

## LEADERSHIP STYLES AND EMPLOYEE MOTIVATION: AN EMPIRICAL INVESTIGATION IN A LEADING OIL COMPANY IN INDIA

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### ABSTRACT

The objective of this study is to explore how at the western region of a leading oil and refinery Company, leadership styles (the independent variable) influence employee motivation (the dependent variable). Data of both types, primary and secondary, have been used for the study. Secondary data has been collected through published data in public domain. For primary data, using random sampling, 75 questionnaires were distributed, out of which 50 were completed. Data was collected from these 50 respondents belonging to different age groups, educational background, occupational status, job tenure, gender. The questionnaire contains different elements drawn from a) The Full Range Leadership Development Model, developed by Bass and Avolio (1994) and b) Work Motivation Scale. The instrument employs 29 questions on Leadership style and 10 questions on Motivation, on a 5-point and 7-point scale respectively. The survey was administered between Jan and March 2014. The researcher found that the dominant leadership styles were transformational and transactional and employees were moderately motivated. The results show that different leadership style factors will have different impact on employee motivation components.

**KEYWORDS:** Leadership Styles, Transformational Leadership, Transactional Leadership, Laissez Faire Leadership, Employee Motivation

### INTRODUCTION

The key influencers for organisational effectiveness are leadership and employee motivation. Leadership style extensively influences employee's commitment and dedication. While the correlation between leadership style and motivation has been studied in a wide variety of sectors and in an equally wide variety of demographic settings, few of these studies focus on this relationship in the context of a corporate in oil and refinery segment.

Specifically, this study concerns itself with full-time white-collar employees in the Company and explores the effect of leadership behavior, as adapted from Bass and Avolio's (1997) Full Range Leadership Development Model, on employee motivation, as adapted from WMS-work motivation scale.

### Company Overview

The organisation chosen for the study is India's leading oil company with business interests straddling the entire hydrocarbon value chain – from refining, pipeline transportation and marketing of petroleum products to exploration & production of crude oil & gas, marketing of natural gas and petrochemicals.

## THEORETICAL PERSPECTIVE

Definitions of leadership can be as diverse as number of historians and philosophers, who have attempted to demystify it. Broadly speaking, leadership is an influence relationship among leaders and followers to perform in such a way to reach a defined goal or goals (Bennis & Nanus 1985; Burns 1978). According to Bass and Avolio (1997) finding one specific definition of leadership is a very complex task as studies on this topic are varied and there is no single generally accepted definition. Some definitions describe leadership as an act of influence, some as a process and yet others have looked at a person's trait qualities (Lussier and Achua, 2001).

## TRANSFORMATIONAL LEADERSHIP

Transformational leaders do more with followers and colleagues than transactional leaders do (Avolio et al. 1991). They provide a vision and a sense of mission, inspire pride, and gain respect and trust through charisma, as opposed to a simple exchange and agreement, (Bass et al.1990).

Transformational leaders exhibit various types of behaviour:-

- **Idealized Influence (Attributed/Behaviour):** The leader is trusted and respected, maintains high moral standards, is seen as a role model by followers.
- **Inspirational Motivation:** The leader articulates and emphasizes to subordinates the need of superlative performance and helps to accomplish the organizational goals. Bass and Avolio (1994) pointed out that leaders adopting this behaviour have an ability to strengthen their follower's responses and explain important ideas in simple ways.
- **Intellectual Stimulation:** The leader stimulates the subordinate's understanding of the problems and an identification of their own beliefs and standards.
- **Individualized Consideration:** The leader treats followers as individuals but all are treated equitably. Individual's needs are recognized and assignments are delegated to followers to provide learning opportunities. Besides, transformational leaders are change agents and visionaries encouraging individuals and having the ability to deal with complexity, ambiguity and uncertainty (Tichy & Devanna1996).

## TRANSACTIONAL LEADERSHIP

Transactional leaders communicate with their subordinates to explain how a task must be done and let them know that there will be rewards for a job done well (Avolio et al.1991). Different types of behavior inherent to transactional leadership have been identified:

- **Contingent Reward:** Subordinates receive rewards for good performance.
- **Management by Exception (Active):** Subordinates are monitored and then corrected if necessary in order for them to perform effectively.
- **Management by Exception (Passive):** Subordinates receive contingent punishment in response to obvious discrepancies from the standard performance.

## **LAISSEZ-FAIRE LEADERSHIP**

Laissez-faire leadership is a passive kind of leadership style, seen as not caring about other's issues. There is no relationship exchange between the leader and the followers. It represents a non-transactional kind of leadership style in which necessary decisions are not made, actions are delayed, leadership responsibilities ignored, and authority unused.

## **THE FULL RANGE LEADERSHIP DEVELOPMENT MODEL**

The Full Range Leadership Development Model, developed by Bass and Avolio (1994), is a combination of both transactional and transformational leadership. It includes five transformational factors: Idealized influence, Inspirational motivation; Individualized consideration; Intellectual stimulation, and three transactional ones: Contingent reward; Management by exception (active); Management by exception (passive).

## **MOTIVATION AND HYGIENE FACTORS**

Herzberg et al. (1959) developed two distinct lists of factors about attitudes of employees. One set of factors caused happy feelings or a good attitude within the worker, and these factors, on the whole, were task-related. The other set was primarily present when feelings of unhappiness or bad attitude were evident, and these factors, Herzberg claimed, were not directly related to the job itself, but to the conditions that surrounded doing that job. Herzberg named the first group as motivators (job factors):

- Recognition
- Achievement
- Possibility of growth
- Advancement
- Responsibility
- Work itself

Herzberg named the second group as hygiene factors (extra-job factors):

- Salary
- Interpersonal relations - supervisor
- Interpersonal relations - subordinates
- Interpersonal relations - peers
- Supervision - technical
- Company policy and administration
- Working conditions
- Factors in personal life
- Status

- Job security

Motivators refer to factors intrinsic within the work itself like the recognition of a task completed. Conversely, hygiene tend to include extrinsic entities such as relations with co-workers, which do not pertain to the worker's actual job.

## THE ROLE OF LEADERSHIP IN MOTIVATION

Leadership style is an important determinant of motivation. The reactions of employees to their leaders will usually depend on the characteristics of the employees as well as on the characteristics of the leaders (Wexley & Yukl 1984). There are different dynamics of task and relationship-oriented dimensions of management, which propagate high and low propensities of task and relationship-oriented managers when mixed with differing circumstances as well as diverse groups of employees. While motivating people to enhance job satisfaction, Herzberg's concept of attitude is a force powerful in determining output. Aligned to this concept is Locke's formulation of value and its importance to work goals and subsequently job satisfaction. Therefore, managers should consider the significance of attitudes and values both in their leadership journey.

## REVIEW OF LITERATURE

According to Quick (1998), each person has a different set of goals and can be motivated if he/she believes that: there is a positive correlation between efforts and performance; effective performance will result in a pleasing reward; the reward will satisfy an important need; and the desire to satisfy the need is strong enough to make the effort meaningful.

Vroom (1964) suggested that the motivation to work depends on the relationships between expectancy, instrumentality and valence. Expectancy is a person's belief that working hard will result in a satisfying level of job performance. Instrumentality is an employee's belief that successful performance will be followed by rewards. And valence is the value a person holds with respect to outcomes (rewards).

**Zeffanne (2003: 979):** States that "the answer to the question of employee commitment, morale, loyalty and attachment may consist not only in providing motivators, but also to remove demotivators such as styles of management not suited to their context and to contemporary employee aspirations". Thus, a leadership or management style that encourages employee involvement can help to satisfy employee's desire for empowerment and demand for a commitment to organisational goals.

Employees are more satisfied with leaders who are considerate or supportive than with those who are either indifferent or critical towards subordinates (Yukl 1971).

## NEED OF THE STUDY

This study thus aims to explore the relationship between leadership styles and employee motivation. In light of the theoretical literature and empirical studies related to leadership styles and employee motivation, the researcher will focus on how the nine leadership style sub-variables considered in this study influence employee job motivation as measured in terms of the nine sub-variables taken into account.

## OBJECTIVES

The objectives of this research can be expressed as follows:

- To study the relationship between Transformational Leadership Styles and Employee Motivation
- To study the relationship between Transactional Leadership Styles and Employee Motivation
- To study the relationship between Laissez Faire Leadership Styles and Employee Motivation

## HYPOTHESIS

In the study, five hypotheses were developed to identify the impact of leadership style factors on employee motivation.

**H<sub>01</sub>:** There is no significant relation between transformational leadership style and employee motivation

**H<sub>11</sub>:** There is a significant relation between transformational leadership style and employee motivation

**H<sub>02</sub>:** There is no significant relation between transactional leadership style and employee motivation

**H<sub>12</sub>:** There is a significant relation between transactional leadership style and employee motivation

**H<sub>03</sub>:** There is no significant relation between laissez-faire leadership style and employee motivation

**H<sub>13</sub>:** There is a significant relation between laissez-faire leadership style and employee motivation

## RESEARCH METHODOLOGY

The survey technique was used to collect data from the respondents and understand and predict some aspects of the behavior of the population of interest. In the process of sampling, selection has been done from a bigger group (the sampling population) to become the basis of estimating or predicting the prevalence of an unknown piece of information, situation or outcome regarding the bigger group.

The population is not the entire population of a given geographical area of a given organisation, but the predefined set of potential respondents (elements) in a geographical area. The potential respondents are the groups of employees working for at least one year or more with a particular in the western regions of India. The sample size was set as 50, both males and females, across age groups, and Convenient sampling was used. The research design is Descriptive, which, as Zikmund (2003) explained, provides answers to “who, what, when, where, and how” questions, and Causal.

Appropriate questionnaire was developed to collect the responses. The questionnaire contained three sections: One on leadership style, another on employee motivation and a third on demographics, respectively. The leadership style items in section one were adapted from Avolio and Bass’ (1997) Multifactor Leadership Questionnaire (MLQ) and the motivation items from WMS. The MLQ model was modified into a five-component scale to facilitate coding and data interpretation.

The MLQ was developed by Bass (1997) to measure a broad array of leadership types ranging from passive leaders to leaders giving contingent rewards to followers and leaders transforming their followers into leaders themselves. For the purpose of the study, it was adapted to consist of 29 items measuring the main characters of leadership and was coded from 0 to 4.

The 29 items are rated as follows:

**Table 1**

Not at All	Once in a While	Sometimes	Fairly Often	Frequently, if Not Always
0	1	2	3	4

The motivation model, with 10 items, was modified into a seven-component scale to facilitate coding and data interpretation.

The 10 items are rated as follows:

**Table 2**

1	2	3	4	5	6	7
Strongly Disagree	Disagree	Somewhat disagree	Neutral	Somewhat agree	Agree	Strongly Agree

As to the demographic items, they are based on previous theoretical and empirical studies.

Data analysis was done using SPSS (Statistical Package for Social Sciences) and the Validity was established through suitable statistical means.

**Table 3: Reliability Statistics for Work Motivation Scale**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.834	.834	10

**Table 4: Reliability Statistics for Leadership Styles**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.862	.891	29

## DATA ANALYSIS

**Table 5: Correlations (Pearson's R)**

		Employee Commitment Total Score (1-7)	Work Motivation Total Score (1-7)	Transformational Style (0-4)	Transactional Style (0-4)	Laissez Faire Style (0-4)
Work Motivation Total Score (1-7)	Pearson Correlation	.277	1	.602**	.329*	-.585**
	Sig. (2-tailed)	.051		.000	.020	.000
	N	50	50	50	50	50
Transformational Style (0-4)	Pearson Correlation	.485**	.602**	1	.845**	-.732**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	50	50	50	50	50
Transactional Style (0-4)	Pearson Correlation	.395**	.329*	.845**	1	-.496**
	Sig. (2-tailed)	.005	.020	.000		.000
	N	50	50	50	50	50
Laissez Faire Style (0-4)	Pearson Correlation	-.398**	-.585**	-.732**	-.496**	1
	Sig. (2-tailed)	.004	.000	.000	.000	
	N	50	50	50	50	50

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

\* . Correlation is significant at the 0.05 level (2-tailed)

## RESULTS AND ANALYSIS

A majority of the 50 respondents (82%) are males and married. About 44% are management degree holders, 32% have a Masters degree and the rest are Graduates mostly in Engineering.

As the Table 5 indicates, co-relation between Transformational Leadership styles and employee motivation is positive and the score is 0.602. Co-relation between transactional style and motivation is also positive and the score is 0.329. However, the degree of co-relation is less, which means that, transformational style of leadership motivates employees more than transactional style.

Laissez-faire style, on the other hand, has a negative co-relation with motivation. This means that employees are not satisfied under laissez-faire leadership. All the co-relations are highly significant.

## RESEARCH LIMITATIONS

This research has some inevitable limitations.

First, since it concerns itself with a certain sector, the results do not apply to the other sectors. Moreover, with the branches in Western India as the target locations of the research primarily, the findings of this study cannot be generalized to other provinces.

The findings of this study are also limited to the perception of leadership styles and their influence on employee job motivation and they cannot be generalized to other factors possibly affecting motivation. Besides, the findings cover a specific time frame (January-March 2014) and may not therefore be generalized to all time.

## DISCUSSIONS AND IMPLICATIONS

This underlines the importance of relationships between supervisors and employees and the way the organization communicates; a finding supported by similar studies which have shown supervision and communication to be important factors in terms of employee motivation.

These findings are supported by earlier studies which also used MLQ and the full range leadership development behaviors in various organizations (Bass and Avolio, 1994; Bass 1985; Jandaghi, Zarei Matin and Farjami 2002).

There is a positive association between individualized consideration and all the employee motivation sub-variables. These results are consistent with previous studies showing the significant positive influence of transformational leadership factors on motivation and the significant negative influence of laissez-faire leadership on subordinate's motivation (Bass and Avolio 1994; Loke, 2001; Bass 1998; Avolio1999, Shim et al. 2002; Waldman et al 2001; Lok and Crawford 1999; Howell and Avolio1993).

This finding is consistent with some previous studies which found that delivering on the promise of a contingent reward has a significant influence on employee motivation. Rewarding and encouraging are consistently considered by commentators to be one of the important motivators (Snape 1996; Erkutlu 2008).

The instruments used to determine the impact and the findings obtained, clearly indicates that by providing adequate coaching, mentoring, encouragement, supporting work environment, sense of respect and confidence in employee's ability, the leaders can increase employee motivation.

## CONCLUSIONS AND RECOMMENDATIONS

Indian employees are motivated by social rewards, self-actualization needs, compensation, and improved working conditions. To reach the hearts and minds of employees, leaders need to ‘walk-the-talk’, with an impelling vision. “It is exceedingly important for a leader of any organization to communicate his or her vision constantly to ensure that there is no doubt about the direction a team is heading,” says Ken Blanchard, world-renowned management coach. Hence some of the well-known employment brands known for their leadership values, focus on employee engagement through commitment and discretionary effort and on employee enablement, with optimized roles and a supportive environment, leading to financial success, customer satisfaction and employee performance—all to drive organizational performance.

Leaders should especially focus on motivators such as dimensions of discretion (freedom to choose, what, when and how activities are carried out), job demands (controls vs lack of control over speed of activity), as well as apt use of skills and competencies. As the study indicates, for leaders to succeed in today’s fast changing business environment, it is recommended that they adopt a transformational leadership style rather than transactional or laissez-faire styles to enhance employee’s motivation consistently and efficiently; which will in turn generate higher quality performance on the employee’s part and boost business performance.

The leaders should avoid any laissez-faire behavior and spend time instead coaching, paying attention to employee’s abilities and needs, help them develop their talent, and provide a supportive environment. This would help achieve higher performance standard within the organization. They should also enhance their knowledge about how their leading style influences their employees. They should select the style best suited to the organizational goals and employee’s needs and desires. To ensure higher employee performance, they should act as ethical role models and be accepted as such.

Another issue raised by the survey is that the leaders should encourage employees to push the bar and challenge themselves with roles which utilise their full potential, talent and creativity. This would align employees to the organisational vision and make them more confident and eager to perform the allocated tasks.

The managerial skills that the leaders should continue to develop are creativity, team orientation, respect, listening skills, aligning to shared objectives, coaching, and employee recognition. The leaders should ensure that the reward and recognition system is reliable, trusted and time-tested and highlights important and meaningful employee performance.

In conclusion, as this survey shows, the ideal leadership style should be a mix of transactional managerial abilities, with adequate incorporation of transformational elements, such as idealized influence, inspirational motivation, and intellectual stimulation, individualized consideration, and other ingredients such as creativity, team orientation, appreciation of others, coaching, and recognition.

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