The Relationship between Leadership Styles and Organizational Commitment of Sales Employees in Pharmaceutical Sector

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Abstract:-

One of the most important factors influencing the perceptions of the existence of committed employees is leadership behavior. It is argued that leadership behavior is developed to humanize the workplace. Hence, leadership behavior is crucial for organizational commitment, effectiveness, and development. If employees are committed to the organization then organization can achieve its desirable goals. So, the aim of this article is to measure the relationship between the leadership styles i.e. Transformational and Transactional leadership styles identified by Bass and Avolio and the Organizational Commitment which have sub-categories i.e. Affective, Normative, and Continuance commitment identified by Allen and Meyer. A total of 400 Medical Representatives of Pharmaceutical sector of Haryana participated in this study. The results indicated that there is significant relationship between Transformational leadership and organizational commitment. Transformational leadership has significant relation with Affective Commitment and Normative Commitment. Transformational leadership has negative relation with Continuance Commitment. On the other hand, Transactional leadership has no relation with Organizational Commitment. Multiple Regression was also used to analyze the hypothesized relationship between the explanatory variable leadership styles and dependent variable organizational commitment. Transformational leadership is significant predictor of organizational commitment and its sub dimensions, affective, normative and continuance commitment. Transactional leadership is not a significant predictor for normative and continuance commitment. According to findings this research supported the positive effects of leadership style on organizational commitment in context of Pharmaceutical industry.

Keywords:- Leadership styles, Transformational, Transactional, Organizational Commitment.

1) Introduction:-

In today’s competitive environment, organizations are challenged on regular basis to make strategies to cope with the competition in the market, dynamic customer demands, and technical changes in the environment. To be competitive and to cope advancement in the market place, organizations need to make their organizational structure flexible. The Indian pharmaceutical industry presently ace the chart amongst India’s science based mostly industries with wide go, capabilities within the advanced field of drug manufacture & technology. A highly organized sector, the Indian pharmaceutical industry is estimated to be worth $4.5 billion, growing at about 8 to 9% annually. And leadership plays a very important role in achieving its goals. Leaders can influence the behavior of their followers by adopting different leadership styles. Only a good leader can bring improved changes in the organization without any resistant. For the past three decades, a pair of leadership styles (transactional and transformational leadership) has received a notable amount of attention.
On the other hand organizational commitment has its own important place. Organizations always try to find and sustain committed employees in their organization. An organization’s success depend on the committed employees. If an organization is able to attract and sustain committed employees in their organization then the organization can increase their productivity and achieve their goals efficiently.

This study explores the relationship between leadership styles and organizational commitment of Sales Employees or Medical Representatives of Pharmaceutical Sector in Haryana. Leadership styles which is categorized in two styles which are Transformational and Transactional. Transformational leadership style and they are sub categorized in four types which are:

1) Idealized Influence
2) Inspirational Motivation
3) Intellectual Stimulation
4) Individualized Consideration

And Transactional Leadership style is sub-categorized in three types which are:

1) Contingent Reward
2) Management by Exception (Active)
3) Management by Exception (Passive)

2) Literature Review:-

2.1) Leadership Style:-

Kim and Maubourgne (1992) defined, “Leadership is the ability to inspire confidence and support among the people who are needed to achieve organizational goals”. Leaders by adopting behavior such as providing ideological explanations, by maintenance, enhancement, and expressing confidence in followers can effect on followers’ personal commitment, organizational citizenship behavior and task meaningfulness (Boas Shamir, R.J House, Michael &B. Arthur 1993). The more styles a leader exhibits the better. The most effective leaders switch flexibly among the leadership styles as needed (Daniel Goleman 2000). (Mosadeghrad 2003) also told that “the study of leadership styles is an extension of understanding leadership behaviors and attitude. There are many types of leadership such as Autocratic, Bureaucratic; Laissez-Faire; Charismatic; Democratic; Participative; Situational, Transactional and Transformational leadership”.

Many researchers defined various types of leadership but now the famous leadership styles are Transformational and Transactional Leadership. Transformational leadership can be said as Participative or Relation-oriented leadership. Transformational leadership was first developed by Burns in 1978. (Bass 1985) later expanded the theory. (Burns 1978) defined Transformational “leadership as a method in which leaders and followers raise each other to higher level of motivation and morality”. (Bass 1990) further listed Transformational leadership in four sub categories that are (a) Idealized Influence in which leader act as a role model with whom followers identified and wanted to emulate (b) Inspirational Motivation which provides ability to communicate high expectations to followers and inspire them through motivation. (c) Intellectual Stimulation in which leaders arouse strive of their followers to be innovative and creative.(d) Individualized Consideration provides a supportive environment in which they meet the needs of each of the followers through active listening, coaching and assisting.

On the other hand transactional leadership theory was developed by (Weber 1947) and further evolved by (Bass 1985, p.14), “Transaction leadership is a process that pursues a cost-benefit economic exchange to meet subordinates current material, and psychic needs in return for contracted services”. Which is categorized in contingent reward, management by exception (active) and management by exception (passive).
(Teri Elkins, Robert T. Keller 2003) also suggest that Transformational project leaders who communicate inspirational vision and provide intellectual stimulation develop a high quality of relationship with employees and leads with project success. There are numerous studies related to leadership styles conducted in different sectors. One of them suggested that the relation oriented leadership should be used as a base for the success of organization yet dimensions should vary according to situations (Johan Larson, Stig Vinberg 2010). (Vinolwan Yukongdi 2010) also conducted study to find out the preferred & perceived leadership style among employees and they found out that most preferred leadership style is consultative, Participative, Partnerlistic & least preferred is autocratic, on the other hand perceived leadership is consultative followed by partnerlistic autocratic & participative. The employees who perceive their leaders to be democratic has positive effect on their job performance. Ethical leadership directly influences salesperson’s job attitudes & behaviors (James B. Deconinck 2014)

2.2) Organizational Commitment:--

Organizational commitment has been studied extensively from very old times. Commitment to organization itself was related positively to job satisfaction and negatively to one’s propensity to leave the firm (Brett A. Boyle 1997). (Allen and Meyer 1996) stated, “Organizational commitment as a psychological link between an employee and his or her organization that makes it less seemingly that the employee can voluntarily leave the organization”. Organizational commitment at the early stages of employment is difficult to predict but there is study conducted on it and they found that training, satisfaction, and perceived reward equity are antecedents of organizational commitment (Chu-Mei Liu 2006).

Meyer and Allen (1997) told us three component model of commitment, there are three “mind-sets” which characterizes an employees’ commitment to the organization that are; affective, continuance, and normative commitment. Affective commitment refers to employees’ perception of the emotional attachment or identification with the organization. Continuance commitment judgment of employees whether the costs of leaving the organization are greater than the costs of staying. Normative commitment is the employees’ perception of their normal obligation to the organization. So, it is very important to retain effective employees in the organization. Sales managers should focus on three specific mechanisms in order to predict salesperson’s organizational commitment. (1) Supervisor relationship (2) sales organization’s characteristics and (3) sales task characteristics (Scott B. Friend, Danny N. Bellenger, and James S. Boles 2009).

Many studies have conducted which correlate with organizational commitment. Propensity to trust, perceived trustworthiness of supervisor, peers, & organization is related to organizational commitment. The organization that are perceived as being trustworthy are likely to have employees with higher level of involvement in organization (Ranjeet Nambudri 2012). Employees should try to enhance their bond with the union in anticipation to increase the commitment level of employees (Tumpa Dey 2012). However, studies regarding commitment and gender are also conducted but results showed gender is not stronger influencer but achievement motivation is strong predictor of organizational commitment (Adepeju Ogungbamila 2014)

Prior researches suggests that there is positive relationship between the consideration leadership behavior and organizational commitment for both American and Indian salespersons (Sanjeev Agarwal, Thomas E. DeCarlo, Shyam B. Vyas (1999). In educational sector, Principal’s leadership style, open climate, communication, and participative decision making are related positively to commitment of teachers with school (Masih Charan John and John Wesley Taylor V 1999). Leaders’ sensitivity to their member’s needs is related to organizational commitment. Managers need to be clear about the goals and values of the organizations. (Robert W. Rowden 2000).
The aim of our study is to find out relationship between leadership styles (Transformational and Transactional) with three aspects of organizational commitment (affective, continuance and normative). Various studies revealed that Transformational leadership has positive association with organizational commitment and Leadership Member Exchange (LMX) (Jean Lee 2005). Leadership styles of supervisors are important dimensions of social context because they shape subordinates’ organizational commitment in many ways. Transformational leadership has positive impact on Affective and Normative commitment while Transactional leadership has positive relation with Continuance commitment (May-Chiu Lo, T. Ramaya, Hii Wei Min & Peter Songan 2010).

Transformational leadership style has sub dimensions like Idealized Influence, Individualized Consideration, Intellectual Motivation, and Inspirational Motivation. Inspirational Motivation and individualized consideration have positive relation with Affective commitment, while Contingent Reward & management by exception which are sub categories of Transactional Leadership are positively related with Continuance commitment (A. Zafer Acar 2012). People may like caring leaders who look after them however they may dislike being manipulated or being looked after in an exceedingly orderly approach which is a characteristic of authoritarian and paternalism. The individualized care of the benevolent leader cultivate the identification of the employee with the organization and encourages the employee to attach emotionally as well as employees’ appraisal about the costs associated with leaving the organization (Gul, Selin Erben; Ayse Begum Guneser 2008). This means that transformational leadership is considered appropriate for handling employees (Sajid Gul, Shafiq Ur Rehman, Nasir Razzaq, Bilal Ahmad, Naveed Saif., 2012). On the other hand, there is no correlation between transactional leadership and affective, normative and continuance commitment (Imen Keskes 2014).

On the basis of relation between transformational leadership, transactional and organizational commitment, this study develops the following two hypothesis.

H1: There is positive relation between Transformational leadership and three categories of organizational commitment.

H2: There is positive relation between Transactional leadership and three categories of Organizational commitment.

3) Research methodology:-

This study includes sales employees or Medical Representatives of Pharmaceutical companies of Haryana. Data is collected from Medical Representatives of various Pharmaceutical companies through questionnaires. Total 400 questionnaires are being collected through e-mails, telephone interview, Googleforms and through HMRA (Haryana Medical Representative Association). The study uses non-probability convenience sampling method for data collection.

Leadership style of respondents’ was assessed through Bass and Avolio, (2004) Multifactor Leadership Questionnaire (MLQ). The three component model of commitment was developed by Meyer and Allen (1990). This model proposes that organizational commitment is experienced by the employees as three simultaneous mindsets encompassing affective, normative and continuance organizational commitment. Descriptive statistics, correlation, and regression analyses is used to find out the relationship and impact of leadership style on organizational commitment.

4) Results and Discussion:-

The maximum number of respondents (57.5%) are between the ages of 25-30. And the lowest number of respondent (0.3%) are in the above 50 years of age category. It also reveals that our study includes more of young sales employees having 0-5 years of work experience in that particular organization and falls under the category of 1,00,000-3,00,000 per annum basic salary.
Table 4.1 presents the descriptive statistics (i.e. mean and standard deviation) of variables. Mean tells us the average value and standard deviation tells us how far observations are from sample average. The maximum mean score of inspirational motivation is 4.02 and management by exception is 4.12. The mean score of transformational leadership is 3.56 which is greater than transactional leadership of 3.03. This indicate that mean level of Transformational leadership fell at the high end of “average” category. Bass and Avoilio (1997) consider ideal level for effective leadership. Suggested score for most effective leader include a mean of 3.0 or high for Idealized Influence, Inspirational Motivation, Intellectual Stimulation, and Individual Consideration. Mean score for my data range vary from 3.0 to 4.0. Suggested score for Contingent Reward and Management by Exception (active) is 1.0 to 2.0 and my mean score for Contingent reward Management by Exception is 3.0 to 4.0. Suggested mean score for management by exception (passive) are from 0.0 to 1.0, however mean score for my data had slighter higher range of 1.7.

This pattern of scores for data suggests that some employees perceived their immediate supervisor exhibiting the ideal level of “Transformational” leadership behaviors. The mean score for Contingent reward suggests that some employees perceived their immediate supervisors as doing an above average job of clarifying expectations and recognizing accomplishments. This was also the case for management by exception (active) which implies that some employees perceived their supervisor as taking corrective action in timely manner.
Mean score for management by exception (passive) suggests that some employees perceived their immediate supervisor tended to wait for too long before resolving problem or taking corrective action.

In describing the application of their Organizational Commitment Questionnaire scale, Meyer and Allen (1997) do not provide guidance about expected, desired, average, or ideal mean for affective, normative and continuance commitment. The desired pattern is highest core for affective, followed by normative and continuance commitment and the mean scores for my data reflects the same.

(Table 4.2) Correlation

<table>
<thead>
<tr>
<th>Correlation</th>
<th>Organizational commitment</th>
<th>Affective commitment</th>
<th>Normative commitment</th>
<th>Continuance commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformational leadership</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson correlation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>sig.(2-tailed)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transformational leadership</td>
<td>0.481**</td>
<td>0.510**</td>
<td>0.372**</td>
<td>-0.118*</td>
</tr>
<tr>
<td>Transactional leadership</td>
<td>-0.101*</td>
<td>-0.125*</td>
<td>-0.033</td>
<td>0.006</td>
</tr>
<tr>
<td>Idealized Influence</td>
<td>0.429**</td>
<td>0.450**</td>
<td>0.394**</td>
<td>-0.154**</td>
</tr>
<tr>
<td>Inspirational Motivation</td>
<td>0.338**</td>
<td>0.349**</td>
<td>0.302**</td>
<td>-0.108**</td>
</tr>
<tr>
<td>Intellectual Stimulation</td>
<td>0.416**</td>
<td>0.416**</td>
<td>0.299**</td>
<td>-0.055</td>
</tr>
<tr>
<td>Individual consideration</td>
<td>0.456**</td>
<td>0.513**</td>
<td>0.279**</td>
<td>-0.082</td>
</tr>
<tr>
<td>Management by exception (active)</td>
<td>-0.067</td>
<td>-0.087</td>
<td>0.028</td>
<td>-0.034</td>
</tr>
<tr>
<td>Management by exception (passive)</td>
<td>-0.320**</td>
<td>-0.371**</td>
<td>-0.224**</td>
<td>-0.320**</td>
</tr>
<tr>
<td>Contingent Reward</td>
<td>0.422**</td>
<td>0.483**</td>
<td>0.294**</td>
<td>-0.115*</td>
</tr>
</tbody>
</table>

** indicates p < 0.01, * indicates p < 0.05.
The transformational leadership style and its sub dimensions’ have positive, statistically significant ($p < .01$), correlations with normative commitment. The correlation between transformational leadership style and organizational commitment is ($r = 0.481$, $p<0.01$). Correlation between transformational leadership and affective commitment is ($r = 0.510$, $p<0.01$), correlation between transformational and normative commitment is ($r=0.372$, $p<0.01$). There is negative correlation between transformational and continuance commitment ($r=-0.118$, $p<0.05$). The sub dimensions of Transformational leadership, Idealized Influence, Inspirational Motivation, Individual Consideration, and Intellectual Stimulation are positively related to both affective and normative commitment. For affective commitment, this suggests that leadership behaviors which involve building trust, inspiring a shared vision, encouraging creativity, emphasizing development, and recognizing accomplishments is somewhat positively related to how employees feel about wanting to stay and this is same for normative commitment, so the employees feels obligation to stay in the organization.

The correlation between Transactional Leadership style and Organizational commitment is negative ($r= -0.101$, $p<0.05$). Correlation between Transactional and affective commitment is ($r= -0.125$, $p<0.05$), relationship between Transactional and Normative commitment ($r=0.033$) and there is no relationship between Continuance and Transactional leadership ($r=0.006$).

The correlation ranges from -1 to +1. So, there is positive relationship between transformational leadership style and organizational commitment. Transformational leadership and organizational commitment are 48% related to each other. On the other hand there is negative relation between Transactional leadership and organizational commitment.

<table>
<thead>
<tr>
<th>Dependent variable</th>
<th>$R^2$</th>
<th>Standardized Coefficients</th>
<th>$P$ value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational commitment</td>
<td>0.231</td>
<td>0.481</td>
<td>$p = 0.000$ is significant as $p&lt;0.005$</td>
</tr>
<tr>
<td>Affective commitment</td>
<td>0.260</td>
<td>0.510</td>
<td>$p =0.000$ is significant as $p&lt;0.05$</td>
</tr>
<tr>
<td>Normative commitment</td>
<td>0.138</td>
<td>0.372</td>
<td>$p =0.000$ is significant as $p&lt;0.05$</td>
</tr>
<tr>
<td>Continuance commitment</td>
<td>0.014</td>
<td>-0.118</td>
<td>$p =0.000$ is significant as $p&lt;0.05$</td>
</tr>
</tbody>
</table>

To analyze the hypothesized relationship between the explanatory variable leadership styles and dependent variable organizational commitment we use multiple regression. $R^2$ is the % of variance in dependent
variable expressed by independent variable. 23.1% of the variance in organizational commitment is explained by transformational leadership. 26% of the variance in affective commitment, 13.8% of the variance in normative and 1.4% in continuance commitment is explained by transformational leadership. Transformational leadership is significant predictor of organizational commitment and its sub dimensions, affective, normative and continuance commitment.

(Table 4.4) Regression

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>$R^2$</th>
<th>Standardized Coefficients</th>
<th>p value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational</td>
<td>0.010</td>
<td>-0.101</td>
<td>p = 0.043 is significant as $p &lt; 0.05$</td>
</tr>
<tr>
<td>commitment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Affective</td>
<td>0.016</td>
<td>-0.125</td>
<td>p = 0.012 is significant as $p &lt; 0.05$</td>
</tr>
<tr>
<td>commitment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Normative</td>
<td>-0.001</td>
<td>-0.033</td>
<td>p = 0.508 is not significant as $p &gt; 0.05$</td>
</tr>
<tr>
<td>commitment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuance</td>
<td>0.000</td>
<td>0.006</td>
<td>p = 0.909 is not significant as $p &gt; 0.05$</td>
</tr>
<tr>
<td>commitment</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Independent variable: - Transactional leadership

None of the dimensions of Transactional leadership styles were found to have significant impact on all three components of organizational commitment. Only 1% variance in organizational commitment and 1.6% in affective commitment is explained by Transactional Leadership., Transactional leadership is not a significant predictor for normative and continuance commitment.

**Conclusion:**

According to analyses it can be said that the most important leadership style is Transformational Leadership and its sub dimensions. According to results of current research, Idealized Influence, Inspirational Motivation, Individual Consideration, and Intellectual Stimulation are most used instruments of Transformational Leaders to empower, motivate, and transform them into much higher performance. This kind of leaders encourage their followers to perform efficiently and be committed to their organization.

The analysis indicated that all four sub dimensions of Transformational Leadership are related positively to affective commitment, and normative commitment. The sub dimensions of Transformational leadership provide followers a vision, a sense of purpose, motivate them to be innovative and creative to fulfill the organizational goals and all of these can happen when leaders listen actively, sensitive to their followers needs, emotional influence and through demonstration of confidence in them.

In case of Transactional leadership and its sub dimensions, management by exception (active) have positive impact on normative commitment. When employees can take decision on their own without any interference, then it can effect positively to normative commitment. When employees feel a fair climate in regard of roles clarification of duties, reward and performance criteria. Normative commitment level could be higher. On the other hand, contingent reward has positive impact on affective and normative commitment.

**Implications and Limitations:**

This study has practical implications for management to enhance employees concerns and improve ethical behavior. Management must know that their management style have significant impact on employee’s performance that is associated with organization’s financial performance.
For an organization, human resource is most important thing to consider. If its employees are efficient and committed to their job then organization can achieve its goals smoothly. It means organization leadership should be capable to motivate its employees to work harder to achieve their and their organization’s goals. The findings of this study suggested that Transformational Leadership is more crucial than Transactional leadership in relation with organizational commitment. Moreover, the leaders of Pharmaceutical leaders should exhibit their ethical behavior. As, in the job of sales employees or Medical Representatives there is field work and the supervisor can’t supervise them directly as in the office. So the supervisors of Pharmaceutical companies should provide such environment in which their followers can develop personally and professionally. They should develop moral and social responsibility also. And it can be done if the leaders or supervisors are aware of Transformational and Transactional leadership. The leaders should also be given training regarding effective use of leadership styles. Transformational leaders provide a clear vision toward achievement of organization’s goals which is necessary for a profit oriented organization.

The limitation of this study that Questionnaires were distributed randomly to local, and MNC’s pharmaceutical companies. So, generalizability to a specific setting is another limitation. As a result, it may have affected the current results. Comparative studies across professions, cultures; and industries are needed in order to truly understand many of the aspects included in this study.

**Recommendations for future research:**

The study needs to be conducted in larger area as we conducted in only Haryana. Other states should be included and comparison between states can be possible. We took random sample from Local and MNC’s pharmaceutical companies. For future, the study can be conducted on one specific sector deeply i.e. MNC’s only. The study of moderators and mediators, such as job satisfaction, job security and other related variables may have impact on organizational commitment.

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