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Full Length Article

Impact of leadership styles on employees' attitude towards their leader and performance: Empirical evidence from Pakistani banks

Muhammad Asrar-ul-Haq[a,*], K. Peter Kuchinke[b]

[a]*COMSATS Institute of Information Technology, Pakistan*
[b]*University of Illinois at Urbana-Champaign, USA*

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Abstract

This paper reports the findings of a study examining the impact of managers' leadership styles on subordinates' performance. The impact of leadership styles on employee performance outcomes is explored theoretically and tested empirically in the Pakistani banking sector. The sample of the study consisted of 224 full-time employees in the banking sector of Pakistan. Findings of this study reveal that there exists a significant relationship between transformational leadership and employee performance outcomes. However, laissez-faire leadership style showed negative relationship with employee performance outcomes in terms of effectiveness, and employee satisfaction. Banking industry in Pakistan is prone to numerous challenges including employee turnover. Model presented in the study will be helpful for the human resource managers and top management to design effective leadership development programs. HRD department can be established and HRD professionals can be hired to assist the managers in organizing training and development programs. Further, it may help to design strategies to satisfy, retain and motivate the employees. Also, it will help the managers decide, which leadership style they should choose in terms of outcomes.
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Keywords: Transformational leadership; Transactional leadership; Performance; Pakistan; Banking

1. Introduction

Uncertainty in global market has made organizations more aware and prone to adopt change on a continuous basis. The complexity of the business operations requires that there must be an effective participation from every level of the organization. In addition to land, labor, and capital, human resource is also an important asset of organization. It plays a key role in the smooth running of the organization and achieving its goals. In this ever-changing and competitive global market, human resource can become the competitive advantage of the organization, if managed effectively. This is evident from literature that leaders have significant influence on subordinates. The significance of leadership style increases in the services sector, as it has direct impact on economic development. Therefore, the development and growth in services sector ensures the overall growth of national economy, especially in a developing country. The banking sector of Pakistan is growing gradually that has given rise to intense competition

*Correspondence to: Department of Management Sciences, COMSATS Institute of Information Technology, Sahiwal, Pakistan.
E-mail addresses: asrar.uiuc@gmail.com (M. Asrar-ul-Haq), kuchinke@illinois.edu (K.P. Kuchinke).
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among banks. Therefore, in order to stay ahead of competitors, banks can manage their human resources effectively by employing different leadership styles in this regard. According to Saari and Judge (2004), use of transformational leadership can boost up employees' morale and result in job satisfaction. As the banking sector of Pakistan is facing different problems like high turnover, lack of commitment and job stress among employees (Asrar-ul-Haq, 2015), the importance of effective leadership has increased. Therefore, the purpose of this study is to examine the impact of managers' leadership styles on employee performance.

2. Problem statement

Banking sector of Pakistan is a fast growing business sector in Pakistan. According to World Bank study report, the Pakistani banking sector has been ranked second among the South.

Asian countries for its performance (Rehman & Raoof, 2010). The competition in the banking sector is increasing day by day. Today, the high pressure on the economy of Pakistan and changing monetary policies has increased the importance and challenges of this sector. In addition, the long work hours, stress, employees' lack of commitment, job dissatisfaction and high turnover in banks have intensified the need for effective leadership. In order to maintain the growth and achieve higher objectives, the top management in the banks needs to understand the problems and make strategies to satisfy, retain, and motivate employees to exert extra efforts. In other words, it needs such leadership in its branches that can achieve organizational goals efficiently and effectively. Leaders should have the ability to motivate its employees to exert extra efforts to achieve higher goals. Moreover, the existing leadership (managers) should adopt such leadership styles that help to augment subordinates' satisfaction, their efforts and performance. According to the Full Range of Leadership (FRL) model by Bass and Avolio (1994), the most effective leadership styles are transformational and transactional leadership styles, if adopted collectively, to motivate subordinates, influence their behaviors and attitudes and improve their performance. Although FRL model has been validated in numerous settings to measure the impact of both transformational and transactional leadership styles, yet the researchers are unable to reach some final conclusion that what types of leadership styles should be used in which settings. It might be due to the difference of culture (organizational as well as national). Leadership is not the same thing across cultures (Bhagat & Steers, 2009) and leadership styles may be perceived differently in different settings. Therefore, there is an acute need to study this concept in Pakistani context to examine the universality of Full Range Leadership model. Further, it will help the banking leadership to know that how their subordinate perceive their leadership styles and how it impacts their performance. It can help them change their leadership styles according to achieve higher goals (Fig. 1).

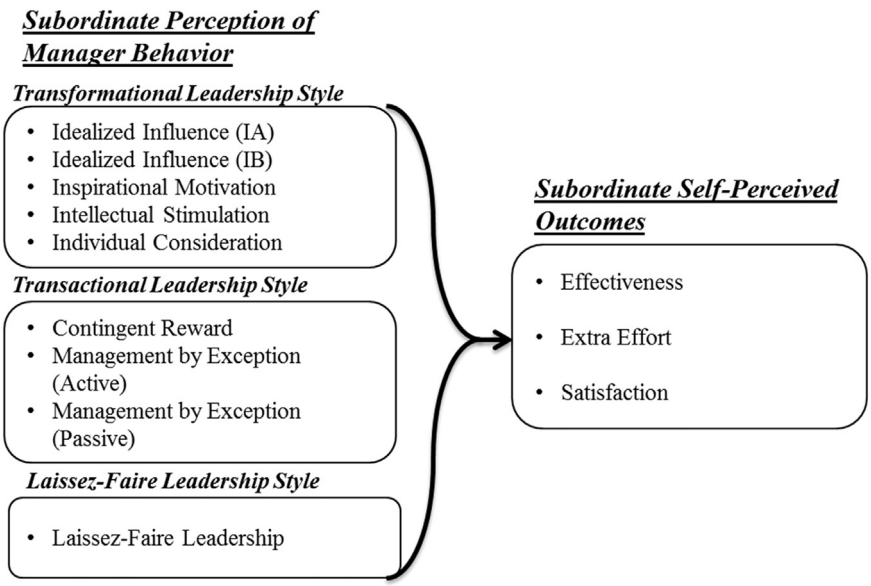

Fig. 1. Theoretical Model.

3. Literature review

With the increased complexity and change in operations globally, leadership has been a topic of debate, but no common definition has been agreed upon. According to Jong and Hartog, (2007), leadership can be defined as a process of influencing people to get the desired outcomes. Andersen (2016) stated that leaders are the ones who stimulate, motivate, and recognize their employees in order to get work done and achieve the desired results. Leaders adopt various leadership styles in order to motivate and stimulate the employees. Lok and Crawford (2004) claimed that leadership can better predict the success or failure of an organization. This study is an effort to explore transformational, transactional and laissez faire styles of leadership and understand its impact on the attitude of employees towards their leaders and performance in the banking sector of Pakistan.

3.1. Transformational leadership

Transformational leadership is more like visionary leadership, in which leaders motivate their employees to exceed certain expectations (Hater & Bass, 1988; Doucet, Fredette, Simard, & Tremblay, 2015). A transformational leader usually leads its employees by providing them a vision. He is more of a charismatic leader and tries to inspire people through his vision and charisma. Burns (1978) introduced the concept of transformational leadership. He identified that transformational leaders modify the beliefs and attitudes of the employees by inspiring them. They provide their employees a vision and motivate them in achieving particular goals. According to Rouche, Baker, and Rose (1989) and Tajasom, Hung, Nikbin, and Hyun, (2015), transformational leaders help their followers to accomplish the organizational goals and mission by working with them and through them. They encourage their followers by influencing their beliefs, values, attitudes and behavior. Transformational leaders motivate their followers in such a way that it goes beyond the rewards and exchanges. Transformational leadership theories give evidence, that when a leader employs transformational leadership style, it results in the emotional attachment of the followers or employees towards the leader. The quality of transformational leader can be judged by the impact generated by the leader on the followers. Employees develop trust and respect towards the transformational leader and they are willing to exhibit extraordinary behavior to fulfill their leader's expectations (Barbuto, 1997). In 1997, Bass identified the following dimensions of transformational leadership: Idealized influence (attributed and behavior); inspirational motivation; intellectual stimulation; and individualized consideration.

Idealized influence is also known as charismatic leadership. Leaders possessing idealized influence, act as a role model to their followers. They strictly follow strong ethical and moral values. Idealized influence is of two types: attributed and behavioral. In attributed idealized influence, characteristics of leaders are considered important. On the other hand, actions of the leader are taken into consideration in behavioral influence. In inspirational motivation, leaders have an optimistic view and set high standards for followers. They are enthusiastic, and encourage their followers to accomplish higher goals. Intellectual stimulation ensures that employees are aware of their problems and capable enough to think about their problems in a more creative manner. Intellectual stimulation enables employees to understand, conceptualize, and comprehend their problems. In addition, it makes employees capable of analyzing and solving their problems in unusual ways (Bass & Avolio, 1997). Individual consideration means that every employee gets special attention based on his/her personal characteristics and needs. They listen to their employees, advise them and teach them on individual basis. Transformational leaders through individual consideration bring out the best in their followers.

3.2. Transactional leadership

Transactional leadership is useful, when the leader is concerned more with the attainment of goals. A transactional leader, therefore uses carrot and stick approach to achieve those goals (Bass, 1997). Employees are rewarded for accomplishing their tasks. Transactional leaders have more concern with the completion of task and performance of employees. That's why, they use positive and negative reinforcements to achieve the desired results. Transactional leaders do not expect any innovative ways of doing task from their employees (Hartog & Van Muijen, 1997). According to Smith, Eldridge, and DeJoy (2016), transactional leadership has been used as a corrective approach, and has two dimensions: contingent reward; and management by exception (active and passive). Contingent reward means that leader uses rewards and promotions in order to get the desired results from their followers.

In management by exception, leaders take corrective actions, when things go wrong and out of control. It is also of two types: management by exception active and management by exception passive. Management by exception active suggests that leader proposes the anticipation behavior. The leader with transactional leadership style tries to solve the problem before they are likely to occur. In management by exception passive, leader does not anticipate the forthcoming problem, but takes actions when problems occur.

3.3. Laissez faire leadership

Leader with this style of leadership avoids making decisions. They are usually reluctant to take actions and avoid situations, in which, there are chances to encounter problems. Leaders, who adopt laissez faire leadership style, do not provide feedback to their followers. They do not even use rewards or other tools to satisfy the needs of their followers. As a result, the employees get dissatisfy, unproductive and inefficient in their work.

4. Relationship between leadership styles and performance outcomes

Different leadership styles bring about different consequences, which have direct or indirect impact on the attitude and behaviors of the employees. It is evident in literature that transformational leadership behavior is positively related to outcome variables, while transactional leadership behavior is usually negatively related to the long term performance. Transformational leadership have positive influence on employee self-efficacy, motivation, creativity and organizational performance (Bronkhorst, Steijn, & Vermeeren, 2015; Bronkhorst et al., 2015; Newland, Newton, Podlog, Legg, & Tanner, 2015; Kim & Yoon, 2015; Jyoti & Bhau, 2015). On the other hand, transactional leadership is found to enhance the job satisfaction and organizational identification as compared to transformational leadership (Epitropaki & Martin, 2005; LePine, Zhang, Crawford, & Rich, 2015). Transformational leaders help individuals to adopt organizational change (Bommer, Rubin, & Baldwin, 2004). To conclude, both transformational and transactional leadership styles govern employee attitude towards their leaders, job performance and organizational productivity.

The underlying assumption of Full Range Leadership (FRL) model is that leaders are perceived effective, if they adopt effective leadership styles. There is abundant literature to support that leaders are perceived effective when they use transformational and transactional leadership styles together. Contrary, the leaders who are passive or use laissez-faire leadership style are considered least effective and have negative impact on followers' performance outcomes and productivity (Bass & Avolio, 1985; Yahya & Ebrahim, 2016). To examine the same relationship in Pakistani settings and support universality of the idea, the following hypothesis is developed

H1. There is a significant relationship between managers' leadership style (transformational, transactional, and laissez-faire) and effectiveness.

It is evident in literature that group performance and achievement of goals is related to the leadership style employed by the leader, as it directly affects employee behavior. It leads them to exert extra effort on their jobs and perceive their leaders as effective. The literature shows that transformational leadership style has significant positive relationship with follower's willingness to exert extra effort (Spano-Szekely, Griffin, Clavelle, & Fitzpatrick, 2016; Yahaya & Ebrahim, 2016). This is further evident that when followers make more efforts and work more than required, it adds to their productivity that leaders to organizational performance. Likewise, the research findings of Kuchinke (1998) indicated that different leadership styles, when adopted by leaders result in different levels of employee readiness for extra efforts. As the purpose of this study is to test this relationship in Pakistani culture, the following hypothesis is developed.

H2. There is a significant relationship between managers' leadership style (transformational, transactional, and laissez-faire) and employees' willingness to exert extra effort.

Previous studies reveal that leadership style affects employee's performance in many ways. Vries, Roe, and Taillieu (1998) explained that leadership style, which is more human oriented, tends to increase the job satisfaction among employees. Likewise, the research findings of Packard and Kauppi (1999), Yahya and Ebrahim (2016) and Spano-Szekely (2016) indicated that different leadership styles, when adopted by leaders result in different levels of job satisfaction. For instance, leaders' support and recognition bring higher level of job satisfaction among

employees. However, everything is not same across cultures (Bhagat & Steers, 2009). Based on the above discussion, the following hypothesis is developed to explore this relationship in Pakistani society.

H3. There is a significant relationship between managers' leadership style (transformational, transactional, and laissez-faire) and employee satisfaction.

5. Method

Subordinates from 5 alpha banks in Pakistan were taken as the population. The sample consisted of 224 subordinates from different branches and was selected on non-random purposeful sampling technique. As the questionnaire was in English language, only those employees were considered for this study who had the ability to understand and respond the questionnaire in English. Further, only those employees were considered for this study who were in the sample branch (under same manager) for at least six months. It is assumed that at least six month duration is necessary to better understand one's leadership style. MLQ (Multifactor Leadership Questionnaire) 360 (5X short) by Bass and Avolio was used to collect data and was analyzed using SPSS 22.0. MLQ is a widely used questionnaire and MLQ 360 (5X short) is the latest version of this questionnaire. It is used to measure perceived transformational, transactional and laissez-faire leadership styles, satisfaction with leaders, leaders' effectiveness and readiness to exert extra effort on job. This survey questionnaire is based on Bass's (1985) theory of transformational and transactional leadership. In this study, it is sued to examine the relationship between leadership styles (transformational, transactional, and laissez-faire) and outcome behaviors (satisfaction with leaders, their effectiveness, and readiness to exert extra effort). Descriptive statistics is used to demonstrate the demographics (gender, experience, age and education) of the study sample and inferential statistics (multiple regression technique) is used to test the hypotheses of this study. Additionally, zero-order correlation relationship between the leadership factors and outcome factors is also examined. The level of significance for multiple regression analysis to interpret the results is set at 0.05. The overall internal consistency (α) of the questionnaire was 0.85.

6. Results

Demographic analysis reveals that banking sector of Pakistan is a male dominant sector. The majority of employees belonged to 26–35 years age group with Masters level education. The detailed summary of demographic results is presented in Table 1.

Table 1
Summary of sample composition by demographic characteristics.

Demographic	Category	Subordinates ($n=224$)	
		N	%
Gender	Male	144	67.29
	Female	70	32.71
Age	25 years or less	6	2.80
	26–35 years	193	90.19
	36–45 years	15	7.01
	46 years or above	0	
Education	Less than 14 years	0	0
	14 years	24	11.27
	16 years	187	87.79
	18 years or above	2	0.94
Job tenure	Less than 1 year	13	6.02
	1–4 years	106	49.08
	5–8 years	62	28.70
	9 years or above	35	16.20

Note: n=Response, %=Response rate.

Table 2
Inter-correlation matrix.

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1	IIA	–																
2	IIB	0.56**	–															
3	IM	0.56**	0.59**	–														
4	IS	0.36**	0.44**	0.52**	–													
5	IC	0.56**	0.43**	0.48**	0.39**	–												
6	CR	0.51**	0.59**	0.63**	0.50**	0.48**	–											
7	MBEA	0.56**	0.42**	0.47**	0.33**	0.59**	0.38**	–										
8	MBEP	0.24**	0.08	0.02	−0.09	0.32**	−0.07	0.38**	–									
9	LF	0.05	−0.08	−0.09	−0.07	0.21**	−0.18**	0.22**	0.61**	–								
10	EFF	0.50**	0.54**	0.51**	0.40**	0.31**	0.57**	0.31**	−0.10	−0.24**	–							
11	EE	0.44**	0.55**	0.61**	0.43**	0.35**	0.47**	0.41**	0.08	−0.05	0.56**	–						
12	SAT	0.23**	0.44**	0.44**	0.46**	0.18**	0.42**	0.22**	−0.18**	−0.26**	0.48**	0.57**	–					
13	GEN	0.05	−0.15*	−0.08	−0.22**	0.04	−0.03	0.14*	0.22**	0.13*	0.07	−0.03	−0.17**	–				
14	AGE	−0.01	0.01	0.12	0.13*	0.04	0.12	0.07	−0.12*	−0.14*	0.09	0.05	0.10	−0.12	–			
15	EDU	−0.01	−0.02	−0.02	0.14*	−0.03	−0.05	−0.05	−0.09	−0.10	0.09	0.05	0.12*	−0.10	−0.07	–		
16	TEN	−0.08	0.02	0.16**	0.13*	0.05	0.05	0.00	−0.04	0.03	0.06	0.03	0.05	−0.10	0.16*	0.04	–	
17	Transf_L	0.81**	0.75**	0.77**	0.55**	0.66**	0.63**	0.55**	0.19**	0.03	0.53**	0.57**	0.38**	0.00	−0.04	−0.01	0.03	–

Note: IIA = Individualized influence attributed, IIB = Individualized influence behavior, IC = Individualized consideration, IM = Inspirational motivation, IS = Intellectual Stimulation, CR = Contingent Reward, MBEA = Management by exception active, MBEP = Management by exception passive, LF = Laissez-faire leadership, EFF = Effectiveness, EE = Extra effort, SAT = Satisfaction, GEN = Gender, AGE = Age group, EDU = Education, and TEN = Tenure. Gender is represented through different codes. Males are given 0 as code and Females are given 1. Different codes are given to different age group. 35 years or less = 0, and, 36 years or above = 1. Different codes are given to different level of education. 16 years degree or above = 0, Less than 16 years degree = 1. Different codes are given to different level of tenure. 4 years or less tenure = 1, 5–8 years tenure = 2, 9 years tenure or above = 3.

* $p < .05$.

** $p < .01$

6.1. Zero-order correlation between leadership style dimensions and outcomes

Based on the results of MLQ instrument, zero-order correlations were tested between leadership styles, dimensions and outcomes. Such correlation was used to analyze the relationship between two variables in statistical analysis without considering the effect of other variables. In addition, to examine the zero-correlation, Pearson's product-moment correlation coefficients (r) is used. A strong correlation between variables is indicated by the higher value of (r), while the lower value of (r) indicated a weaker correlation. The results about the relationship between the dimensions of transformational leadership and outcomes are positively correlated, and results are consistent with the existing literature (Asrarulhaq, 2012). On the other hand, the laissez-faire leadership has a negative correlation with all three performance variables. Yet, some aspects of correlation between sub dimensions are quite interesting. For example, Management by exception (passive) is negatively correlated with two performance variables (effectiveness and employees' satisfaction) and is positively correlated with one performance variable (satisfaction). Moreover, the results show some interesting correlations between gender and education. The correlations between all variables of the study are given in Table 2.

Table 3 shows the statistical relationship between managers' leadership styles and effectiveness. The regression equation explained that 41% of the total variation in effectiveness. The regression ANOVA was significant, F (10, 180) = 12.26, $p < 0.001$. Parameter estimation results indicated that transformational leadership style, laissez-faire leadership style and gender (female) were significant predictors of effectiveness. However, laissez-faire leadership had a negative relationship, $b = -0.20$, $SE = (0.07)$, $t = -2.71$, $p < 0.001$, 95% CI: [−0.34, −0.05]; whereas transformational leadership style and gender (female) were positively related with effectiveness, $b = 0.36$, $SE = (0.06)$, $t = 5.60$, $p < 0.001$, 95% CI: [0.23, 0.49] and $b = 0.33$, $SE = (0.08)$, $t = 4.05$, $p < 0.001$, 95% CI: [0.17, 0.49] respectively.

Table 3
Multiple regression results for the effect of leadership styles on effectiveness.

	B	*SE*	*b*	*p*	*95% CI*
Transf_L	0.36	0.06	5.60	< 0.001	(0.23, 0.49)
CR	0.15	0.09	1.67	0.096	(−0.03, 0.32)
MBEA	−0.07	0.07	−0.99	0.326	(−0.21, 0.07)
MBEP	0.00	0.06	0.00	0.998	(−0.12, 0.12)
LF	−0.20	0.07	−2.71	0.007	(−0.34, −0.05)
GEN	0.33	0.08	4.05	< 0.001	(0.17, 0.49)
AGE	−0.05	0.15	−0.35	0.725	(−0.34, 0.24)
EDU	0.17	0.12	1.49	0.138	(−0.06, 0.4)
TEN1	−0.14	0.08	−1.67	0.096	(−0.31, 0.03)
TEN2	−0.01	0.12	−0.05	0.960	(−0.23, 0.22)

Table 4
Multiple Regression Results for the Effect of Leadership Styles on Extra Effort.

	B	*SE*	*T*	*p*	*95% CI*
Transf_L	0.41	0.07	5.58	< 0.001	(0.26, 0.55)
CR	0.13	0.10	1.27	0.207	(−0.07, 0.32)
MBEA	−0.01	0.08	−0.08	0.933	(−0.16, 0.15)
MBEP	0.05	0.07	0.73	0.465	(−0.09, 0.19)
LF	−0.06	0.08	−0.72	0.475	(−0.23, 0.11)
GEN	0.08	0.09	0.89	0.373	(−0.10, 0.26)
AGE	−0.18	0.17	−1.11	0.270	(−0.51, 0.14)
EDU	0.11	0.13	0.81	0.420	(−0.15, 0.37)
TEN1	−0.16	0.10	−1.72	0.087	(−0.35, 0.02)
TEN2	−0.14	0.13	−1.09	0.276	(−0.40, 0.12)

Table 5
Multiple regression results for the effect of leadership styles on satisfaction.

	B	*SE*	*T*	*p*	*95% CI*
Transf_L	0.23	0.11	2.02	0.045	(0.01, 0.46)
CR	0.37	0.16	2.38	0.019	(0.06, 0.68)
MBEA	0.03	0.12	0.24	0.814	(−0.22, 0.27)
MBEP	−0.01	0.11	−0.12	0.904	(−0.23, 0.21)
LF	−0.41	0.13	−3.14	0.002	(−0.67, −0.15)
GEN	−0.12	0.14	−0.87	0.387	(−0.41, 0.16)
AGE	−0.04	0.26	−0.15	0.883	(−0.55, 0.47)
EDU	0.19	0.21	0.92	0.361	(−0.22, 0.59)
TEN1	−0.21	0.15	−1.42	0.156	(−0.51, 0.08)
TEN2	−0.01	0.21	−0.06	0.952	(−0.42, 0.39)

The statistical relationship between managers' leadership styles and Extra effort is shown in Table 4. The regression equation described 39% of the total variation in extra effort. The regression ANOVA was significant, F (10, 180) = 11.47, $p < 0.001$. Parameter estimation results indicated that transformational leadership was the only significant predictor of extra effort, $b = 0.41$, $SE = (0.07)$, $t = 5.58$, $p < 0.001$, 95% *CI*: [0.26, 0.55].

The statistical relationship between managers' leadership styles and satisfaction is given in Table 5. The regression equation explained 22% of the total variation in satisfaction. The regression ANOVA was significant, F (10, 180) = 5.11, $p < 0.001$. Parameter estimation results showed that transformational leadership, contingent reward, and laissez-faire leadership were significant predictors of satisfaction. However, transformational leadership and contingent reward had positive link with satisfaction, $b = 0.23$, $SE = (0.11)$, $t = 2.02$, $p = 0.045$, 95% *CI*: [0.01, 0.46] and $b = 0.37$, $SE = (0.16)$, $t = 2.38$, $p = 0.019$, 95% *CI*: [0.06, 0.68] respectively; whereas laissez-faire leadership had a negative relationship with satisfaction, $b = -0.41$, $SE = (0.13)$, $t = -3.14$, $p = 0.002$, 95% *CI*: [−0.67, −0.15].

7. Discussion

The findings of this study are context specific. The results reveal that banking sector of Pakistan is a male dominant sector with 67.29 percent of the respondents. However, this does not mean that banking sector of Pakistan offers limited growth opportunities for females, as a matter of fact number of females in the banking sector have increased recently according to previous research findings (Asrarulhaq, 2012; Bodla & Hussain, 2009). The majority of banking workforce (90.19%) belonged to 26–35 years age group. There was no subordinate with 46 or above age. It is revealed that due to early retirement and promotion of employees to management positions is the main reason for absence of higher age workforce in banking sector. In addition, increase in the number of banks in the country is also a significant reason. The same fact is reflected in education and experience factors as well. The education level of 88.73 percent subordinates was at least Masters, whereas only 11.27 percent of subordinates had bachelor degrees. The majority of respondents had one to eight years of experience at their current positions. Subordinates having one to four years of experience were 49.08 in percentage. The subordinates with five to eight years of experience at current designation characterized 28.70 percent of respondents. The inclusion of technology in banking sector, banks prefer to hire well educated and young workforce rather training the existing ones who are close to their retirement. In addition, some of the experienced managers were able to get promotion and were holding positions in administration, while many got retired with attractive retirement packages (offered by banks against their retirement before time) in last few years. Therefore, based on the above demographic results, it can be inferred that the banking sector of Pakistan is a growing sector and is boomed by the young generation.

The purpose of the study was to examine the relationship between the managers' leadership styles (as perceived by subordinates) and outcome variables. The results indicated that transformational leadership style had the greatest effects on all outcome variables (effectiveness, satisfaction, extra effort, and organizational commitment). On the other hand, laissez-faire leadership style had negative relationship with all outcome variables (effectiveness, satisfaction, extra effort, and organizational commitment). The results were in accordance with the available literature

(Hunjra, Kashif-Ur-Rehman, Chani, Aslam, & Azam, 2010; Bushra, Usman, & Naveed, 2011; Farahani, Taghadosi, & Behboudi, 2011; Bano, 2013; Tsigu & Rao, 2015; Zeb, Saeed, Ullah, & Rabi, 2015; Yahaya & Ebrahim, 2016). It proved that transformational leadership had a significant relationship with outcomes in terms of effectiveness, extra effort and job satisfaction. The relationship between laissez-faire leadership style and effectiveness, and job satisfaction was found to be negative that supported the existing literature on leadership styles in relation to difference outcomes (Lowe, Kroeck, & Sivasubramaniam, 1996; Spinelli, 2006; Tsigu & Rao, 2015). However, mixed relationship was found between transactional leadership style and outcome variables. Contingent reward was found significant predictor of satisfaction, whereas no other dimension of transactional leadership styled had significant relationship with any outcome variable. The findings of this study suggests, contrary to Northouse (2009), that transformational leadership style is perceived the most effective leadership style in Pakistan and affirm that Full Range Leadership theory is supported in Pakistani settings.

8. Implications for research and practice

The findings of this study have several implications for research and practice. The findings can be helpful for the managers to understand that which kind of leadership style is most appropriate in terms of its outcomes and how they can modify their leadership styles to make it more effective and result oriented.

The competition in banking has increased because of advancement in technology and advent of multinational banks. Therefore, managers in banking sectors should make sure that the goals and objectives of management, and employees are compatible.

Based on the findings, top management in the banking industry should realize the importance of effective leadership style of managers and focus on leadership development programs. Training and development departments may also be established at different levels. HRD professionals should be hired who can cooperate with the managers to help them in employees' training and mentoring (career development), motivation, and making retention strategies. The findings of this study can be very helpful in designing certain programs and strategies to increase the awareness among managers and leaders in the banking sector.

The results of the study coincide with the findings of Bhagat and Steers (2009) that leadership varies across cultures. Study (based on subordinates' perceptions) has proved that transformational and transactional leadership styles are commonly used leadership styles in the banking sector of Pakistan. However, the negative relationship between leadership styles and outcomes was of great interest. Further studies can be done to explore these relationships in depth.

Although current literature has proved that there exists a significant and positive relationship between leadership styles and performance outcomes. On the other hand, the findings of this study indicate that relationship between leadership styles and performance outcomes is not consistent. Therefore, it can be expected that there is better communication, intimacy and more personalized leadership in small institutes. However, the findings of current study reveal that employees in the smaller institutions observed the leadership behavior more closely.

It is evident from the prior research that the banking sector in Pakistan is facing numerous challenges, which might include high turnover. Such challenges demand an effective leadership that could design and implement strategies to satisfy, retain, and motivate the employees to put forth extra efforts. Yet the findings of the study shows that leadership (managers' behavior) itself can be a reason for such problems. Avolio (2011) is of the view that when adopted collectively transformational and transactional leadership styles are the most effective leadership styles. Moreover, the findings of this study emphasize the need to develop some system to provide subordinates' feedback to their managers.

9. Limitations

- Because of the nature of banking structure and cultural norms, some of the group numbers were very small for reliable conclusion.
- The sample of study comprises of five banks with a limited number of employees, which may not represent the overall banking sector of Pakistan.

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