



# **IMPACT OF TRANSACTIONAL AND TRANSFORMATIONAL LEADERSHIP: A STUDY ON EMPLOYEES PERCEPTION TOWARDS EMPLOYEE RETENTION IN IT SECTOR**

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## **Abstract**

**This research paper explain the role of leadership and provides a brief description on how leadership styles affect on employee retention in an organisation in present scenario of attrition in IT industry. The paper also explains need and importance to retain the valuable human resources with relevant leadership concepts. The aim of this paper is to find out how leadership styles will have impact on employee retention in IT sector. First hand information was collected by the researcher from IT employees with a well structured questionnaire. Random sampling method was absorbed by the researcher and the sample size is 100 IT sector employees from Hyderabad region has been taken for the study. The perception of the employees relating to leadership factors on employee retention has been analysed with a correlation. Hence analytical method is used for processing and interpreting the data. From the research it was established that leaders' directly and significantly influences intention of employee to stay and hence there is need to embrace leadership styles that promotes staff retention for these organizations to thrive.**

**Keywords: Leadership, employee retention, leadership styles.**

## **Introduction:**

Employee retention is a process in which the employees are encouraged to remain with the organization for the maximum period of time or until the completion of the project. Employee retention is beneficial for the organization as well as the employee. Employees today are

different. They are not the ones who don't have good opportunities in hand. As soon as they feel dissatisfied with the current employer or the job, they switch over to the next job. It is the responsibility of the employer to retain their best employees. If they don't, they would be left with no good employees. A good employer should know how to attract and retain its employees. Retention involves five major things: Compensation, Support, Relationship, Environment, Growth etc Effective employee retention is a systematic effort by employers to create and foster an environment that encourages current employees to remain employed by having policies and practices in place that address their diverse needs. A strong retention strategy becomes a powerful recruitment tool. Retention of key employees is critical to the long-term health and success of any organization. It is a known fact that retaining your best employees ensures customer satisfaction, increased productivity, satisfied colleagues and reporting staff, effective succession planning and deeply imbedded organizational knowledge and learning. Employee retention matters as organizational issues such as training timing time and investment; lost knowledge insecure employees and a costly candidate search are involved. Hence failing to retain key employee is a costly proposition for an organization. Various estimates suggest that losing a middle manager in most organization's costs up to five times of his salary. Intelligent employers always realize the importance of retaining the best talent. Retaining talent has never been so important in the Indian scenario; however, things have changed in recent years. In prominent Indian

metros at least, there is no dearth of opportunities for the best in the business, or even for the second or the third best. Retention of key employees and treating attrition troubles has never been so important to company.

Employee retention refers to the ability of an organization to retain its employees. Employee retention can be represented by a simple statistic (for example, a retention rate of 80% usually indicates that an organization kept 80% of its employees in a given period). However, many consider employee retention as relating to the efforts by which employers attempt to retain employees in their workforce. In this sense, retention becomes the strategies rather than the outcome.

### **Transactional Leadership**

Transactional leadership styles are more concerned with maintaining the normal flow of operations. Transactional leadership can be described as "keeping the ship afloat." Transactional leaders use disciplinary power and an array of incentives to motivate employees to perform at their best. The term "transactional" refers to the fact that this type of leader essentially motivates subordinates by exchanging rewards for performance. A transactional leader generally does not look ahead in strategically guiding an organization to a position of market leadership; instead, these managers are solely concerned with making sure everything flows smoothly today.

### **Transformational Leadership**

A transformational leader goes beyond managing day-to-day operations and crafts strategies for taking his company, department or work team to the next level of performance and success. Transformational leadership styles focus on team-building, motivation and collaboration with employees at different levels of an organization to accomplish change for the better. Transformational leaders set goals and incentives to push their subordinates to higher performance levels, while providing opportunities for personal and professional growth for each employee.

### **Review of Literature:**

**According to Okumbe (1998)**, leadership is a process of encouraging and helping others to do something of their own volition, neither because

it is required nor because of the fear of consequences of non-compliance. Leadership is thus a process of encouraging and helping others to work enthusiastically towards objectives. It is the human factor that binds a group together and motivates it towards goals transforming the groups potentials into reality.

**According to Mat (2008)**: leadership definitions keep evolving as scholars try to simplify the definition to enable people to understand the concept easily and to make it less complicated and more practical in daily business. For centuries leadership studies have been obsessed with leaders, and with identifying the characteristics required for effective leadership. Even though it is clearly stated that it is difficult to give leadership a single definition, people keep exploring this area of study. It shows that there is no stopping point for leadership study and it has become an essential element in social science

**According to Northouse (2010)** some researchers conceptualize leadership from the trait aspect; which means a leader has a set of certain characteristics which make him/her a leader; for others, it is the behaviour of the leader which enables him/her to accomplish the goals of the institution. Northouse further argues that for some theorists, leadership is a relationship between the leader and followers in terms of power; whereas some theorists view leadership from the leader's capacity with respect to the skill and knowledge aspect

**Thean, Ismail & Jusoh (2012)**, this research conducted on the academic staff of a community college in Malaysia revealed direct negative relationship between transformational and transactional leadership and turnover intention. The result contradicted with several previous studies. Perhaps this was due to the work nature of the academic staff as most of the time they worked independently. The amount of contact hours with their superiors were minimal. Therefore this research highly recommends to explore other factors of human resource management practices such as compensation scheme, general policy, and training and development opportunities. These factors will affect the level of satisfaction of employees that may trigger employees turnover. Thus, it concludes that leadership styles have no

significant effect on turnover intention of the academic staff in the education industry.

**Wakabi (2013)** this review paper establishes dominant views from empirical studies about how leadership styles influence employees decision to leave or stay in the organisation. Because of globalization and new method of management, organisations are facing high competition. Thus the paper sought to deepen the understanding of the relationship between different styles of leadership and workforce retention in organisations.

**wokocha& Iheriohanma (2015)** examined different leadership characteristics and styles and how they influenced employees intention to stay with the company. It also determined how performance of these employees was impacted through different leadership styles and consequently enhanced the productivity of the organisations in Nigeria. This research unveils that there exists a positive relationship between management styles and performance and retention. If subordinates does not find the management styles appropriate, their Developing Country Studies performance gets affected and also it provokes the employee to quit the organisation as they are left highly demotivated. Thus the paper argues that retention, performance and leadership style, all three should be aligned with business strategies so that employees' motivate and morale is boosted. Thus it prompted that right attitude towards work and some special characteristics of leaders play a pivotal role in the successful existence of the organizations.

**Objectives:**

- To study the impact of leadership styles towards employee retention in IT sector.

- To analyse the relationship between Transactional, Transformational leadership and employee retention in IT sector.

**Hypothesis:**

- Ho 1: There is no significant relation between the Transactional Leadership and employee retention.
- Ho 2: There is no a significant relation between the Transformational leadership and employee retention.

**METHODOLOGY**

Structured questions are used to ascertain details of respondent such as age, sex, working experience, and designation were given to 100 faculties from top IT companies out of which 86 were male 14 were female. A survey was done with the help of structured questionnaire on organization Transactional and Transformational Leadership given to 120 employees of 10 top IT companies of Hyderabad city out of which only 100 respondents response has been collected. Close ended questions on 5 point likert scale were given to respondents from which the respondents had to select the suitable choice (ranging from Excellent, Good, Satisfactory, poor and very poor).

**FINDINGS**

Table 1 indicates the percentage of the sample drawn based on gender. 86% of respondents were male and, 14 % were female. It was found that in terms of designation, total percentage of Top level is 24% out of which 15% are having 16-20 years of experience, 9% are having 20 and above years of experience. Total percentage of middle level is 47% of which 24% are having 11-15 years of experience, 23% are having 6yrs to 10 years of experience. Total percentage of lower level is 33% out of which 29% are having 1 year to 5 years of experience

Table 1. Demographic variables (sample size 100)

Age	No. of Respondents	percentage value
21-30	11	11.00
31-40	29	29.00
41-50	46	46.00
51-60	14	14.00
Gender	No. of Respondents	
Male	86	86.00
Female	14	14.00
Work Experience	No. of Respondents	
1 to 5	29	29.00
6 to 10	23	23.00
11 to 15	24	24.00
16 to 20	15	15.00
20 and above	9	9.00
Designation	No. of Respondents	
Top level	24	24.00
Middle level	43	43.00
Lower level	33	33.00

## CORRELATION BETWEEN TRANSACTIONAL LEADERSHIP AND EMPLOYEE RETENTION

### Descriptive Statistics

	Mean	Std. Deviation	N
Transactional Leadership	2.1400	1.17224	100
Employee Retention	1.6600	.81921	100

### Correlations

		Transactional Leadership	Employee Retention
Transactional Leadership	Pearson Correlation	1	.176
	Sig. (2-tailed)		.079
	N	100	100
Employee Retention	Pearson Correlation	.176	1
	Sig. (2-tailed)	.079	
	N	100	100

The table 2 explains about Mean and Standard deviation of Transactional Leadership and Employee Retention. The table 3 explains about correlation between transactional leadership and

employee retention and here Pearson Correlation is .176 so there is no positive correlation between transactional leadership and employee retention Hence Ho1 null hypothesis is accepted

## CORRELATION BETWEEN TRANSFORMATIONAL LEADERSHIP AND EMPLOYEE RETENTION

### Descriptive Statistics

	Mean	Std. Deviation	N
TRANSFORMATIONAL LEADERSHIP	1.7200	.87709	100
EMPLOYEE RETENTION	1.6000	.77850	100

### Correlations

		TRANSFORMATIONAL LEADERSHIP	EMPLOYEE RETENTION
TRANSFORMATIONAL LEADERSHIP	Pearson Correlation	1	.967**
	Sig. (2-tailed)		.000
	N	100	100
EMPLOYEE RETENTION	Pearson Correlation	.967**	1
	Sig. (2-tailed)	.000	
	N	100	100

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The table 4 explains about Mean and Standard deviation of Transformational Leadership and Employee Retention. The table 5 explains about correlation between Transformational leadership and employee retention and here Pearson Correlation is .967 so there is a positive correlation between transactional leadership and employee retention Hence Ho1 null hypothesis is rejected.

### CONCLUSION

The purpose of this study was how IT companies Transactional and Transformational Leadership have impact on employees retention. The study found high efforts provided by IT companies in Hyderabad to retain existing employees. This study can help the top-management encourage Transformational Leadership in IT companies that may better develop their employee's retention and thus meeting organizational goals and objectives.

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