

Role of Leadership Style for Influencing Employee Turnover Rate in Selected Companies

Dr. Meenakshi Kumari¹, Dr. Chiging Yamang², Dr. Rajeev Sharma³, Dr. Ashutosh Saxena⁴

¹Assistant Professor

Faculty of Business Management & Commerce
Usha Martin University,
Ranchi- Jharkhand

Email: meenakshi270209@gmail.com

²Assistant Professor,

Department of Business & Management,
Himalayan University,
Itanagar- Arunachal Pradesh

Email: yamang@himalayanuniversity.com

³Professor

Department of Management
Mangalayatan University,
Aligarh-Uttar Pradesh

Email: rajeev.sharma@mangalayatan.edu.in

⁴Associate Professor

Department of Management
Mangalayatan University,
Jabalpur-Madhya Pradesh

Email: ashutosh@mangalayatan.ac.in

ABSTRACT

Considering competitive pressure, increasing financial performance, and competitiveness in organizations, employee retention plays an important role. This paper aims to review the existing literature and propose a model for employee retention for a better understanding of the critical factors that help to increase employee retention. Extensive literature has been reviewed to find the relationship between leadership style and employee retention and identified significant determinants of employee retention in an organization. A review of the literature indicated that transformational leadership and transactional leadership have a positive relationship with employee retention. Transformational leadership and transactional leadership have a positive relationship with job satisfaction and organizational commitment. It also indicated that is positive relationship exists between job satisfaction and organizational commitment. Moreover, is positive relationship existing between job satisfaction, organizational commitment, and employee retention. From a review of the literature, it is also highlighted that there is a dearth of literature on leadership styles and employee retention. Keeping good employees is crucial in today's business climate when it's becoming more difficult to attract and retain top talent. To better understand the essential aspects that aid in promoting employee retention, this research attempts to analyze the available literature and present a model for employee retention. Significant drivers of employee retention in a firm have been established after a thorough literature analysis revealed a correlation between leadership style and employee loyalty. Literature reviews have shown a favorable correlation between transformational and transactional styles of leadership and employee retention. Both transformational and transactional leadership styles increase morale and loyalty in the workplace. In addition, the data showed that contentment on the work correlates positively with loyalty to the company. Employee retention, loyalty, and enthusiasm for their work are all positively correlated. Literature study findings further indicate the scarcity of published material about the relationship between leadership styles and employee retention.

Keywords: - Employee, Leadership, Company, Turnover, Employee retention

I. INTRODUCTION

The capacity of a company to keep its personnel around might be thought of as employee retention. The goal of employee retention is to ensure that as many current workers remain with the company as possible. The best way to keep staff around for the long haul is to put in place rules and processes that foster a positive working environment. Businesses spend resources on new hires' education and training to help them become productive members of the team and to increase the likelihood that they will stay with the company.

Organizations in today's globally competitive landscape have the problem of retaining key personnel amidst a high turnover rate. In a recent poll of HR experts in the United Kingdom and the United States, 60% of business executives said that their company's retention strategy was insufficient in keeping their best workers.

II. LEADERSHIP STYLE

Due to its interconnected nature, leadership continues to be one of the most studied areas of study across all fields of organizational science. Kelloway et al. (2012) argue that for an organization to succeed, its leaders must have the ability to positively adopt their own leadership styles and behaviors. Originally proposed in 1960 by James Macgregor Burns, the notion of transformational leadership was further refined and modernized by Bass and Avolio (Bass, 1985a) based on Burns' (1978) principles (Tims et al., 2010). Avolio (2003), Barnes (2013), and Hytter (2014) all agree that the Transformational Leadership paradigm is now the gold standard in the study of leadership. According to Bass (1985), transformational leaders are those who "initiate the high order needs of their followers, foster a climate of trust, and induce followers to sacrifice self-interest for the sake of the organization," all of which lead to extraordinary achievement. According to Rao (2014), transformational leadership is "a motivational leadership style that involves presenting a clear organizational vision and inspiring employees to work towards this vision by establishing connections with employees, understanding employees' needs, and helping employees reach their potential." Avolio and Bass (2004) break down transformational leadership into four categories: idealized influence, inspirational motivation, intellectual stimulation, and customized attention. The compelling aspect of Transformational leadership is idealized influence, in which leaders are held in high esteem and emulated by their subordinates. Inspiring and motivating others under one's leadership to do their best job with unwavering dedication and allegiance to the organization's mission is a key component of transformational leadership. Transformational leaders challenge their followers to think critically and creatively by prompting them to reconsider long-held beliefs and adopt fresh perspectives on familiar challenges. Last but not least, a transformational leader gives special attention to the needs of each of their employees as a mentor or coach, creating an environment where everyone may flourish and reach their full potential.

III. EMPLOYEE TURNOVER INTENTION

Turnover is defined as the rate at which employees depart a company permanently. Turnover intentions, as defined by Griffeth et al. (2000), consist of three distinct components of the withdrawal cognition process: the intention to leave one's current work, the desire to look for new employment, and the intention to actually resign. According to the work of Zimmerman (2008), "turnover intention" refers to "employees' consideration, desire, wish, or behavioral intention to leave or quit their particular organization." Voluntary and involuntary turnover are the two main types of employee movement. When an employee leaves a company voluntarily, it is called voluntary turnover, whereas involuntary turnover happens when the company fires an employee against their choice. Price (2001) found that voluntary turnover is common and may be expensive, disruptive, and emotionally draining for businesses.

A worker's motivation to leave their job may be affected by a variety of factors. Consider factors including an employee's outlook and potential, as well as work requirements and external compatibility, pay, job happiness, job enrichment, job security, and management style. Turnover intention is shown to be highly related to leadership, which might place HR managers in a difficult position when top employees decide to depart. Voluntary employee departures result in a need for new hires, a phenomenon known as "turnover." The yearly turnover rate is a proportion of the whole workforce. One-quarter of a company's personnel at the beginning of

the year has departed by the end of the year if employee turnover is 25%. Contrast this with layoffs, in which workers are terminated at the option of their employer due to external factors like falling sales or a firm merger.

A company's turnover rate is the percentage of its workforce that leaves within a certain time frame.

IV. RESEARCH METHODOLOGY

Using both descriptive and analytical methods, this research explores how different types of leadership influence employee happiness at work. The research method used here is a quantitative survey. Primary data was collected by a survey technique utilizing a standardized questionnaire. SPSS 16, the Statistical Package for the Social Sciences, has been used to examine the data. Descriptive statistics and a Pearson correlation analysis are then used to examine the data. Finally, the hypotheses have been tested using a multiple regression analysis.

Research Respondents and Data Collection: Johor, the southernmost state of West Malaysia, has chosen to establish a (nonprofit) community college. All of the permanent faculty members were included in this analysis. Teaching and tutoring students in accordance with subject syllabus materials approved and accredited by the Ministry of Higher Education Malaysia for the respective programs conducted by the college is the primary responsibility of all participants. For reasons of privacy, the name of the university will not be used. The university first opened its doors twenty years ago, and now it has over a thousand enrolled students. The university provides courses leading to certificates, diplomas, and dual degrees. Since it is not for profit, it relies on contributions from members of the public and course fees to cover its operating costs. There are a total of 51 full- and part-time faculty and staff personnel. Thirty-two of them are permanent employees.

Measurement of Turnover Intention: Mobley [22] developed a three-item scale to assess employee turnover intentions. I have a lot of second thoughts about staying at my current work, I plan to start looking for a new one in the next 12 months, and I want to leave my current employer as soon as feasible. 5-point Likert scale (where one means "strongly disagree") was utilized.

V. RESULTS

Reliability Analysis: The trustworthiness of the survey used in the study was examined by means of a reliability analysis. The reliability of the survey was calculated using the Cronbach alpha. All of the variables have Cronbach alphas greater than 0.7. The dependability value of a measuring device should be greater than 0.70 [16]. These statistical findings provide further evidence that the scales utilized in this investigation are valid and reliable.

The Cronbach alpha for the items used to determine leadership transformation is 0.92. The five criteria associated with this kind of leadership were also subjected to a reliability study. The idealized influence was broken down into eight categories: conduct (0.83), attributes (0.72), inspiration (0.92), intelligence (0.86), consideration (0.73), and ideals (0.92). The items used to measure transactional leadership have a Cronbach alpha of 0.86. All three of the transactional leadership style variables were subjected to a reliability study, too. Management by exception (active) factors (0.76), management by exception (passive) factors (0.85), and contingent incentive factors (0.83). Statistical analysis (Cronbach alpha) shows that turnover intention items have a high degree of reliability (0.95).

Demographic Profile Information:

Table 1 below summarizes the demographic profile of the respondents which include gender, age, marital status, education qualifications, position, tenure status and salary scale. A total of 27 respondents have been collected and included in the data analysis.

| Demographic variables Categories | Frequencies Percentages |
|----------------------------------|-------------------------|
|----------------------------------|-------------------------|

| | | | |
|----------------|------------------------|----|------|
| Gender | Male | 13 | 48.1 |
| | Female | 14 | 51.9 |
| Age | 21-30 years old | 8 | 29.6 |
| | 31-40 years old | 7 | 25.9 |
| | 41-50 years old | 7 | 25.9 |
| | > 51 years old | 5 | 18.5 |
| Marital Status | Single | 12 | 44.4 |
| | Married | 15 | 55.6 |
| Education | Bachelor | 9 | 33.3 |
| | Masters and above | 18 | 66.7 |
| Position | Lecturer | 24 | 88.9 |
| | Lecturer and Head/Dean | 3 | 11.1 |
| Tenure | < 2 years | 11 | 40.7 |
| | 2 to 5 years | 10 | 37.0 |
| | >5 years | 6 | 22.3 |

Table 2: Descriptive Statistics for Leadership Styles

| N | Mean | Std. Deviation |
|---------------------|--------|----------------|
| Transformational 27 | 2.2537 | .78261 |
| Transactional 27 | 1.9136 | .73033 |

Table 4.3: Descriptive Statistics for Turnover Intention

| N | Mean | Std. Deviation |
|-----------------------|--------|----------------|
| Turnover Intention 27 | 2.8519 | 1.05948 |

Leadership Style Measurement:

Table 2 displays the descriptive statistics for the various leadership styles. With a mean score of 2.25, transformational leadership approaches came out on top.

Turnover Intention Measurement: Mobley developed a tool to assess the likelihood of a company's turnover, and its three questions were answered on a 5-point Likert scale ranging from 1 ('strongly disagreed') to 5 ('strongly agreed'). A greater likelihood of quitting the job is reflected by a higher score.

VI. CONCLUSION

Although many previous studies conclude that leadership styles can affect the followers intention of leaving the organization, this notion is not supported in this study. Perhaps, this is due to the choice of industry chosen in this study. Therefore, this study concludes that leadership styles have no significant effect on turnover intention of the academic staff in the education industry the study has examined the challenges faced by employees with their superiors that induce them to look for a change in organization or job. The study also tried to identify whether the transactional leadership style or transformational leadership style caused employee turnover. It was found that there is a relationship between transactional leadership style and employee turnover. A transactional leader usually tries to show authority and have a control over the subordinate. This type of handling by the superior is not accepted by the employees. Most of the subordinates want a superior who is inspiring and a one who attends to their needs. In the current organization scenario both transactional and transformational leadership style is needed. A superior should try to understand the needs of the employee and control him whenever need arises so that organization can grow and retain its employees.

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