from information technology and 41 from manufacturing industry.

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 that comprise the 24 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, 0.69 for four contingent reward items, 0.75 for four active management by exception items, and 0.70 for four passive management by exception items (Avolio & Bass, 2004).

Research Model



Results & Analysis

The results were analyzed using the statistical package for social sciences (SPSS). All the results are given in tables 1-4. Tables 1-2 show factor analysis of organizational commitment and leadership scales using principal component

analyses with varimax rotation. Table 1 shows the rotated factor structure of organizational commitment scale. The dimension of affective commitment was divided into two factors while normative and continuance commitment showed distinct factor loadings. It explained 52 percent of cumulative variance.

Table 1 Rotated Factor Analysis of the Organizational Commitment Scale

Item	Dimensions			
	Emotional Commitment	Affective Commitment	Normative Commitment	Continuance Commitment
Eigen Value	5.7	2.8	2.1	1.9
% of Variance explained	23.75	11.67	8.89	7.98
Cumulative % of variance explained	23.75	35.42	44.32	52.31

Extraction Method: Principal Component Analysis
 Rotation Method: Varimax With Kaiser Normalization
 Rotation converged in 6 iterations

Table 2 Rotated Factor Analysis of the Leadership Scale

Item	Dimensions		
	Transformational Leadership	Management by Exception Active	Management by Exception Passive
Eigen Value	9.954	31.108	31.108
% of Variance explained	1.995	6.233	37.341
Cumulative % of variance explained	1.716	5.362	42.703

Extraction Method: Principal Component Analysis
 Rotation Method: Varimax With Kaiser Normalization
 Rotation converged in 6 iterations

Table 3 Reliability of the Scales Used

.	Scale	No. of Items	Cron Bach Alpha
1	Leadership Scale	32	0.898
2	Organizational Commitment Scale	24	0.835

Table 2 shows the rotated factor structure of leadership style scale. The scale did not cleanly load into seven factors as given in the original scale (Bass

&Avolio, 2004). In the present study three factors emerge: transformation leadership including contingent reward, management by exception (active) and

Table 4 Correlation between the Variables

	TF	MBE(A)	MBE(P)	EC	AC	NC	CC
TF	1						
MBE(A)	0.399**	1					
MBE(P)	-0.018	0.069	1				
EC	.466**	.156*	0.001	1			
AC	0.099	0.123	0.099	0.318**	1		
NC	.202**	0.038	-0.052	.388**	.336**	1	
CC	.464**	.255**	-0.061	.383**	0.062	0.167**	1

***p<0.001, **p<0.01, *p<0.05

TF : Transformational Leadership
 MBE(A) : Management by Exception (Active)
 MBE(P) : Management by Exception (Passive)
 EC : Emotional Commitment
 AC : Affective Commitment
 NC : Normative Commitment
 CC : Continuance Commitment

management by exception (passive). It explained 42 percent of cumulative variance.

Table 3 shows the reliability of organizational commitment and leadership scale. All the Alpha values are high (.0.80) in all the scales (Nunnally, 1978). Table 4 shows correlation between all the variables. It shows that transformational leadership is positively correlated with management by exception (active), emotional, affective, normative and continuance commitment. While, management by exception (passive) does not have correlation with any component of commitment.

The results show that leadership style significantly influences organizational commitment.

Table 5 shows the regression analysis. The results show that leadership style significantly influences organizational

commitment ($R^2=0.13$, $p<0.001$). Among the various styles of leadership, transformational leadership best explains organizational commitment ($R^2=0.13$, $p<0.001$) compared to management by exception (active) ($R^2=0.02$, $p<0.01$). While, management by exception (passive) does not have a significant influence on organizational commitment.

Discussion

The primary purpose of this study was to examine the influence of transformational/transactional leadership styles on the three components of organizational commitment. The expected positive linkage between leadership style and organizational commitment was supported. These findings are in line with those of other researchers (Jackson et. al., 2013; Judge & Piccolo, 2004).

One important finding of the study is that in the Indian context, contingent reward is perceived more transformational

Table 5 Regression Analysis

Criterion Variable	Predictor Variables		
	Beta	t values	R2
Organizational Commitment	0.366	Leadership	0.13***
		6.46	
Organizational Commitment	0.369	Transformational leadership	0.13***
		6.117	
Organizational Commitment	0.155	MBE(Active)	0.02***
		2.412	
Organizational Commitment	0.064	MBE(Passive)	0***
		0.983	
Emotional Commitment	0.435	Leadership	0.186***
		7.415	
Emotional Commitment	0.461	Transformational leadership	0.209***
		8.003	
Emotional Commitment	0.156	MBE(Active)	0.02***
		2.418	
Emotional Commitment	0.001	MBE(Passive)	-0.04
		0.015	
Affective Commitment	0.13	Leadership	0.013***
		2.015	
Affective Commitment	0.099	Transformational leadership	0.006***
		1.526	
Affective Commitment	0.123	MBE(Active)	0.011***
		1.905	
Affective Commitment	0.099	MBE(Passive)	0.006***
		1.529	
Normative Commitment	0.172	Leadership	0.025***
		2.675	
Normative Commitment	0.202	Transformational leadership	0.037***
		3.181	
Normative Commitment	0.038	MBE(Active)	-0.003
		0.582	
Normative Commitment	-0.052	MBE(Passive)	-0.02
		-0.795	
Continuance Commitment	0.45	Leadership	0.199***
		7.718	
Continuance Commitment	0.464	Transformational leadership	0.212***
		8.037	
Continuance Commitment	0.255	MBE(Active)	0.061***
		4.051	
Continuance Commitment	-0.061	MBE(Passive)	0
		-0.937	

***p<0.001,**p<0.01,*p<0.05

than transactional factor. Contingent reward is the degree to which leaders can establish transaction with followers by rewarding their efforts by communicating with them as to what they must do to get rewards and punishing undesirable actions.

Contingent reward is perceived more transformational than transactional factor.

The hypothesis related to the relationship of transformational leadership and affective and normative commitment was supported. This relationship which has been established in the Western context has found support in the Indian context too. There was so specific hypothesis formulated with regards to transformational leadership and continuance commitment. But, the results show a positive correlation between the two. As noted earlier, the positive environment created by the transformational leader must be perceived as a loss and thus leads to a higher continuance commitment.

The hypothesis related to the relationship of management by exception (active) and affective, normative and continuance commitment had positive but weak correlation. This finding is similar to the findings of Judge and Piccolo (2004) and Jackson et al. (2013).

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 behavior 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 can help find out which 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.

References

- Avolio, B. J. & Bass, B. M. (2004), Multifactor Leadership Questionnaire: Manual and Sampler Set, Redwood City, CA: Mind Garden.
- Bass, B. M. & Riggio, R. E. (2005), Transformational Leadership, Mahwah, NJ: Erlbaum.
- Clugston, M., Howell, J. P. & Dorfman, P. W. (2000), "Does Culture Socialization Pre-

- dict Multiple Bases and Foci of Commitment?" *Journal of Management*, 26: 5-30.
- Dorfman, P. W., Hanges, P. J. & Broadbeck, F. C. (2004), "Leadership and Cultural Variation: The Identification of Culturally Endorsed Leadership Profiles", in R. J. House, P. J. Hanges, M. Javidan, P. W. Dorfman & V. Gupta (Eds.), *Culture, Leadership, and Organizations: The GLOBE Study of 62 Societies*, Thousand Oaks, CA: SAGE.
- Hernandez, M., Eberly, M. B., Avolio, B. J. & Johnson, M. D. (2011), "The Loci and Mechanisms of Leadership: Exploring a More Comprehensive View of Leadership Theory", *The Leadership Quarterly*, 22: 1165-85.
- Jackson, T. A., Meyer, J. P. & Wang, X. H. (2013), "Leadership, Commitment, and Culture: A Meta-analysis", *Journal of Leadership & Organizational Studies*, 20(1): 84-106.
- Judge, T. A. & Piccolo, R. F. (2004), "Transformational and Transactional Leadership: A Meta-analytic Test of Their Relative Validity", *Journal of Applied Psychology*, 89(5):755-68.
- Lee, K., Allen, N. J., Meyer, J. P. & Rhee, K-Y. (2001), "The Three Component Model of Organizational Commitment: An Application to South Korea", *Applied Psychology: An International Review*. 50: 596-614.
- Lok, P. & Crawford, J. (2001), "Antecedents of Organizational Commitment and the Mediating Role of Job Satisfaction", *Journal of Managerial Psychology*. 16(8): 594-613.
- Meyer, J. P., Stanley, D. J., Herscovitch, L. & Topolnytsky, L. (2002), "Affective, Continuance, and Normative Commitment to Organization: A Meta-analysis of Antecedents, Correlates, and Consequences", *Journal of Vocational Behavior*, 61: 20-52.
- Meyer, J. P., Stanley, D. J., Jackson, T. A., McInnis, K. J., Maltin, E. R. & Sheppard, L. (2012), "Affective, Normative and Continuance Commitment Levels across Cultures: A Meta-analysis", *Journal of Vocational Behavior*, 80: 225-45.
- Rafferty, A. E. & Griffin, M. A. (2004), "Dimensions of Transformational Leadership: Conceptual and Empirical Extensions", *Leadership Quarterly*, 15: 329-54.
- Schein, E. H. (2004), *Organizational Culture and Leadership*, 3rd edition, San Francisco, CA: Jossey Bass.
- Simosi, M. & Xenikou, A. (2010), "The Role of Organizational Culture in the Relationship between Leadership and Organizational Commitment", *The International Journal of Human Resource Management*, 21(10): 1598-616.
- Walumbwa, F. O. & Lawler, J. J. (2003), "Building Effective Organizations: Transformational Leadership, Collectivist Orientation, Work-related Attitudes, and Withdrawal Behaviors in Three Emerging Economies", *The International Journal of Human Resource Management*, 14: 1083-101.
- Walumbwa, F. O., Lawler, J. J., Avolio, B. J., Wang, O. & Shi, K. (2005), "Transformational Leadership and Work Related Attitudes: The Moderating Effects of Collective and Self-efficacy across Cultures", *Journal of Leadership and Organizational Studies*, 11: 3-16.
- Wasti, S. A. (2003), "The Influence of Cultural Values on the Antecedents of Organizational Commitment: An Individual-level Analysis", *Applied Psychology: An International Review*, 52: 533-54.