Transactional Leadership Style and Employees' Turnover Intention in Information Technology Organizations

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Abstract: *Employees' turnover intention is one of the key concerns faced by organizations in today's world. The organizations are striving hard to overcome this problem through different strategies. Leadership style plays a vital role in retaining the relationship between the employee and the organization. This study aims to understand the relation between the transactional leadership style and employee turnover intentions. The factors considered by employees as reasons for turnover intentions were also to be determined. From the population of software engineers working in Information Technology organizations, a sample of 180 software engineers was taken for the study. A well structured questionnaire was distributed and the responses were recorded. Statistical procedures were followed to analyze the data. Results reveal that there is a positive relation between the transactional leadership style and employee turnover intentions.*

Keywords: Employee turnover intentions, Information Technology, Leadership style, Transactional Leadership

1. Introduction

Leadership is one that attracts the attention of everyone. All organizations aspire to become leaders in their respective industry. There have been several researches carried out to decipher what is leadership. But still there is no consensus. "In the past 50 years, there have been as many as 65 different classification systems developed to define the dimensions of leadership" (Fleishman et al., 1991). Transactional leadership is one such theory which attracted the attention of the researchers in the past. The transactional leadership style was first described by Max Weber in 1947, and again by Bernard M. Bass in 1981. Transactional leadership is a style of leadership that focuses on the transactions between leaders and their followers (Bass, 1990).

There have been several researches done in the west and in other Asian countries on transactional leadership style and its impact. However, very few works have studied the impact of transactional leadership style on employee turnover intentions. The emphasis is on employee turnover intentions as the Information technology (IT) organizations are facing the greatest challenge in retaining its employees. As more and more organizations are shifting towards a sophisticated environment the employees expect leaders to be facilitators of making them utilize the available resources.

This study evaluates the factors considered by employees which are of importance to them as part of their decisions to leave the organization. In addition, this study also assesses the impact of transactional leadership styles on employee turnover intentions.

2. Literature Review

Transactional Leadership Style

The transactional leadership style was first described by Max Weber in 1947, and again by Bernard M. Bass in 1981. Transactional leadership is a style of leadership that focuses on the transactions between leaders and their followers (Bass, 1990). It is also known as managerial leadership style. It follows leader follower exchanges. Robbins defined the transactional leadership as "Leaders who lead primarily by using social exchanges for transactions" (Robbins, 2007, p.475). The leaders expect the subordinates to perform according to the instructions given by the leader. The subordinates in turn will expect rewards for their performance from the leader. This also includes punishments and penalties in case the subordinates fail to perform. The more exchange they have, the stronger the relationship. A transactional leader "pursues a cost benefit, economic exchange to met subordinates current material and psychic needs in return for 'contracted' services rendered by the subordinate" (Bass, 1985). This leadership style starts with the idea that team members agree to obey their leader when they accept a job.

The transactional leader works within the organizational culture as it exists. They rely on standard form of encouragement, reward, punishment and rules to control the employees. They are concerned with ensuring that the organization functions smoothly. They maintain the normal flow of operations. Transactional leader works at the basic levels of need satisfaction. One way that transactional leadership focuses on lower level needs is by stressing specific task performance (Hargis et al, 2001). They are effective in getting specific tasks done by concentrating on individual portions.

Tale (2010) indicated that there are three dimensions of transactional leadership:

Contingent rewards: There is an exchange of reward system occur between employers and employees. Employees are being promised to gain something from completing a task

Active management-by-exception: Is where leaders examine and monitor for any error or mistakes happen and apply for corrective action once the problems happen.

Passive management-by-exception: This type of leader takes action only after mistake occurred. It is systematic and not advisable as leaders not only intervening when problems happen.

Transactional leadership style is very useful when the organization is in a stable position and the learning objectives aim to refine and restore balance (Bucic et. al., 2010). The transactional leaders are beneficial to the small organizations as they are simple and low cost, clear and easy to follow and it yields results fast.

Employee Turnover Intention

For effective, profitable and successful function of an organization, valuing its human resources is fundamental. The need to realize the vital role of employees becomes evident. The organizations have started focusing on absenteeism, job dissatisfaction and employee movements as these have an adverse effect on them.

Employee turnover is the process through which employees leave the organization and that the organization replaces them. 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 et al. 2010). As cited in Wells et al. (2010), voluntary turnover is defined as a process in which an employee makes decision whether to stay on or leave the organization.

In contrast, involuntary turnover is referred to the situation in which the organization undertaken the control over the employee's decision to stay or leave the organization (McPherson 1976).

Turnover intention may be referred to as the intention of employees to quit the job. 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 (Horn and Griffeth 1995). There are number of factors that affect turnover intentions of employees in an organization like work environment, salary and the interpersonal relationships in the organization to name a few. As such employee turnover intentions are the outcome of many factors that come to light in the organizational context.

The influence of leadership style on employee turnover intentions is apparent. It is the sole responsibility of the leader to give keen attention to individual employees and keep them in harmony. The organization has to support the leader in this aspect by hiring the right people, keeping compensation current, offering flexibility, making opportunities for personal growth and development.

3. Objectives

The following are the objectives taken for the purpose of the study:

- To find the factors that are important as a part of employees' decision to leave the organization.
- To evaluate the satisfaction of the employees towards the factors influencing employee turnover decisions
- To find the association between transactional leadership style qualities and employee turnover intentions

4. Research Methodology

4.1. Sampling design

For the purpose of the study five Information Technology organizations were chosen. From each organization software engineers were chosen randomly. The questionnaire was distributed and received from 350 employees. Out of 350 questionnaires, 180 were found to be valid with an approximate usable rate of 51%.

4.2. Research Instrument

Primary data was collected for analysis. The data was collected with the help of a well structured questionnaire. A pilot study was conducted with 100 employees which comprises of software engineers from IT organizations in Chennai and modifications were done based on the feedback. The questionnaire was distributed to the respondents in person by the researcher and also mail responses were collected. The questionnaire was tested for its reliability with Cronbach Alpha test. All the scales had coefficient Cronbach Alpha greater than 0.7.

4.3. Limitations

The research and survey were limited due to time constraint. The research was intended for selected IT organizations only. The respondents may have provided biased information. The factors influencing the turnover decisions of the employees taken for the study are limited and there are more factors that will depend on the individuals

5. Research Results and Discussions

Out of the 350 questionnaires distributed, only 180 were useable and the remaining was rejected as there were some questions left unanswered and some information were not clear. The time period of the study was from Dec 2013 to March 2014. By gender, 54.4% were male respondents and 45.6% were female respondents. The majority of the respondents fall into the 21-30 age group. The highest number of respondents (42.2%) has B.E/B.Tech qualification.

The questionnaire listed some factors which were considered important by employees as a part of their decision to leave their employer. The factors were categorized as job related factors, development related factors, satisfaction and security related factors, esteem factors and relationship factors. The respondents were asked to indicate how important that these factors are influencing their turnover intention. It was recorded with a five point scale.

Table 1 indicates the descriptive statistics of the job related factors. The job related factors taken for the study are compensation, meeting deadlines, strain in the job and working conditions.

Table 1: Descriptive statistics of the job related factors in employees' turnover decision

Job Related factors					
	N	Minimum	Maximum	Mean	Std. Deviation
Compensation	180	1	5	4.12	1.034
Meeting Deadlines	180	1	5	3.52	1.170
Strain in the job	180	1	5	3.62	1.089
Working conditions	180	1	5	3.83	1.038
Valid N (listwise)	180				

From the above table 1 it is inferred that the respondents indicate their importance is towards 'compensation' (Mean = 4.12) while taking decisions to leave their employer.

The descriptive statistics of the development related factors is shown in Table 2. The factors of development taken are personal development, organizational development, promotion and opportunities with other employers.

Table 2: Descriptive statistics of the development related factors in employees' turnover decision

Development related factors					
	N	Minimum	Maximum	Mean	Std. Deviation
Personal development	180	1	5	3.86	1.034
Organisational development	180	1	5	3.79	.955
Promotion	180	1	5	4.06	.847
Opportunities with other employers	180	1	5	3.97	1.011
Valid N (listwise)	180				

From Table 2 it is clear that the importance of respondents while taking turnover decision is towards 'promotion' (Mean = 4.06). Personal development (Mean = 3.86) is the second important factor indicated by the respondents.

Table 3 represents the descriptive statistics of the satisfaction and security factors. The satisfaction and security factors considered for the study are job security, job satisfaction, career satisfaction and long term benefits.

Table 3: Descriptive statistics of the satisfaction and security related factors in employees' turnover decision

Satisfaction and security related factors					
	N	Minimum	Maximum	Mean	Std. Deviation
Job Security	180	1	5	4.04	1.040
Job Satisfaction	180	1	5	4.17	.925
Career Satisfaction	180	1	5	4.28	.800
Long term benefits	180	1	5	4.24	.828
Valid N (listwise)	180				

Table 3 shows that all the satisfaction and security related factors are considered important by the repondents in their decision to leave their employer. It indicates that career satisfaction (Mean = 4.28) is the first important factor. The mean of the other factors are also above 4 and thus it can be considered that all the factors play a vital role in the turnover decisions.

The descriptive analysis of the esteem related factors are tabulated in table 4. The esteem related factors taken for the study is work status, organisation's reputation (Org's reputation), work-life balance and health.

Table 4: Descriptive statistics of the esteem related factors in employees' turnover decision

Esteem Related Factors					
	N	Minimum	Maximum	Mean	Std. Deviation
Work status	180	1	5	3.91	1.015
Org's reputation	180	1	5	4.08	.912
Work-life balance	180	1	5	4.25	.838
Health	180	1	5	4.36	.843
Valid N (listwise)	180				

The above table 4 shows that the respondents consider organisation's reputation, work life balance and health as the important factors in their turnover decisions. Even though work status has mean value of 3.91, it is also close to the other mean values. Thus it can be inferred that the respondents consider all the esteem related factors to be important.

Table 5: Descriptive statistics of the relationship related factors in employees' turnover decision

Relationship related factors					
	N	Minimum	Maximum	Mean	Std. Deviation
Relationship with team members	180	1	5	3.97	.893
Relationship with leaders	180	1	5	4.03	.927
Relationship with Colleagues	180	1	5	4.08	.915
Valid N (listwise)	180				

From table 5 it is clear that the respondents consider all relationship related factors are important to them in their

turnover decisions. This can be inferred from their corresponding mean value which is above and close to 4.

Weighted average was calculated to rank the satisfaction of the employees towards the factors influencing turnover decisions. Table 6 tabulates the weighted average of all the factors and their corresponding rank. The ranks are calculated based on the weighted average from 1 to 19. The factor with highest weighted average is ranked 1.

S.No.	Factors	Weighted Average	Rank
1.	Compensation	39.47	19
2.	Meeting Deadlines	42.27	18
3.	Strain in the job	43.47	17
4.	Working conditions	46	15
5.	Personal development	46.33	14
6.	Organisational development	45.53	16
7.	Promotion	48.73	7
8.	Opportunities with other employers	47.67	12
9.	Job Security	48.53	9
10.	Job Satisfaction	50	5
11.	**Career Satisfaction**	**51.4**	**2**
12.	**Long term benefits**	**50.87**	**3**
13.	Work status	47.6	13
14.	Org's reputation	48.72	8
15.	Work-life balance	49.93	6
16.	**Health**	**52**	**1**
17.	Relationship with team members	50.33	4
18.	Relationship with leaders	47.8	11
19.	Relationship with	48.47	10

Colleagues		

Table 6 shows that health is ranked in the first place, followed by career satisfaction and long term benefits in the second and third places respectively. From this it is inferred that the respondents are satisfied with health, career satisfaction and long term benefits followed by other factors.

A chi square test was performed to find out the association between transactional leadership qualities and employees' turnover intention. The transactional leadership qualities taken for the analysis are contingent rewards, active management by exception, passive management by exception and laissez – faire. Table 7 shows the results of the chi square test. The hypothesis taken for the study is shown below:

Null Hypothesis (H0): There is no association between transactional leadership qualities and employees' turnover intention

Alternate Hypothesis (H1): There is an association between transactional leadership qualities and employees' turnover intention

Table 7: Results of the Chi square analysis for finding the association between transactional leadership qualities and employees' turnover intention

Chi-Square Tests			
	Value	**Df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	44.559[a]	16	.000
Likelihood Ratio	49.291	16	.000
Linear-by-Linear Association	1.556	1	.212
N of Valid Cases	180		

The above table 7 indicates that the relation between the variables was significant, ($X2$=44.559), p <.01. Therefore, the null hypothesis H0 is rejected. It is clear that there is an association between transactional leadership qualities and employees' turnover intention.

6. Conclusion

The present study investigates the factors influencing job turnover decisions and the satisfaction of the employees on these factors. It also analyses the association between the transactional leadership style and turnover intentions of the employees. It concludes that the employees have high satisfaction on the health aspect, career satisfaction and long term benefits provided in their job. The study infers that there is also an association between the transactional leadership qualities and employees' turnover intention. It emphasizes that the leaders in the IT organisations have to exhibit a leadership style that will increase the satisfaction of the employees on the factors influencing their turnover decisions. They should be able to demonstrate a leadership that will help to retain the employees in the organisation and have a long term association.

The quality of relationship should be the first priority for the leaders and through this they can improve the organisational performance.

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