

# ***THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT***

## **Influence of Transactional Leadership on Employee Job Satisfaction: Case Study of Firms Listed on the Nairobi Securities Exchange**

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### ***Abstract:***

*This study examined the influence of transactional leadership on employee job satisfaction. Transactional leadership style entails an exchange process between the leader and the followers thus the transaction or an activity. This implies that the leader through the exchange of relationships, provides followers with a chance to satisfy their lower order material needs; for example, pay increases and emotional needs such as trust. Transactional leadership variables included contingent reward, active management by exception and passive management by exception. The paper provides a conceptual discussion of transactional leadership in management and business practices. Descriptive survey design was adopted. The study sample comprised of 400 employees working in all levels in various companies listed at the Nairobi Securities Exchange (NSE). Stratified sampling technique was used to select the study respondents, both descriptive and inferential statistics were utilized while factor analysis was used through principal component analysis and varimax rotation method to generate factor scores for each construct. Multiple linear regression was used to test the study hypothesis*

*Transactional leadership was found to play an important role in influencing employee job satisfaction therefore firms should aim at achieving the highest levels of leaders with leadership skills in order for them to positively influence job satisfaction among the employees. Employees in the study confirmed that their managers were passionate about what needs to be accomplished and focuses attention on irregularities and mistakes; a component of management by exception passive. The study established that transactional leadership positively influences employee job satisfaction thus companies should train and retrain their managers on how to be transactional leaders in order to increase employees' job satisfaction.*

**Keywords:** *transactional leadership, contingent reward, active management by exception and passive management by exception, employee satisfaction*

### **1. Introduction**

Transactional Leadership theory acknowledges that people are motivated by rewards and punishment. Omoankhanlen, Oloda and Ajienska, (2014) posit that transactional leaders will do all it takes for their followers to meet targets. Leaders that practice transactional leadership tend to be more to the management side of the leaders/manager continuum (Taylor, 2009). Transactional managers determine and define goals for their subordinates, and guide them on how to carry out their tasks. These type of leaders are good at giving feedback once the tasks are completed. (Laka-Methebula, 2004). Followers are remunerated with money and other simple rewards if they complete what they were required to do. The followers are given full responsibility for the tasks that are delegated to them even though they might not have the required resources or competencies to perform those tasks (Taylor, 2009). This can be a contradiction and transactional leaders should focus on a system of rewards and incentives and assume that these rewards will motivate people.

#### ***1.1. Scope of the Study***

This study was carried out in Kenya between the months of June and July 2015 in companies listed on the Nairobi Securities Exchange (NSE). There are many reasons for this selection for instance, the companies already comply with a set of guidelines and regulations and since they are registered it was easy to get their contacts and trace them. Being publicly listed companies obtaining data was not difficult. The assessment of the link between transactional leadership and employee job satisfaction was limited to the information given by the respondents through the questionnaire, data and information that was publicly available about the organizations on websites and annual reports. This study did not exclude anyone from the sample surveyed on basis of the gender, age, duration in employment, areas of specialization, location and level of management or status thus making it more representative and therefore the findings more valid and reliable.

### 1.2. Research Question

The study sought to establish the influence of transactional leadership style and posed the question; does transactional leadership style influence employee job satisfaction in firms listed on the Nairobi securities exchange?

## 2. Literature Review

Burns (1978) posits that transactional leadership entails an exchange process between the leader and the followers thus the transaction or an activity. To expand on this, Bass (1985) emphasized that transactional leaders clarify how the needs of the followers will be met in exchange for sanctioning the roles of the followers; or, the leader may react only if followers fail to meet their role requirements (Waldman *et al.*, 1987). Bass (1990) indicates that transactional leadership can be characterized by several elements not necessarily mutually excluding. Transactional leadership is based on either positive or negative contingent reinforcements (Waldman, Bass, & Yamarino, (1990). Similarly, Bass and Avolio (1995) offer that transactional leadership consists of three dimensions, namely contingent rewards, management by exception (active) and management by exception (passive). Transactional leadership is founded on the idea that leader-follower relations are set by a series of exchanges and implicit bargains between the leader and the followers (Den Hartog *et al.*, 1997). This implies that the leader through the exchange of relationships, provides followers with a chance to satisfy their lower order material needs; for example, pay increases and emotional needs such as trust (Gardner & Cleavenger, 1998). According to Jaskyte (2004), employees' perception of leadership behaviour is an important predictor of employee job satisfaction and commitment. This assertion implies that the way employees perceive their leader influences their position at work, how they perform and respond to their work expectations and attachment to the job itself. Transaction means an exchange which can be about goods and services or an agreement that deals with the exchange between the leaders and their subordinates. According to Naidu and Van der Walt (2005), this is a leader-follower exchange based leadership in which the leader exchanges rewards or punishment with the follower for the tasks performed, and in return expects productivity, efforts and loyalty from the follower. Transactional leaders improve workers' satisfaction by promoting individual strengths. Long and Thean (2011) add that if there is failure to obtain desired results, transactional leaders usually penalize suboptimal performance at work. This is an indication that transactional leaders are focused on the goals and complete achievement of the same.

Transactional leadership is a style of leadership in which the leader encourages his followers to do according to what is required through both rewards and punishments. Different from transformational leadership, leaders employing the transactional method are not future oriented, they are simply looking to keep things the same. These leaders are more interested in supporting work in order to encounter problems and deviations. This type of leadership is suitable in crisis and emergency situations, as well as when projects need to be conducted in a specific fashion.

Based on the framework of Maslow's hierarchy of needs, while transformational leadership works at ensuring that they satisfy the needs of all levels, transactional leaders look at the lowest levels of the hierarchy of needs. Transactional leaders use an exchange model, with rewards being given for job well done or pleasant influences. Equally, individuals with this leadership technique of balancing work with rewards, can also punish poor work or undesirable outcomes, until the problem is corrected. Among the ways transactional leadership focuses on lower level needs is by stressing specific task performance. Transactional leaders are effective in attaining detailed tasks finished by managing each part individually (Odumeru & Ifeanyi, 2013). Transactional leadership describes an exchange, where there is a 'give and take' working relationship and rapport between leader and follower which is established through exchanges such as a rewards system for meeting particular objectives. This would be in the case of an employee performing to the required level and the employer offering an incentive like pay or promotion in return. In this case the expected performance of the employee and the incentive are the transaction. An exchange would still take place even where the employee did not perform to expected level. The only difference being that the exchange on the part of the employer would be more of a punitive or withholding nature. This means that a promotion or increment would be withheld or prescribed punishment would be administered.

### 2.1. Contingent Reward

The second component of transactional leadership is contingent reward. According to Odumeru and Ifeanyi (2013), contingent reward refers to leaders who highlight the job that must be accomplished clearly and provide rewards based on the performance of the individual. These type of leaders associate the goal to rewards, clarify what is expected, make available the resources required, set goals that are supported by everyone and provide different types of gifts for a fruitful performance. The goals and objectives set for their subordinates are SMART (specific, measurable, attainable, realistic, and time bound). The authors further add that transactional leaders are concerned with how things are being done rather than forward-thinking ideas. These types of leaders focus on conditional rewards or contingent. Contingent appreciations are given when the set goals are attained within the specified time, ahead of time, or to keep subordinates working at an excellent speed in varying times throughout to the end of specified time. Contingent punishments are given when performance quality or quantity goes down below production expectations or goals and tasks are not fulfilled at any chance.

### 2.2. Management by Exception (MBE) Active

The second component of transactional leadership is management by exception active, which refers to leaders who actively monitor the work of followers and ensure that the standards set are met (Antonakis Avolio and Sivasubramaniam 2003). This is where leaders examine and monitor for any error or mistakes that happen and apply corrective action once the problem happens. MBE active can be supported by processes such as performance management using key performance indicators and monitoring performance regularly, giving clear instructions on what is expected on the job using a detailed job description, holding meetings with employees, assigning

projects with guided supervision etc. All these can make an employee feel encouraged. According to Adam (2015) management by exception (active) refers to leaders who actively observe the task of supporters and make sure that quality and quantity is met. Transactional leaders actively watch the job of their subordinates, monitor from getting out the rules and policies and taking corrective action to avoid faults.

### 2.3. Management by Exception (MBE) Passive

The third component is management by exception (passive) which refers to leader styles where the leaders only intervene when problems arise. According to Adam (2015), management by exception (passive) refers to leaders who come to play only when problems occur. Transactional leadership highlights the transaction that takes place between leaders and followers. Its main focus is to motivate people through common agreement (Bass, 1985). As such a transactional leader would have great difficulty developing a strong emotional relationship with his or her followers or motivating them to perform beyond their ability. This type of leader takes action only after a mistake has occurred. Under this category, transactional leaders are seen only when standards are not met or when the performance does not match what is expected. They may even use punishment as a response to performance that is not acceptable. There are times when employees complain that manager's only notice and talk to them when something has gone wrong. For instance, one can be a good worker delivering on their targets on time year after year yet the leader does not give a word of praise or appreciation. The one time that the particular employee falls behind on a deadline, the manager complains a lot without regard for the merit of the particular situation or the past record. In essence, this means that this manager is practicing management by exception (passive).

### 3. Methodology

The study applied descriptive research designs with the explanatory giving a narration of the relationship and influence of the transformational leadership variables to employee job satisfaction. This research utilized several statistical techniques including descriptive statistics and inferential tests to examine the collected data. Descriptive statistics was used to analyze demographic characteristics of the respondents. It provides a summary of statistical indications including the means, medians, modes, and standard deviations on the variables (McNabb, 2008; De Veaux, Velleman and Bock, 2008). The study provides a summary of statistical indications including the means, medians, modes, standard deviations, minimums and maximums, skewnesses and kurtosis statistics on the variables (McNabb, 2008; De Veaux, Velleman & Bock, 2008). Before factor analysis was conducted the study tested for appropriateness of factor analysis based on Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) and Bartlett's tests (Field, 2000). KMO tests whether the sample is adequate for impartial tests and its values ranges between 0 and 1. KMO values greater or equal to 0.5 indicate that the variables can be factor analyzed. On the other hand, Bartlett's tests whether the correlation matrix of the items forming the construct is an identity matrix. Bartlett's test reports a Chi square and has a null hypothesis that states that the correlation matrix is an identity matrix. Failure to reject the null hypothesis implies that factor analysis cannot be conducted.

### 4. Findings

The study sampled 400 employees of companies listed at the NSE and received data from 211 employees; a response rate of 53 percent. The demographic characteristics of the respondents surveyed are presented in table below, table 1. Regarding the age of the respondents, the study found that 61% of the respondents were aged between 26 to 35 years, 17 percent were aged between 35 to 45 years and 16 percent were aged between 18 to 25 years. 6.19 percent of the respondents indicated that they were between 45 to 55 years as shown in table 4.1. This finding suggests that the respondents were mature enough to understand what employee job satisfaction is all about. These findings could also mean that there is a younger work force in firms listed on the Nairobi securities exchange. Whether that is the trend or not can be a matter for another study.

Age	Frequency	Percentage
18-25	33	15.6
26-35	128	60.7
35-45	36	17.1
45-55	13	6.2
No response	1	0.5
Total	211	100
Gender	Frequency	Percentage
Female	82	38.9
Male	122	57.8
No response	7	3.3
Total	211	100.0
Employment Status	Frequency	Percentage
Permanent	139	65.9
Casual	52	24.6
Contract	5	2.4
Others	6	2.8

No response	9	4.3
Total	211	100.0
<b>Supervise staff</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	97	46.04
No	114	53.96
<b>Gender of the supervisor</b>	<b>Frequency</b>	<b>Percentage</b>
Male	132	62.87
Female	79	37.13
<b>Age of the Managers of the respondents</b>	<b>Frequency</b>	<b>Percentage</b>
18-25	7	3.45
26-35	85	40.39
36-45	90	42.86
46-55	17	7.88
>55	12	5.42
Total	211	100

Table 1: Demographic Characteristics of the respondents  
Source: Survey Data (2015)

The study found that 57.8% percent of the respondents were male while 38.9% percent were female. This male female proportion is good representative and removes gender bias. While seeking to find the employment status of the respondents, the results indicated that the majority (65.1%) were employed on a permanent or open ended basis followed by respondents employed on a casual basis at 24.6 percent and those employed on a contractual basis at 2.4 percent. Employees on other statuses of employment were 2.8 percent of the total number. This implies that a majority of the respondents work long enough to understand the characteristics of the organization and the relationship with its employees.

#### 4.1. Reliability Tests

The study used Cronbach to test for reliability of the study instruments.

<b>Transactional Leadership</b>		
Construct	Cronbach Coefficient	Number of Items
<b>Transactional Leadership</b>		
Contingent reward	0.867	3
Management by exception (active)	0.825	3
Management by exception (passive)	0.850	3
<b>Employee Job Satisfaction</b>		
Staff turnover	0.862	14
Absenteeism	0.880	4
Grievance handling	0.723	3
Encouraged to make decisions	0.951	3
Morale	0.914	11

Table 2: Reliability Test: Study Variables  
Source: Survey data (2015)

#### 4.2. Normality Tests

Normality test is conducted to ensure that residuals from the regression model are normally distributed. The assumption of normality implies that the test statistics such as t test, z test, F test and chi square test can be used for hypothesis testing. However, in some cases the residuals may not be normally distributed implying that the model is mis-specified. This study uses the Shapiro-Wilk, Kolmogorov-Smirnov and graphical methods to test for normality of the residuals. The results for these tests are discussed as follows: Shapiro-Wilk and Kolmogorov-Smirnov normality tests compares the correlation between data and the corresponding normal scores (Ghasemi and Zahediasl, 2012). This study follows Thode (2002) argument that Shapiro-Wilk test has a better power than Kolmogorov-Smirnov in its ability to detect normality. The null hypothesis of Shapiro-Wilk is that the sample is normally distributed. The results presented in table below for Shapiro-Wilk and Kolmogorov-Smirnov where the results indicate that length of service, gender, job satisfaction, transactional leadership and work environment are all non-normally distributed. Though individually these variables come from a non-normal distribution, Gujarati (2008) argues that one should consider normality of the residuals from a regression model. The study tests for normality of the residuals from the regression model using graphical method.

	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	Df	Sig.
Length of service	0.395	204	0.000	0.610	204	0.000
Gender	0.391	204	0.000	0.622	204	0.000
Job Satisfaction	0.122	140	0.000	0.940	140	0.000
Transactional Leadership	0.058	140	0.200*	0.969	140	0.003

Table 3: Normality Tests

Source: survey data (2015)

#### 4.2.1. Factor Analysis for Employee Job Satisfaction

The KMO and Bartlett's tests indicated that job satisfaction and transactional leadership constructs can be factor analyzed. The table below presents results for factor analysis for the employee job satisfaction construct.

#### 4.3. Effect of Transactional Leadership on Employee Job Satisfaction

The analysis on transactional leadership constructs on the other hand indicate that 46.4% of the respondents agree that the manager's satisfaction with their work and the contingent reward given makes them feel satisfied with their work. However, majority of the respondents, as high as 44.9% "strongly disagree" with an assertion that their managers wait till things go wrong for them to intervene, instead suggesting that their managers proactively corrected any mistakes present, so as to ensure the set goals are achieved. This made most of the respondents, 44% to be exact, feel proud to be associated with their managers because of their leadership style, as clearly shown in table below.

Construct	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
<b>Contingent Reward</b>					
My managers express satisfaction when others meet their expectations	2.4	5.3	15.5	46.4	30.4
My manager provides role, task clarification and psychological reward	5.8	10.1	24.6	40.1	19.3
<b>Management by exception (active)</b>					
My managers wait until things go wrong to take action	44.9	28.0	14.5	5.3	7.2
My managers focus attention on irregularities and mistakes	20.5	23.4	23.4	22.0	10.7
My managers pay attention to failures to meet expected targets	17.6	12.2	22.4	35.1	12.7
<b>Management by exception (passive)</b>					
I feel a sense of pride in being associated with supervisor	2.4	1.9	21.3	44.0	30.4
My managers/supervisors are passionate about what needs to be accomplished	2.4	1.4	13.0	43.5	39.6
My supervisor/managers act in ways that draw respect to them	1.0	1.5	11.9	43.1	42.6

Table 4: Descriptive Statistics for Transactional Leadership

Source: Survey data (2015)

#### 4.3.1. Regression Results of Job Satisfaction and Transactional Leadership

Regression of the model with transactional leadership as the only explanatory variable gives  $R^2$  of 0.246, meaning that 24.6% of the variations in job satisfaction are explained by transactional leadership. The results for ANOVA shows a  $F_{(0.1, 1, 171)}$  of 55.894 with a p value of 0.000. This means that there is a significant effect of transactional leadership on job satisfaction.

The coefficient for transactional leadership is 0.341 with a p value of 0.000. The p value of 0.000 implies that the coefficient of transactional leadership is statistically significant at 1 percent significance level. The study findings imply that transactional leadership is positively related to employee job satisfaction and a unit improvement in transactional leadership would lead to 0.341 increase in employee job satisfaction. These findings are a wake-up call to organizations listed at NSE not to discard transactional leadership in favor of other styles, but rather improve on supervision of employees during production process, to ensure that company goals are met in time.

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	0.006	0.033		0.167	0.867
Transactional Leadership	0.341	0.046	0.496	7.476	0.000

R=0.496; R-square=0.246; F=55.894, p value&lt;0.05

Table 5: Transactional leadership Coefficients

$$JS = 0.06 + 0.341TL$$

Where TL presents transactional leadership

The study conducted univariate analysis for each dimension of transactional leadership and the results are discussed as follows:

**4.3.2. Contingent Reward**

Regressing the model using ‘contingent reward’ as the only explanatory gives  $R^2 = 0.300$ , implying that 30% of variations in job satisfaction are explained by contingent reward. The results for analysis of variance shows that  $F_{(0.1, 1, 181)}$  is 77.610 with a p value of 0.000. This finding shows significant effects of contingent reward on job satisfaction. The coefficient of contingent reward is 0.274 with a p-value of 0.000 implies that variable is statistically significant at 1 percent significance level. The findings mean that contingent reward use by transactional leaders have a great impact on one’s job satisfaction, with one unit change in contingent reward resulting into a 0.274 change in employee job satisfaction.

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-0.011	0.031		-0.349	0.727
Contingent Reward	0.274	0.031	0.548	8.810	0.000
R=.548; R-square=0.300; F=77.610, P value<0.05					

Table 6: Contingent Reward Coefficients  
Source: Survey data (2015)

$$JS = -0.011 + 0.274CR$$

Where CR presents contingent reward

**4.3.3. Management by Exception- Active**

Running of the model using ‘active management-by-exception’ as the only explanatory gives  $R^2$  of 0.359, implying that 35.9% of variations in job satisfaction are explained by management by exception-active. The results of analysis of variance show a  $F_{(0.1, 1, 178)}$  of 0.218 with a p value of 0.000. This finding shows a significant effect of active management-by-exception on job satisfaction. The coefficient of management by exception-active is 0.017 with a p-value of 0.641 implying that variable is statistically insignificant at 10 percent significance level. The study findings imply that management by exception-active as a dimension of transactional leadership has no influence on one’s job satisfaction.

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.000	0.037		-0.005	0.996
Management by Exception-Active	0.017	0.037	0.035	0.467	0.641
R=0.035, R square=0.001, F=0.218, P value <0.05					

Table 7: Management by exception- Active coefficients

$$JS = 0.001 + 0.017ME$$

Where ME presents management by exception variable

**4.3.4. Management by Exception- Passive**

Regression of the model using ‘passive management by exception’ as the only explanatory gives  $R_2 = 0.358$ , implying that 35.8% of variations in job satisfaction are explained by management by exception-passive. The findings of analysis of variance show that  $F_{(0.1, 1, 176)}$  is 98.348 with a p value of 0.000. This finding shows significant effects of management by exception- passive on job satisfaction. The coefficient of management by exception-passive is 0.302 with a p-value of 0.000 implying that the variable is statistically significant at 1 percent significance level. The findings mean that management by exception- passive has great influence on employees’ job satisfaction, with a unit change in management by exception- passive resulting into a 0.302 change in employee job satisfaction.

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-0.009	0.030		-0.305	0.761
Management by Exception-Passive	0.302	0.030	0.599	9.917	0.000
R=0.599, R-square=0.358; F=98.348, p value <0.005					

Table 8: Management by exception- Passive coefficients  
Source: Survey data (2015)

$$JS = -0.009 + 0.302MEP$$

Where MEP abbreviates management by exception.

#### 4.3.5. Multiple Linear Regression of Job Satisfaction on Dimensions of Transactional Leadership

The model summary of the dimensions of transactional leadership shows an R square of 0.633 indicating that 63.3% of variations in job satisfaction are explained by management by exception-passive, management by exception-active and contingent reward. The analysis of variance reports F statistic of 37.713 that is significant at 1 percent level. This implies that jointly management by exception-passive, management by exception-active and contingent reward explains job satisfaction.

The coefficient shows that the dimensions of transactional leadership positively influences job satisfaction. Contingent reward has a coefficient of 0.116 that is significant at 1 percent level, management by exception-active has a coefficient of 0.050 that is significant at 10 percent and management by exception-passive has a coefficient of 0.222 that is significant at 1 percent level.

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-0.008	0.030		-0.264	0.792
Contingent Reward	0.116	0.042	0.234	2.779	0.006
Management by Exception-Active	0.050	0.030	0.100	1.673	0.096
Management by Exception-Passive	0.222	0.042	0.447	5.327	0.000
R=0.633, R square=0.401, F=37.713, P value <0.05					

Table 9: Coefficients for Dimensions of Transactional Leadership

Source: Survey data (2015)

JS=job satisfaction; CR= contingent reward; MEA=management by exception-active and; MEP=management by exception-passive

## 5. Discussion

The research question was does transactional leadership style influence employee job satisfaction and hypothesized that transactional leadership has no significant relationship with job satisfaction. Transactional leadership variables included contingent reward, management by exception; active and management by exception; passive. These variables were utilized to compute a mean score to measure transactional indicator. Analysis of the transactional leadership constructs indicate that 46.4% of the respondents agree that the manager's satisfaction with their work and the contingent reward given makes them feel satisfied with their work. However, majority of the respondents, as high as 44.9% "strongly disagree" with an assertion that their managers wait till things go wrong for them to intervene, instead suggesting that their managers proactively corrected any mistakes present, so as to ensure the set goals are achieved. This made most of the respondents, 44% to be exact, feel proud to be associated with their managers because of their leadership style. When reviewing the respective components of transactional leadership namely, contingent reward, management by exception active and management by exception passive the study established the following.

### 5.1. Contingent Reward

Regressing the model using 'contingent reward' as the only explanatory gives  $R^2 = 0.300$ , implying that 30% of variations in job satisfaction are explained by contingent reward. The results for analysis of variance shows that  $F_{(0.1, 1, 181)}$  is 77.610 with a p value of 0.000. This finding shows significant effects of contingent reward on job satisfaction. The coefficient of contingent reward is 0.274 with a p-value of 0.000 implies that variable is statistically significant at 1 percent significance level. The findings mean that contingent reward use by transactional leaders have a great impact on one's job satisfaction, with one unit change in contingent reward resulting into a 0.274 change in employee job satisfaction.

### 5.2. Management by Exception- Active

Running of the model using 'active management-by-exception' as the only explanatory gives  $R^2$  of 0.359, implying that 35.9% of variations in job satisfaction are explained by management by exception-active. The results of analysis of variance show a  $F_{(0.1, 1, 178)}$  of 0.218 with a p value of 0.000. This finding shows a significant effect of active management-by-exception on job satisfaction. The coefficient of management by exception-active is 0.017 with a p-value of 0.641 implying that variable is statistically insignificant at 10 percent significance level. The study findings imply that management by exception-active as a dimension of transactional leadership has no influence on one's job satisfaction. However, majority of the respondents, as high as 44.9% "strongly disagree" with an assertion that their managers wait till things go wrong for them to intervene, instead suggesting that their managers proactively corrected any mistakes present, so as to ensure the set goals are achieved. This made most of the respondents, 44% to be exact, feel proud to be associated with their managers because of their leadership style. These findings are in agreement with findings of Voon *et al* (2011) who also identify active management by exception as having a positive significant predictor of teachers' job satisfaction. They go on to say that leaders who actively participate and intervene to solve the problem would be perceived as effective leaders and this would enhance teachers' job satisfaction.

### 5.3. Management by Exception- Passive

Regression of the model using 'passive management by exception' as the only explanatory gives  $R^2 = 0.358$ , implying that 35.8% of variations in job satisfaction are explained by management by exception-passive. The findings of analysis of variance show that  $F_{(0.1, 1, 176)}$  is 98.348 with a p value of 0.000. This finding shows significant effects of management by exception- passive on job

satisfaction. The coefficient of management by exception-passive is 0.302 with a p-value of 0.000 implying that the variable is statistically significant at 1 percent significance level. The findings mean that management by exception- passive has great influence on employees' job satisfaction, with a unit change in management by exception- passive resulting into a 0.302 change in employee job satisfaction.

$$JS = -0.009 + 0.302MEP \text{ where MEP abbreviates management by exception.}$$

The study found out that transactional leadership has a positive and significant effect. The study findings reaffirm Omoankhanlen *et al.*, (2014) who found out that transactional leadership style and employee satisfaction in Nigerian banking sector. The authors established that there is a positive and significant relationship between all the dimensions of transactional leadership style and employee satisfaction except passive management by exemption. Interrogating the transactional leadership variables further the study concluded that contingent reward and active management by exemption enhances employee satisfaction while passive management by exemption does not. In this particular study, it is hypothesized that transactional leadership does not significantly influence job satisfaction. Transactional leadership was assessed using the following variables contingent reward and management by exceptional advice. The above hypotheses were proved wrong and this study found that transactional leadership positively influences employee job satisfaction among the companies listed at NSE. A unit improvement in transactional leadership would lead to 0.114 increase in employee job satisfaction. This result suggests that companies listed at NSE should strive to hire leaders who have transactional leadership qualities. This will enable the hired leaders create a favorable working environment that would positively influence on employee's job satisfaction thereby increasing profitability of the companies. In their study on leadership styles and employees' job satisfaction: a case from the private banking sector of Pakistan; Javed *et al.*, (2014) argue that transactional leaders maintain stability in the organization by recognizing followers' needs and desires and then clarifying how those needs and desires will be satisfied in exchange for meeting specified objectives or performing certain duties. This satisfaction of needs improves employees' productivity and morale (Daft, 2005). The findings of this study contradict those of Fernandes and Awamleh (2004) who in their study of managers at functional levels in United Arab Emirates (UAE) international companies established that transactional leadership style is not related at all to job satisfaction.

In summarizing this construct, transactional leadership highlights the transaction that takes place between leaders and followers. Its main focus is to motivate people through common agreement (Bass, 1985). Under contingent reward which describes the extent to which effective transaction and exchange is set-up between leader and followers, these findings support the statements used in contingent rewards which see transactional leaders practicing using statements such as "I provide others with assistance in exchange for their efforts" and "I express satisfaction when others meet expectations." This means they intentionally work towards motivating their employees and thus reacting employee job satisfaction. Active management by exception which is the second aspect of transactional leadership portrays the leader looking for mistakes, indiscretions, exceptions, divergence from standards, complaints, infractions of policy and regulations, and failures and only takes corrective action before or when these occur (Van Eeden *et al.*, 2008). From the study findings, thus implies that employees feel protected and safe in their working environment as they are not afraid to make mistakes as their leader is there to guide and direct them. This type of a leader will ensure that policy is understood clearly and followed while closely monitoring them to ensure that any gaps are quickly resolved if not prevented. Passive management by exception which is the third aspect portrays the leader acting to resolve problems as they arise.

Someone who practices passive management-by-exception would respond to statements such as "I fail to interfere until problems become serious," while those adhering to active management by-exception might instead relate to "I concentration my full attention on dealing with mistakes, complaints, and failures." In a study on performance-contingent rewards and satisfaction: An initial analysis, Gupta (2014) argues that a positive relationship exists between employee satisfaction and performance-contingent intrinsic rewards and pay. The study therefore concludes that transactional leadership influences employee job satisfaction among companies listed at NSE.

Transactional leadership variables included contingent reward, management by exception; active and management by exception; passive. These variables were utilized to compute a mean score to measure transactional indicator. Analysis of the transactional leadership constructs indicate that 46.4% of the respondents agree that the manager's satisfaction with their work and the contingent reward given makes them feel satisfied with their work. However, majority of the respondents, as high as 44.9% "strongly disagree" with an assertion that their managers wait till things go wrong for them to intervene, instead suggesting that their managers proactively corrected any mistakes present, so as to ensure the set goals are achieved. This made most of the respondents, 44% to be exact, feel proud to be associated with their managers because of their leadership style. When reviewing the respective components of transactional leadership namely, contingent reward, management by exception active and management by exception passive the study established the following; The coefficient of contingent reward is 0.274 with a p-value of 0.000 implies that variable is statistically significant at 1 percent significance level. A unit change in contingent reward can cause a 0.274 change in employee job satisfaction. The coefficient of management by exception-active is 0.017 with a p-value of 0.641 implying that variable is statistically insignificant at 10 percent significance level. This implies that management by exception-active as a dimension of transactional leadership has no influence on one's job satisfaction. The coefficient of management by exception-passive is 0.302 with a p-value of 0.000 implies that the variable is statistically significant at 1 percent significance level. A unit change in management by exception- passive can cause a 0.302 change in employee job satisfaction.



## 6. Conclusion

The role of a transactional leader engages the followers according to how they perform or not, rewards or punishment. Transactional leadership was found to play an important role in influencing employee job satisfaction therefore firms should aim at achieving the highest levels of leaders with leadership skills in order for them to positively influence job satisfaction among the employees. Employees in the study confirmed that their managers were passionate about what needs to be accomplished and focuses attention on irregularities and mistakes; a component of management by exception passive.

## 7. Recommendation

Transactional leadership positively influences employee job satisfaction thus companies should train and retrain their managers on how to be transactional leaders in order to improve employees' job satisfaction. A number of respondents cited passive management by exception as a common style in their organizations. Such managers can be gently coached and guided to adopt a more active management by exception style and engage with their employees more. Separately, the aspect of management by exception-active should be studied independent of other aspects since as a dimension of transactional leadership it has no influence on one's job satisfaction.

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