

THE EFFECTS OF TRANSACTIONAL AND TRANSFORMATIONAL LEADERSHIP STYLE ON EMPLOYEE'S CREATIVE PERFORMANCE; A CASE STUDY OF PRIVATE UNIVERSITIES FACULTY STAFF

Muhammad Tahir

Business Administration Department, Iqra National University, Peshawar, Pakistan.

Email: tahirkhanzaee@gmail.com Ph: +923239256994

ORCID: <https://orcid.org/0000-0001-8195-513X>

Zakir Rahim

Business Administration Department, Iqra National University, Peshawar, Pakistan

Ph: 03239350143

Email: zakir.rahim@inu.edu.pk

Raza Ahmed Khan

Business Administration Department, Iqra National University, Peshawar, Pakistan

Ph: 03459089053

Email: raza.ahmed@inu.edu.pk

ABSTRACT

Employee creativity can play important role in the success of the higher educational sector. For employee's creativity to flourish there must be supporting work environment, right leadership style, and incentives to be offered to employees. The objective of the study was to investigate employee creativity by using the transformational and transactional leadership style framework. The study is based on a quantitative approach, cross-sectional research design, and survey-based data collection. Through sampling, we generated a usable sample of 215. We used Smart PLS for analyzing data. Our results indicate that our variables had good reliability (based on Cronbach Alpha and Composite Reliability); and good construct validity including convergent validity (established using Average Variance Extracted) and discriminant validity (established using the comparison of individual loading and squared loadings of measures). Furthermore, results for the proposed model indicate that transformational leadership positively and significantly influence employee's creative performance. While results for transactional leadership is turned out to be negative and insignificant.

Keywords: Transformational Leadership, Transactional Leadership, Employee Creativity, Universities, Pakistan.

INTRODUCTION

There are fewer studies conducted about the role of environmental factors in shaping employee creativity in the case of staff of higher educational sector in Pakistan. Mostly such studies conducted in the Western context; but the understanding of environmental factors shaping employee creativity in the higher educational sector in Pakistan is relatively less understood. In this study, we are focusing on the role of leadership style in shaping employee creativity in the higher educational sector.

Background

Initially, employee creativity was thought to be a product of an individual's personality related factors. However, work by re-known experts such as Amabile showed that environmental factors also influence an individual's creativity (Amabile, 2011). Later relevant work showed that within organizations, several factors such as HR practices and leadership style also influence staff creativity (Amabile & Kramer, 2012; Cheung & Wong, 2011; Liu, Liao, & Loi, 2012; Zhang & Zhou, 2014). Few studies also investigated the role of transformational and transactional leadership style on employee creativity (Herrmann & Felfe, 2014; Henker, Sonnentag, & Unger, 2015; Mittal & Dhar, 2015; Pieterse, Van Knippenberg, Schippers, & Stam, 2010; Wang, Tsai, & Tsai, 2014). Mostly, such studies conducted in the Western context; while, fewer studies conducted in the Pakistani context especially in the higher educational sector. This study intends to fill this literature gap by investigating the role of leadership style on employee creativity in the higher educational sector.

Problem Statement

The higher educational sector is facing challenges including high competition and greater regulatory pressure. For example, now it is becoming mandatory for higher educational institutes to register with regulatory authorities including the Higher Education Commission, Pakistan Engineering Council, and Pakistan Medical and Dental Association. Furthermore, universities also require getting their individual programs such as Bachelors or Master with concerned accreditation bodies. The universities also facing high competition and also requires greater pressure to show their performance in terms of graduate employment, skills development, and faculty development and retention. Based on the regulatory pressure and higher competition, there is a greater need for the universities to make proper use of their human resource for strategic utilization. In this regard, an important issue is employee creativity which if fostered properly, can provide universities a source of competitive advantage over the rivals. In this study, our focus of the investigation is the role of leadership style in fostering employee creativity in the

higher educational sector.

Research Questions

The study is based on the following research questions.

Q1: What are the effects of transactional leadership style on creativity among the faculty of private sector universities?

Q2: What are the effects of transformational leadership style on creativity among the faculty of private sector universities?

Research Objectives

Objectives of the study are as under.

- To measure the effects of transactional leadership style on creativity among the faculty of private sector universities.
- To measure the effects of transformational leadership style on creativity among the faculty of private sector universities.

Significance of the Study

The theoretical significance of the study is that it fills the literature gap related to the role of leadership style on employee creativity in the higher educational sector. The practical significance of the study is that its findings will guide the private sector universities in adopting the right leadership style for fostering employee creativity. The findings will be utilized by future researchers, academics, and practitioners as well.

LITERATURE REVIEW

Employee Creativity- an Introduction

According to Zhang and Zhou (2014), creativity is about the production of useful new ideas related to the procedures, processes, services, or products. In an organizational context, employee creativity is about the development of innovative product or service or procedure (Tang & Chang, 2010). Employee creativity is a relative measure based on low to high scale or from no-creativity to higher creativity (Amabile & Kramer, 2012). Previously, creativity was thought to be the sole product of an individual's own personality related factors. However, research work during the last few decades shows that environmental factors also influence employee creativity. In this regard, different organizational factors including management philosophy, human resource management practices, leadership style, work climate and similar factors also influence employee creativity (Amabile & Kramer, 2012; Cheung & Wong, 2011; Dul & Ceylan, 2011; Jiang, Wang, & Zhao, 2012; Liu, et al., 2012).

Leadership

Leadership is a complex, diverse, and broad phenomena and there is little agreement about what leadership is and what is not. A starting point can be a definition by Yukl (2013) who describe leadership as a process related to the influencing others to agree and understand about objectives and mechanism to achieve such objectives. The definitions suggest that leadership concept is associated with management, supervision, authority, control, power, and influence (Yukl, 2013). The difference between leadership and management is mostly confused and misunderstood. According to the Northouse (2018), management is having a focus on the present; while, leadership is about preparing the organization for future or giving future directions. In other words, management is reactive and is control oriented; while, leadership is proactive and is change oriented.

Transformational and Transactional Leadership Styles

The work by Burns (1978) and later Bass and Colleagues (Avolio & Yammarino, 2013; Bass & Avolio, 1990) set the foundation of transactional and transformational leadership style. These two leadership styles represent two sets of separate behavior adopted by the leader and used for influencing the followers such as getting the work done (Bass, Avolio, Jung, & Berson, 2003; McCleskey, 2014; Odumeru & Ogbonna, 2013). These two leadership styles have sub-dimensions based on the work of Bass. The transactional leadership dimension includes passive management by exception, contingent reward, and active management; while, the transformational leadership dimension includes individual consideration, intellectual stimulation, and idealized influence (Bass & Avolio, 1990; Odumeru & Ogbonna, 2013).

Relationship between Leadership and Employee Creativity

The transactional and transformational leadership style is used as a predictor of different employee outcomes including employee creativity. Since transactional leadership style is based on managing organization according to the pre-set rules and existing routine, so this type of leadership style is not very supportive for the employee creativity. On the other hand, transformational leadership style is based on change and thus is about supportive for employee creativity. Previous studies show that transactional leadership style is negatively associated with employee creativity, while, transformational leadership style is found to be positively associated with employee creativity (Henker, et al., 2015; Herrmann & Felfe, 2014; Mittal & Dhar, 2015; Pieterse, et al., 2010; Wang, et al., 2014).

Theoretical Framework

The theoretical framework of the study is based on the transformational leadership style theory (Bass & Avolio, 1990) and employee creativity theory (Amabile, 1996). The signaling theory also supports our model (Bergh & Gibbons, 2011). According to the signaling theory, employees respond to the signals received by the organization. In our model, the leadership style is also viewed as a signal received by the employees and respond in the form of creative behavior. Based on the mentioned theories, and previous studies, we propose the following theoretical model.

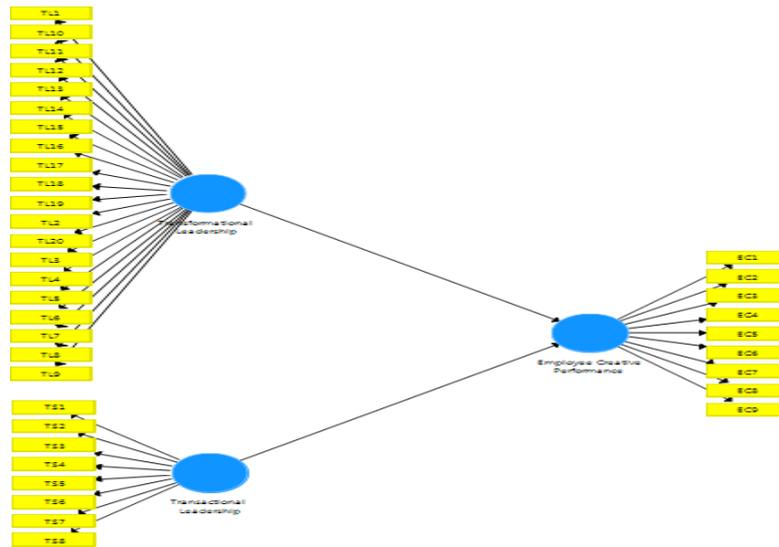


Figure 1: Proposed Theoretical Model

Research Hypothesis

Hypotheses of the study are as follows.

H0= There is insignificant effects of transactional leadership style on employee creativity.

H1= There is significant effects of transactional leadership style on employee creativity

H0= There is insignificant effects of transformational leadership style on employee creativity.

H2= There is significant effects of transformational leadership style on employee creativity.

RESEARCH METHODOLOGY

Research Design

There are different research designs such as descriptive, exploratory, and explanatory research design (Sekaran & Bougie, 2016). In our study, we intend to explain the relationship between one variable and the other, so our research design is explanatory. In terms of time frame, our research design is cross-sectional since we collect data from our participants only once.

Population of the Study

The population of the study is all faculty members belongs to the private sector universities in Pakistan. The population is large and is relatively unknown, so we used the sampling approach.

Sampling Techniques

According to Sekaran & Bougie (2016), sampling categories includes random sampling and non-random sampling. In this study, we used random sampling. Based on the table developed by Bartlett, Kotrlik, and Higgins (2001), our required sample size is 209. This sample size is based on 1% alpha level, .03 margin of error, and 99% confidence interval.

Research Tools

The questionnaire for transformational leadership style and transactional leadership style is adapted from Avolio and Bass (2001). In this measure, there are 20 items for the transformational leadership style and 8 items for transactional leadership style. Employee creativity is measured by 9 items adapted from Tierney, Farmer, & Graen (1999).

Data Collection

The primary data is collected from the six private sector universities located in the city of Peshawar, Lahore, and Islamabad. These universities were chosen on a convenience basis. Questionnaire was physically distributed and later collected by the researcher. After data collection, data is checked for missing values and discrepancies. A total of 325 questionnaires were distributed out of which 215 questionnaires were returned making a response rate of

66.15%.

Data Analysis

Data is analyzed using SPSS version 20 for descriptive statistics. For establishing validity, reliability, and hypothesis testing, we used the Smart PLS version 3 (Ringle, Wende, & Becker, 2015).

RESULTS

Demographic Details

Demographic Details of the Survey Participants

Table 1: *Demographic Information*

		Frequency	Percentage
Gender	<i>18 to 25 Years</i>	44	20.5
	<i>25 to 40 Years</i>	107	49.8
	<i>40 to 60 Years</i>	58	27
	<i>Above 45 Years</i>	6	2.8
Age	<i>Assistant Professor</i>	54	25.1
	<i>Associate Professor</i>	15	7
Qualification	<i>Female</i>	32	14.9
	<i>Lecturer</i>	118	54.9
	<i>Male</i>	183	85.1
	<i>MS/MPhil</i>	120	55.9
	<i>Others</i>	82	38.1
Role	<i>Others</i>	18	8.4
	<i>PhD</i>	13	6
	<i>Professor</i>	10	4.7

Demographic details of the survey participants are given in the table above. It shows that in our sample, there were 183 male (85.1%) and 32 female (14.9%). In terms of age, 44 participants (20.5%) belonged to the age category of 18 to 25 years of age; 107 participants (49.8%) belonged to the age category of 25 to 40 years; 58 participants (27%) participants belonged to the age category of 40 to 60 years of age; and 6 participants (2.8%) belonged to the age category of above 45 years of age. In terms of qualification, 120 participants (55.9%) had MS/MPhil level qualification; 13 participants (6%) had Ph.D. qualification, and 82 participants (38.1%) had others level of qualification. In terms of job role, 118 participants (54.9%) were lecturers; 54 participants (25.1%) were Assistant Professors; 15 participants (7%) were Associate Professors, and 10 participants (4.7%) were professors.

Descriptive Statistics

Descriptive statistics is as under.

Table 2: *Descriptive Statistics*

	<i>Min</i>	<i>Max</i>	<i>Mean</i>	<i>SD</i>
Transformational Leadership	2.85	4.40	3.76	.41
Transactional Leadership	2.13	3.88	2.79	.33
<u>Creative Performance</u>	<u>2.89</u>	<u>4.89</u>	<u>4.15</u>	<u>.41</u>

Descriptive statistics are given in the table above. Descriptive statistics indicate that in our sample, the perceived transformational leadership was high (M=3.76, SD=.41); perceived transactional leadership was low (M=2.79, SD=.33); and perceived employee creative performance was also very high (M=4.15, SD=.41).

Reliability and Validity

Reliability for each variable was tested using the Cronbach alpha, rho_A and Composite reliability as proposed by Fornell & Larckers (Cronbach, 1951; Fornell & Larcker, 1981).

Results are given in the table below.

Table 3: *Reliability and Convergent Validity*

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Employee Creative Performance	0.778	0.935	0.837	0.673
Transactional Leadership	0.732	0.835	0.893	0.873
Transformational Leadership	0.778	0.755	0.730	0.732

Results for Cronbach Alpha, rho_A and composite reliability indicate that all variables had good reliability since values were above 0.70. For validity, we used the convergent validity which refers to the extent to which the items in a scale measure the abstract or theoretical construct (Carmines & Zeller, 1979). The construct validity is established using its components of convergent validity and discriminant validity. For convergent validity, we used the Fornell and Larcker's (1981) criteria of Average Variance Extracted. In our study, all three variables had AVE of above 0.50 so it indicates good validity of the measures involved. For discriminant validity, we used the method of comparing the squared item loadings and cross-loadings which is considered as intuitive interpretation because of comparison of percentage overlap between an item and any construct (Hair, Hult, Ringle, & Sarstedt, 2014).

Table 4: *Discriminant Validity*

	1	2	3
Employee Creative Performance		0.673	
Transactional Leadership		0.456	0.442
Transformational Leadership		-0.411	-0.117
			0.441

In the above table, the loadings are given for each variable while values in bold are squared

cross-loadings. The results show that all variables had good discriminant validity since no squared loading exceeded the loading in its individual column.

Table 5: Path Coefficients

	Coefficients
Employee Creative Performance ← Transformational Leadership	0.413***
Employee Creative Performance ← Transactional Leadership	-0.363
Rsquare	.337

The results for measurement model suggest that transformational leadership has positive and significant effects on employees creative performance ($\beta=.413$, $P<.05$); and transactional leadership has negative and insignificant effects ($\beta=-.363$, $P>.05$).

Discussion

The objective of the study was to test the effects of two leadership style including transformational and transactional leadership on employee creative performance in the context of the higher educational sector in Pakistan. We used the quantitative approach, cross-sectional survey design, and collected data from sample organizations. Our results indicate that in the higher educational sector, the transformational leadership is more influential in cultivating employee creativity; while, results for transactional leadership style turned out to be insignificant. Our results are consistent with the findings of previous studies including Herrmann & Felfe (2014); Wang, et al., (2014); Pieterse, et al., (2010); and Mittal and Dhar (2015). The results are also supported by the transformational leadership style theory (Avolio & Yammarino, 2013); Signaling theory (Bergh & Gibbons, 2011); and employee creativity theory (Amabile, 1996). Overall, our results are consistent with the findings of previous studies and relevant theories.

CONCLUSION

On the basis of the study results and relevant theories, we can conclude that employee creativity is an important concept and should not be ignored in the higher educational sector. It can also be concluded that employee creativity is not an individual own personality based trait but also influenced by environmental factors. It can also be concluded that leadership style plays important role in shaping employee's creativity. Finally, we can conclude that for employee creative performance, transformational leadership style is more suitable and may be followed in the higher educational sector.

Recommendations

On the basis of the study findings, the following recommendations are made.

- The private universities in Pakistan need to give attention to the employee creativity.
- Appropriate leadership style such as transformational leadership style can be used to improve employee creative performance.
- The leadership of the higher educational sector needs to be trained in adopting the right leadership style for cultivating employee creativity.

Limitations of the Study

The limitations of the study include cross-sectional design, the quantitative approach adopted, survey-based data collection, perceptual data rather than actual data, and use of only two leadership styles for understanding employee creativity.

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