Transformational Leadership and Job Satisfaction in the Banking Sector: A Review

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ABSTRACT: The purpose of the present study is to provide a critical review of the relation between transformational leadership and the levels of job satisfaction experienced by bank employees. An organization’s or institution’s leadership refers to its leader’s style of providing direction, implementing plans and motivating employees. Transformational leadership is a specific leadership style applied by superiors who motivate their subordinates to perform at a higher level by inspiring them, offering them intellectual challenges and paying attention to their individual needs. Job satisfaction refers to the employees’ perceptions of their working environment, relations among colleagues, earnings and promotion opportunities. The review shows that contemporary job-related phenomena like job satisfaction are related to employees’ relations with colleagues and superiors, performance and perceptions of their organization’s specific culture. In addition, the employees’ preference of leadership style is likely to be affected by several factors, including demographic characteristics. Therefore, the reciprocal relation between organizational culture and transformational leadership in job satisfaction in the banking field is revealed in the review, and several conclusions and suggestions are formed.

Keywords: Organizational Culture; Transformational Leadership; Leadership Style; Job Satisfaction; Banking sector

JEL Classifications: J24; M11; M12; M14; O15

1. Introduction

The banking sector is an integral factor of economy in the majority of contemporary societies. A banking institution plays an intermediary role between the investor and the saver, associating the need of the entrepreneur or individual to make an investment business-with the need of saver to deposit money in a bank, which is interest (Lawson, 2012). Taking into consideration the current financial crisis which affects most countries globally, the interest of many researchers has been turned to the study of banking institutions’ function and bank employees’ well being.

Among others, occupational phenomena like organizational culture, leadership and job satisfaction are being investigated in the frame of the banking sector, leading to interesting results and conclusions. Researches have shown that a successfully functioning banking institution is characterized by its superiors’ appreciation of the valuable role of human resources, as the fear of uncertainty during a period of crisis is likely to lead to negative and defensive attitude and behavior, employees’ turnover and customers’ loss (Bushra et al., 2011). As by John Smith, former CEO of Marriott Corporation has put it, “You can’t have happy customers served by unhappy employees” (Heskett et al., 1997 in Emery and Barker, 2007). Therefore, the study of all factors that are likely to affect employee’s emotions, experience, performance and commitment should be measured; so that their experience of job satisfaction is promoted and the organization’s well being is improved.

Furthermore, the occupational phenomena mentioned above are likely to be affected by several factors, like employees’ individual and demographic characteristics, organizations’ specific culture and leadership style. More specifically, an organization’s leadership style is considered to have a direct impact on the relations between superiors and employees, thus affecting both the latter are performance, job satisfaction and commitment and the organization’s total coherence (Wilderom et al.,
The purpose of the present study is to provide a critical review of the relation between organizations’ transformational leadership style and employees’ level of job satisfaction in correlation with multiple factors, like demographic characteristics. Results are derived from bibliographical and research studies carried out in the banking sector.

2. Literature Review
2.1. Organizational Culture

The overall function of an organization or institution consists of many dimensions that influence the processes of recruitment and management, as well as the relationships among employees and between employees and superiors. Therefore, a specific internal culture is usually formed in the frame of an organization, which constitutes of the strategic and coherent approach of valuable assets, where people who work in it both individually and collectively contribute to the achievement of its objectives. The role of organizational culture in business organization aims to the development and planning of human resources management, in recruitment and selection, learning and evolution, labor relations and working climate in business, health, safety, prosperity, fulfillment of regulatory requirements for employees, equal opportunities, and any other matter relating to the employment relationship (Sommer et al., 1996).

Organizational culture affects the provision of guidance and support among employees and ensures that the policies and practices followed by the organization are based on relationships between management and labor and related with human development. The function of organizational culture plays a key role in creating an environment that allows people to make the best use of their potential and realize their potential to the benefit of both the organization and themselves (Koustelios and Kouveliou, 2001).

However, organizational culture is not a stable and commonly accepted situation. It depends on the size of the organization or institution, the type of work, the employees and the role given to the use and operation strategy. The extent to which the company or the organization believes that management is the primary responsibility of supervisors and team leaders, not only affects the number of supervisors of human resources, but also the nature of the guidance and support of services they provide (Koustelios and Bagiatis, 1997). In addition, organizational culture is affected by individual characteristics, attitudes and preferences. Previous studies have proven the existence of differences between the dominant and preferred type of organizational culture in different working fields. For instance, Koustelios (1996) gathered the views of employees from three different types of organizations: a) Public sector, b) Public Enterprises and Organizations (Public Electricity Enterprise and Banks), c) Private sector. For the measurement of job satisfaction, the Employee Satisfaction Inventory, ESI, created by Koustelios, 1991, was used, while for the measurement of organizational culture a 15-variable questionnaire was used, each variable providing four possible options – types of organizational culture. The results revealed that the current culture in most fields differed from the desired one.

Two recent studies of Belias and Koustelios (2013a, 2013b) revealed that the gender of bank employees was likely to affect both their institution’s current culture type and their preferred type as well. In general, women seemed to prefer a more friendly-family working environment (clan culture), while men preferred the competitive environment of the market culture. In particular, women reported working in an organization characterized by hierarchy, while they would prefer to work in a more clan institution. Men, on the other hand, reported that they both worked and would prefer to work in an organization which is characterized by market features and rules.

Furthermore, organizational culture has been linked with several job-related phenomena, like job satisfaction. Koustelios (1991) reviewed a number of investigations correlating job satisfaction with several aspects of organizational culture: organization size, employees’ background, attitudes and national culture. In addition, he found that there was a significant difference in job satisfaction among employees who operate in different organizational cultures. Also, he found that when employees have a match-up between their present and desired culture, they are more satisfied with the intrinsic aspects of their work. Hence, it has been made clear that organizational culture is inescapably related with...
human factors like individual and demographic characteristics, thus affecting both the organization’s and the employees’ well-being.

In the banking sector, the role of organizational culture is crucial for its overall function and well-being. The management of human resources and risk management are two of the most basic challenges faced by banks. The way in which they manage their workforce, determines the success of banking operations (Bashir and Ramay, 2010). In the frame of a banking institution, organizational culture is conceived in terms of values, attitudes and beliefs, while communication among team members is essential for the promotion of job satisfaction and commitment.

2.2. Leadership

The term “leadership” in the frame of organizations refers to the approaches adopted by superiors in their everyday interaction with employees. It consists of many dimensions, such as values, standards, norms, items or issues observed in the working environment and affects employees’ emotions, performance and behavior (Lok and Crawford, 2004). Research results have revealed various types or styles of leadership implemented in different organizations, cultures and working frames. Some leaders incorporate leadership styles depending on the situation or their feelings at a given moment, while others adhere to the same style regardless of the situation they have to face. Every leader is characterized by their own style, which is influenced by organizational culture and is likely to produce a management style that prevails and represents a standard of conduct for leaders who are expected to adopt (Shurbagi and Zahari, 2012).

Considering the banking sector, it is widely known that several structural changes are currently happening in terms of hierarchy and organization. The majority of banks and credit institutions globally tend to adopt innovations in the sector or organization and employee training, as a transition from a traditional and hierarchical to a more flexible form is considered to be a challenging process (Theriou et al., 2007).

2.2.1. The relation between Leadership and Organizational Culture

An organization’s specific culture and leadership style are key factors that affect its overall function. The relation between those two factors has been an object of several researches during the last decades. According to Hennessey (1998), a leader’s ability to understand and work within the existing organizational culture plays a crucial role in the leadership’s effectiveness. Schein (1992) supported that an organization’s leader is able to sustain or create specific types of organizational culture and vice versa. More specifically, a leader is likely to develop an organization that reflects specific beliefs and values, leading to the creation and application of a corresponding internal culture. On the other hand, as an organization’s culture evolves, it affects the actions, practices and strategies of its leader. As a result, the leader creates the culture primarily, he/ she is the one who evolves through this process, and so are the leadership tactics he/ she applies.

Furthermore, Lok and Crawford (2004) support that organizational culture can be described as a combination of conditions, including values, norms, issues and leadership styles. In particular, “tacit” values that are deeply rooted in the culture of an organization and supported by the behavior of management can have a major influence, while “espoused” values that are idealistic and not reflected by managerial behaviors may have little or no effect. Norms and standards provide informal guidelines of superiors’ and employees’ behavior. Issues and items are visible and tangible ways of behavior, while leadership styles are the ways in which a manager approaches employees who belong to his/ her group.

As it was mentioned above, organizational culture is an unstable concept and practice, which is likely to transform and be adapted to new facts and situations, especially in cases when its effectiveness is under doubt. Several programs of support and enhancement of organizational cultures have been developed, taking into consideration the evaluation of employees and leaders. According to Schein (1985), the most powerful basic mechanisms for the consolidation and strengthening of organizational culture are the attention that leaders give in measurement and control, the reactions of leaders to crises and critical incidents, the effectiveness of teaching and mentoring provided by leaders.

In general, it can be said that organizational culture is formed both by an organization’s leaders and employees and the organization itself. Schein (1990) argues that “employees identify the vision of their leader and his behavior and expectations”. Therefore, it can be supported that
organizational culture is shaped around critical incidents, major events that produce lessons for desired or undesired behavior.

2.2.2. Leadership Styles

The various types of leadership in the field of organizations, institutions and companies have been studied thoroughly in many social, economical and cultural frames. Several leadership styles have been described, depending on the existing chronic and geographic frame.

In the frame of the Path-Goal Theory proposed by House (1971), a dyadic concept of supervision had been developed. The theory is concerned with how formally appointed superiors affect the motivation and satisfaction of subordinates. The initial theory described two main styles of leader behavior: path goal clarifying behavior and behavior directed toward satisfying subordinate needs. Later, House and Mitchell (1974) defined four leadership behavior styles in more specific terms: 1) Directive path-goal clarifying leader behavior: This type of behavior is directed toward the provision of psychological structure for subordinates, by letting them know what they are expected to do, by scheduling and coordinating work, giving specific guidelines and clarifying rules, procedures and policies. 2) Supportive leader behavior: This type of behavior is directed toward the satisfaction of subordinates’ needs and preferences by displaying concern for them, and creating a friendly and psychologically supportive working environment. A supportive leader is a source of self-confidence, social satisfaction, stress reduction and alleviation of subordinates’ frustration. 3) Participative leader behavior: This type of behavior is directed toward encouragement of subordinates, influence on decision making and work unit operations by consulting with subordinates and taking their opinions ans suggestions into account. 4) Achievement orientation behavior: This type of behavior is directed toward encouraging performance excellence by setting challenging goals, seeking improvement, emphasizing excellence in performance and showing confidence that subordinates will attain high standards of performance.

Bass (1985) suggested a distinction between transformational and transactional leadership styles. In particular, transformational leaders motivate their subordinates to perform at a higher level by inspiring their followers, offering intellectual challenges, paying attention to individual developmental needs and therefore leading followers to transcend their own self-interest for a higher collective purpose, mission or vision. Transactional leaders, on the other hand, engage in a process of negotiation, offering subordinates rewards in exchange for the attainment of specific goals and completion of agreed-upon tasks. Transactional leadership is characterized by focus on specific goals and agreed-upon rewards, which are considered to be quite effective, while transformational leadership aims to promote subordinates’ feeling of pride to be working with a specific supervisor, which has been shown to exert an augmentation effect that is to add to the levels of productivity, satisfaction and effectiveness (Bass, 1985).

More recently, Goleman et al. (2002) distinguished six leadership styles, based on leaders’ emotional intelligence: 1) Coercive, which describes a leader able to deal with disasters, 2) Authoritative, which characterized a leader who is able to engineer a turnaround, 3) Affiliative, which describes a leader bale to build team harmony and morale, 4) Democratic, which refers to a leader who gives employees a voice in decisions, 5) Pacesetting, which describes a leader able to define and exemplify high performance standards, 6) Coaching, which refers to a leader supportive to others; development. According to Goleman et al. (2002), the more of those styles a leader masters, the more power he/she will have to shape the organization’s climate and the employees’ performance.

Flamholtz and Randle (2007) developed the Leadership Style Matrix, based on the type of the task and the people involved. The Leadership Style Matrix is divided into four quadrants. Each quadrant lists two leadership styles that are best suited for a specific situation and person (or group). The Y-axis defines the "programmability" of the task. A programmable task has specific steps or instructions to complete. A non-programmable task is more creative; it is up to the individual to decide how best to accomplish it. The X-axis describes the individual's capability and preference for autonomy. Several factors influence this, including education, skill, motivation, and their desire for feedback, interaction, or independence. For instance, a person with a high level of education, skill, motivation and independence is likely to want autonomy. Someone with low motivation and skill will need – and may want – more feedback and interaction, so that he or she can complete the task successfully. Therefore, the First Quadrant of the Matrix includes the Benevolent Autocratic and the Autocratic Leadership Styles, which are characterized by issuing instructions with or without
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explanations, respectively. Despite their authoritative character, those styles are considered to be effective in crisis, emergency or risky situations. The Second and Third Quadrants include the Consultative and the Participative Leadership Styles, which refer to leaders who ask for their followers’ input and opinion and retain or reform their initial decision, respectively. The Fourth Quadrant includes the Consensus and the Laissez-Faire Leadership Styles, which describe leaders who give their team members a great deal of authority in the process of decision-making and become part of their team or provide new resources of help, respectively.

Therefore, it can be supported that leadership is a rather complex dimension of organizational culture, likely to affect employees’ behavior, internal organizational relations and organization’s function and well being.

2.2.3. Transformational Leadership

Despite the various styles of leadership that have been described, the most extensively studied are the transactional and transformational ones. Transformational leadership has been studied within particular contexts or in relation to various variables. Such variables include the effect of leadership on organisational culture (Van Tonder, 1998), the role of transformational leadership skills on the motivation of people (Handford, 1999), the relation between certain personality traits and transformational leadership (Van Rensburg and Crous, 2000), the relation of transformational leadership with locus of control (Van Staden et al., 2000) and organizational change (File, 2000).

Organisations are constantly in a state of change, though to varying degrees, because change is itself a dynamic and ongoing process (Van Rooyen, 2000) that needs to be managed.

Transformational leadership is defined in relation with the leaders’ effect on their followers, in which the latter feel trust, admiration, loyalty and respect toward the former and are motivated to do more than they were originally expected to do (Avolio, 1999). In addition, Bass (1998) identified four transformational leadership behaviors that represent four basic components of transformational leadership:

1) Idealized influence (charisma): This behavior arouses strong emotions from followers and identification with and emulation of, the leader, as the latter acts as a strong role model. Additionally, followers display very high moral standards and conduct themselves in an ethical manner; so that they are counted on to do the right thing.

2) Individualized consideration: This behavior includes the provision of support, encouragement, coaching, delegation, advice and feedback for use in the followers’ personal development.

3) Intellectual stimulation: This behavior increases awareness of problems and influences followers to view problems from a new point of view. Therefore, they are stimulated to be creative and innovative and challenge both their own and their leaders’ beliefs and values, as well as those of the organization itself. Furthermore, they are encouraged to take intellectual risks and question assumptions.

4) Inspirational motivation: This behavior includes the development and communication of an appealing vision, using symbols and images to focus the efforts of subordinates and modeling behaviors that are deemed appropriate.

Following the above types of behavior, transformational leaders are adept at transforming people from followers into leaders and influence them to transcend self-interests for their organization’s greater good (Greiman, 2009).

Years of research on leadership styles have revealed both strengths and weaknesses of the transformational leadership style. According to Northouse (2001), strengths are widely researched - using well-known leaders, effectively influence associates on all levels, from one-on-one to the whole organization, and strongly emphasize associates’ needs and values. Weaknesses, on the other hand, have many components that seem too broad, treat leadership more as a personality trait than as a learned behavior, and have the potential for abusing power.

Taking all aspects of transformational leadership into consideration, Northouse (2001) described the following qualities of a successful transformational leader: 1) Empowers followers to do what is best for the organization, 2) Is a strong role model with high values, 3) Listens to all viewpoints to develop a spirit of cooperation, 4) Creates a vision, using people in the organization, 5) Acts as a change agent within the organization by setting an example of how to initiate and implement change, 6) Helps the organization by helping others contribute to the organization.

In general, international literature includes various studies that have revealed the positive effects of transformational leadership on many aspects of organizational function, like employee
motivation, enhancement of performance and job satisfaction. Lim and Ployhart (2004) have characterized transformational leadership as of great importance, given recent facts like fast-paced change, mounting pressure to innovate and heightened globalized competition, all of which contribute to growing levels of uncertainty. Furthermore, Kearney and Gebert (2009) support that, taking into consideration the social categorization perspective, transformational leadership obviates adverse effects such as low levels of collective team identification in diverse teams.

What is more, effective and successful leadership is considered to be a combination of high levels of task-oriented and relationship-centered activity. According to Ciulla (1998), the effort of building intimate relationships, based on emotions, is particularly evident in transformational leaders who can enable their followers to excel beyond expectations by unifying their beliefs and values and raising them up through various stages of morality and need. Therefore, integrity of character within this transforming relationship between the leader and the follower is essential and associated with successful leadership (Storr, 2004).

2.2.4. Measurement of Transformational Leadership

During the years of excessive study of transformational leadership, several measurement tools have been developed and applied. The most widely used tool is considered to be the Multifactor Leadership Questionnaire (MLQ), developed by Avolio et al. (1995). The questionnaire consists of nine scales, based on five dimensions of Transformational Leadership, three dimensions of Transactional Leadership and one scale of Non-Leadership. The dimensions of Transformational leadership are: 1) Idealized Influence – Attributed and 2) Idealized Influence – Behavior, which involve gaining respect, trust and confidence toward the leader and transmission to followers by the leader of a strong sense of mission and the vision of the desired future (e.g. “I have trust in my superior’s ability to overcome any obstacle”), 3) Inspirational Motivation, which is when a leader communicates a vision with confidence and increases optimism and enthusiasm in its attainability (e.g. “My superior uses symbols and images to focus our efforts”), 4) Intellectual Stimulation, which is defined as a leader’s way of actively encouraging followers to question the status quo and to challenge their own and others’ assumptions and beliefs (e.g. “My superior enables me to think about old problems in new ways”), 5) Individual Consideration, which is described as personalized attention to the needs of all followers, making each person feel valued and treating him/her differently but equitably on a one-to-one basis (e.g. “My superior treats me as an individual and not as part of an anonymous group”). The dimensions of Transactional Leadership are: 1) Contingent Reward, which refers to an exchange of rewards between leaders and followers in which effort is rewarded by providing rewards for good performance or threats and disciplines for poor performance (e.g. “My superior makes sure that there is a close agreement between what he/she expects me to do and what I can get from him/her for my efforts”), 2) Management-by-Exception – Active, which describes leaders characterized as monitors who detect mistakes and 3) Management-by-Exception – Passive, which describes a leader that intervenes with his/her group only when procedures and standards for accomplishing tasks are not met. The scale of Non-Leadership is called Laissez-faire and exhibits when leaders avoid clarifying expectations, addressing conflicts and making decisions.

In 2004, Avolio and Bass developed a new version of the Multifactor Leadership Questionnaire (MLQ-5x). The questionnaire measures different styles of leadership: 1) Transformational, 2) Transactional 3) Passive/ Avoidant. In addition, it measures the leadership’s outcomes: 1) Extra effort, 2) Effectiveness, 3) Satisfaction. The M.L.Q. – 5x tool can be used for personnel hiring, employees’ development and guidance, and for counseling and promotion as well. Its creators note that the questionnaire represents an effort to collect as much information for leadership behaviors –from avoidance to idealized leadership- as possible, while it differentiates effective from ineffective leaders. It focuses on individual behaviors and leaders’ characteristics, which are evaluated by their colleagues, regardless their position, and in relation with leaders-evaluators. The questionnaire calculates leadership behaviors which motivate colleagues to accomplish the expected organizational results. MLQ (5x- Short) includes 45 elements-questions and aims to assess the level of preparation for reports about the leader him/herself. Thirty-six of those elements refer to the nine leadership factors, while the rest nine calculate the leadership’s outcome. The nine leadership factors and the leadership’s outcome are evaluated/ calculated via the 45 questions. Through the match of questions with leadership elements, the average of each element is extracted, after the grouped elements have
been summed and divided by the number of answered elements. If an element-question has not been answered, then the resulting sum is divided by the number of the answered elements.

MLQ (5x-Short), in ineffective organizational results, calculates leadership behaviors which represent responsibility and action avoidance, while in very successful organizational results it calculates the feeling of leadership behaviors which create those high results (transformational leadership). The tool has the ability to calculate colleagues’ feeling, regardless their position, toward the effectiveness of their team’s leaders. Furthermore, it includes elements which measure the intellectual and personal development of the leader and his/her colleagues (which leaders should develop themselves, so that they effectively develop others). The model focuses on a leadership function (as it is indicated in the questionnaire) and toward the direction that should be chased by the leader. The model connects every leadership style with the expected functional result, in the way it has been confirmed by numerous studies that support this relation.

In 1990, Podsakoff et al. developed the Transformational Leadership Behavior Inventory. The scale was designed to measure six dimensions of transformational leadership that had been identified in the research literature: 1) Articulating a vision, 2) Providing an appropriate model, 3) Fostering the acceptance of group goals, 4) High performance expectations, 5) Providing individualized support and 6) Intellectual stimulation.

Carless et al. (2000) developed a Global Transformational Leadership Scale (GTLS) which consists of seven items (e.g. “My leader encourages thinking about problems in new ways and questions assumptions”). The scale has been found to have a high degree of convergent validity with more established and lengthier questionnaires. Response categories are: 1 = To a very large extent, 2 = To a large extent, 3 = Somewhat, 4 = To a small extent, 5 = To a very small extent.


A different tool for the measurement of transformational leadership was developed by Greiman and Addington (2008), who identified the importance of transformational leadership style as a significant predictor of Youth Leadership Development Self-Efficacy (YLD-SE). For the construction of their scale, Greiman and Addington (2008) asked teachers and state staff from across the United States of America to identify barriers to developing leadership in youth. The data were used to develop self-efficacy statements through a process suggested by Bandura (2006). The scale consists of 10 items in a 9-point Likert-type scale ranging from 1 = nothing to 9 = a great deal (e.g. “To what extent can you establish a schedule to meet all of your priorities?”). The YLD-SE construct achieved a Cronbach’s alpha of .90 post hoc. The scale was introduced as a new construct for use in leadership research.

2.2.5. Transformational Leadership and Demographic characteristics

As it was mentioned before, there are several dimensions and consequent behaviors of transformational leadership, likely to be affected by various factors. Among others, demographic characteristics have been studied in the frame of transformational leadership –and leadership in general- showing mixed, or even controversial, results.

In terms of gender, there is a general opinion among researchers that women have superior leadership skills (Sharpe, 2000). In addition, women’s typical leadership styles tend to be more transformational than men’s (Bass et al., 1996). Manning (2002) found no significant differences in transformational leadership between male and female bank managers at equivalent levels, whether leadership was self-rated or observer-rated. Rosenbusch and Townsend (2004) leaders tend to be more transformational than their male counterparts, while male student leaders tend to be more transactional. Greiman, Addington, Larson and Olander (2007) found that within transformational leadership, female teachers had significantly higher scores on individualized consideration than did male ones. However, in the studies of Stedman and Rudd (2005) and Jones and Rudd (2008), males reported higher leadership scores than females. In the study of Hall (2010), no statistically significant
difference in leadership style was found between male and female participants. However, when comparing leadership factors by gender, statistically significant differences were found between male and female teachers on Individualized Consideration and on Contingent Reward.

Stedman and Rudd (2005) found differences in the leadership factors in terms of age and tenure within extension. Kearney and Gebert (2009) were led to the conclusion that transformational leadership helps to realize the performance potential inherent in both demographic and informational diversity. More specifically, the results confirmed the hypothesis that transformational leadership moderates the relationship of age, nationality, and educational diversity with team performance. Both nationality and educational diversity were positively related to team performance only when transformational leadership was high and not significant when transformational leadership was low.

Greiman et al. (2007) and Hall (2010) found no significant difference in the leadership style of teachers based on years of experience. Harms and Knobloch (2005) found that leadership style of pre-service teachers was not related to career choice.

Hall (2010) found no statistically significant difference among leadership styles in terms of educational level among participants. Greiman et al. (2007) found no significant difference in leadership style based on highest academic degree earned, although intellectual stimulation differed between teachers with bachelor and with master degrees.

In general, demographic features seem to partially influence the choice and implementation of leadership styles, although further investigation is needed for the formation of credible conclusions.

3. Job Satisfaction

As it was mentioned above, job satisfaction is a crucial factor for the function of an organization and it is likely to be affected by the organization’s internal culture and leadership. In general, job satisfaction refers to a pleasant or positive emotional condition, which is derived from an employee’s appreciation for his/her occupation or work experience (Locke, 1976). Kennerly (1989) supported that organizational behaviors, like warmth among employees, mutual trust, respect and rapport between employees and superiors can be significant predicting factors of the job satisfaction experienced by employees. Moreover, Billingsley and Cross (1992) came to the conclusion that leadership support, work involvement and low role conflict can be predicting factor of job commitment, job satisfaction and unwillingness to quit. Hence, it is a common belief that the relation between job satisfaction, leadership behaviors and organizational culture is reciprocal and very widely studied.

Many research tools have been developed for the measurement of job satisfaction experienced by employees in their workplace. One of the first instrument for the measurement of job satisfaction was created by Weiss et al. (1967), called the Minnesota Satisfaction Questionnaire (MSQ). The long form of the questionnaire consists of 100 items in which all refer to reinforcement in the work environment. The respondent indicates how satisfied he/she is with the reinforcement on his/her present job. Five alternative responses are presented for each item based on a Likert-type scale. Each long-form of the MSQ scale consists of five items with the exception of job satisfaction which consists of 20 items: Utilization ability, Achievement, Activity, Advancement, Authority, Company policies and practices, Compensation, Co-workers, Creativity, Independence, Moral values, Recognition, Responsibility, Security, Social service, Social status, Supervision – Human relations, Supervision – technical, Variety, Working conditions and general job satisfaction. Responses to the choices of the MSQ form are weighted in the following manner: Very dissatisfied score as 1, Dissatisfied score as 2, neither score as 3, Satisfied score as 4 and Very satisfied score as 5. Thus, responses are scored 1 through 5 proceeding from left to right in the given answer spaces. Scores rate on a scale and are determined by summing the weights for the responses chosen for the items in each scale. Ranging from 20 to 100, a percentile score is given.

Hackman and Oldham (1975) supported that the job itself should be designed to possess certain characteristics that create conditions for high work motivation, satisfaction, and performance. Based on this theory, they created the Job Diagnostic Survey. It consists of eighty-three items presented in the forms of questions or statements, and asks subjects to respond in terms of their job according to their perceptions. Using a seven-point response scale (1 = low, 7 = high), items measuring the core job characteristics, critical psychological states, internal work motivation, growth need strength, and general and specific satisfactions, appear randomly throughout the instrument.
In 1985, Spector developed the Job Satisfaction Survey (JSS). The JSS assesses nine facets of job satisfaction: 1) Pay, 2) Promotion, 3) Supervision, 4) Fringe benefits, 5) Contingent rewards, 6) Operating conditions, 7) Coworkers, 8) Nature of work, and 9) Communication. There are 36 items with 4 items measuring each facet. A composite job satisfaction score is calculated by averaging responses across all of the JSS items. Responses are made on a 6-point scale ranging from 1 = disagree very much to 6 = agree very much. Higher scores indicate a greater degree of satisfaction. A sample item assessing the benefit facet is “I am not satisfied with the benefits I receive.” Based on a sample of 3067, Spector reported coefficient αs for each facet ranging from .60 to .91 and a coefficient α of .91 for the composite.

Stamps (1997) developed the Index of Work Satisfaction, based on the assumption that job satisfaction is complex, multidimensional construct that captures individual’s reactions to specific components of their work. Stamps identified six important components of work: 1) Pay, 2) Autonomy, 3) Task requirements, 4) Organizational requirements, 5) Interactions and 6) Prestige. Attitude statements relating to the six components were developed to fit a 7-point Likert-type scale design. Finally, the Index was published as a 48-item questionnaire with six subscales: 1) Autonomy, 2) Interaction, 3) Organizational Policies (sometimes called Administration), 4) Pay, 5) Professional Status and 6) Task Requirements. Subsequent factor analyses produced varying numbers of overlapping and similar factors. In 2003, the Adapted Index of Work Satisfaction was published, which comprises 44 items instead of 48.

In Greece, the Employee Satisfaction Inventory - ESI was developed by Koustelios, in 1991. The inventory was created using Greek employees as a sample. It included 24 questions, which measure six dimensions of job satisfaction: 1. Working conditions (5 questions), 2. Earnings (4 questions), 3. Promotions (3 questions), 4. Nature of work (4 questions), 5. Immediate superior (4 questions) and 6. The institution as a whole (4 questions). The responses were given in a five-level Likert scale: 1 = I strongly disagree, 5 = I strongly agree. The structure, manufacturing validity, reliability and internal consistency of the inventory have been supported by previous studies of human resources occupations, like public employees (Koustelios and Bagiatis, 1997) and teachers in Primary and Secondary Education (Koustelios, 2001; Koustelios and Kousteliou, 1998).

4. The Relation Between Transformational Leadership and Job Satisfaction in the Banking Sector

Job satisfaction has been studied in parallel with many aspects of work and in many working places and fields globally. Among others, employees’ experience of job satisfaction has been studied as an outcome of leadership styles. In general, research results suggest that that in organizations which are flexible and adopt the participative management type, with emphasis in communication and employees’ reward, the latter are more likely to be satisfied, resulting in the organization’s success (Mckinnon et al., 2003). What is more, Walder (1995) supported that transformational and “consideration” leadership attributes, which are common in western cultures, are considered to be significant for employees’ motivation and performance. Such attributes include empowerment and clear vision, which have been correlated with high job satisfaction and job commitment (Smith and Peterson, 1988; Iverson and Roy, 1994).

Geyer and Steyer (1994) found that contingent reward as a success indicator among bank employees was much more highly correlated with transformational than the other transactional styles. In 1998, they found that core dimensions of transformational leadership are more strongly related to long-term performance among bank employees, while individualized consideration is positively related with short-term, but negatively related with, long-term performance. Podaskoff et al. (1996) found positive effects of transformational leadership behaviors on job satisfaction among a wide range of industries, organizational settings and job levels, including banks.

Barling et al. (1996) found that the application of a transformational leadership training program on bank managers resulted in significant effects on subordinates' perceptions of leaders' transformational leadership, as well as on subordinates' own organizational commitment. Gerstner and Day (1997) found significant relation between leader-member exchange—in the frame of transformational leadership— and job performance, satisfaction with supervision, overall satisfaction, role clarity and member competence.
Manning (2002) found that transformational leadership is positively related with job satisfaction, while it permits female employees to simultaneously carry out leadership and gender roles. Kark, Shamir and Chen (2003) found that transformational leadership was positively related to both bank employees’ dependence and their empowerment and that personal identification mediated the relationship between transformational leadership and employees dependence on the leader, whereas social identification mediated the relationship between transformational leadership and followers’ empowerment. Awamleh and Al-Dmour (2004) showed that both the transactional and the transformational leadership style affect job satisfaction among bank employees, with the transformational kind of leadership having a more statistically significant positive effect.

Awamleh et al. (2005) came to interesting results in their study among bank employees. More specifically, the study confirmed that a transformational leadership style of bank managers is likely to boost employees' job satisfaction and performance, as reported in self-assessing items. When managers operationalize charisma and utilize inspiration, individualized consideration and intellectual stimulate, they elicit positive reactions from employees. Such transformational qualities do stimulate higher level needs of followers and result in feelings of satisfaction. Those results confirmed previous leadership researches, like the ones of Bass and Avolio (1990). According to the authors, the attention that managers give to employees is be reflected in their general positive attitude toward work and working conditions, which in turn, increases job satisfaction and facilitates performance.

More recently, Riaz et al. (2011) found strong positive interaction between transformational leadership and job commitment, suggesting that bank managers should adopt the transformational leadership style in order to increase employees’ commitment to the banking institution. Bushra et al. (2011) investigated the relation between transformational leadership and job satisfaction among 133 bank employees in Pakistan. They found that transformational leadership had a positive impact on the general job satisfaction experienced by 42% of participants, indicating their preference for this particular leadership style.

Generally, it can be supported that transformational leadership seems not only to influence job satisfaction, but also to determine job commitment (Emery & Barker, 2007); the relation between job commitment and job satisfaction has been proven to be reciprocal, anyway (Riaz et al., 2011). The influence of this type of leadership lies in the ability of the leaders to promote those values related to goal achievement and emphasize on the impact of the employees’ performance on the latter. Transformational leaders inspire employees to work harder, providing them with the idea of a common vision, in the frame of which the company’s well being is strongly related to their personal evolvement and completion (Shamir et al., 1998; Givens 2008).

5. Conclusion

The current financial crisis is affecting the economy of numerous countries all over the world, in many aspects of everyday life and work. The banking sector has gone through a lot of changes in terms of hierarchy and function, which affected its internal organization and external policies. For this reason, several studies have been carried out in order to investigate the relation between organizational culture, leadership and job satisfaction among bank employees.

Organizational culture is defined as the strategic and coherent approach of valuable assets of an organization or a business, where people who work in it both individually and collectively contribute to the achievement of its objectives. It is a constantly changing combination of norms, values, assumptions, attitudes and beliefs, adapting to the employees’ individual characteristics, preferences and behavior.

Job satisfaction, on the other hand, is defined as a pleasant or positive emotional condition, derived from an employee’s appreciation for his/her occupation or work experience. Research results have shown that organizational behaviors, like warmth among employees, mutual trust, respect and rapport between employees and superiors can be significant predicting factors of the job satisfaction experienced by employees.

Leadership describes an influence process affecting the actions of employees, the choice of objectives for the group or organization and the dynamic interaction between superiors and employees. It is defined by both the existing national culture and the specific culture that has developed among the organization’s employees and many researchers have found cross-cultural differences in leadership. Multiple types or styles of leadership have been recognized and described, based on each leader’s
individual characteristics, behavior and interactions with followers. The most widely known are the transactional and the transformational ones. A transactional leader shows a goal-oriented attitude and adopts a system of rewards and punishments, while a transformational leader are intellectual, spiritual and collectivistic. They pay high attention to their followers’ individual needs and encourage their personal development, along with the achievement of their working group’s goals.

The different styles that have been used for the description and measurement of leadership are based on the same principles, which reflect the characteristics of leaders and make them effective or not. In general, an effective leader is considered to be flexible, offering guidance to employees, yet allowing them to be initiative and creative. Ineffective leaders, on the other hand, are considered to be more goal-focused, less caring for their subordinates’ individual needs or absent from the process of decision-making. For this reason, transformational leadership is considered to be one of the most effective styles, implemented in different workplaces and settings and followed by bank and business managers.

In the banking sector, transformational leadership has proven to be quite appropriate and effective, having a positive influence on several aspects, like employees’ performance, job satisfaction and job commitment. Finally, transformational leadership is most common in western-type societies and is considered to affect the employees’ motivation, vision and empowerment as well as the banks’ total function and well-being.

However, the reciprocal relation between transformational leadership and job satisfaction in the banking sector should be investigated more extensively, in bigger-scale studies, for the formation of interesting results. Finally, the influence of other factors, like demographic characteristics, should be an object of further questioning and investigation.

References


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