



Transformational or Transactional Leadership Style Effects on Employees' Turnover Intention in the Private Sector in Thailand

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Abstract

Employees' turnover intention has always been a key concern facing organizations. This study explored the differences between transformational and transactional leadership styles regarding employees' turnover intention. This qualitative study is based on semi-structured interviews conducted with 6 senior-leader of the private sector in Thailand. The result of this study found that the transactional leadership style has more effect than the transformational leadership style. The study reveals how such factors as transactional or transformational leadership styles does effect employees' turnover intention. Although, transformational and transactional both have effects regarding employees' turnover intention, a fruitful finding from this research gives managers ideas how to prevent a valuable resource from leaving the company.

Keywords: Turnover intention, leadership style, transformational leadership, transactional leadership

Introduction

Turnover intention has become a “hot topic” in this era, especially in Thailand. The rate of people leaving their jobs is very high in Thailand. There is a lack of research concerning leadership definition and its effect. The study of leadership styles by Ahmad & Gao (2017) mentions that there is still limited work on cross-cultural differences between a leader and followers, that need to be explored. In this study, we explore the effects of leadership style regarding a transformational or a transactional approach which has become a point of interest of researchers and scholars (Engelen, Gupta, Strenger, & Brettel, 2015). While Andersen (2015) and Engelen et al. (2015) stated that the topic of the transformational leadership has gained intention from scholars, Birasnav, 2014; Baskarada, Watson, & Cromarty (2017) mentioned that the leadership style is required to study different circumstances including how the effect between transformational leadership or transactional leaderships styles in the context of turnover intention. Transactional leadership focuses on the exchange relationship between the leader and their followers while transformational leadership aims to create inspiration, intellectual stimulation, and motivation to their followers (Baskrada et al., 2017;



Von Krogh, Nonaka, & Rechsteiner, 2012). Even though there are a number of researches on transformational and transactional leadership (McCleskey, 2014), this study aims to investigate the effect of aforementioned leadership styles on turnover intention.

Research Questions

RQ1: What effects does two different leadership styles – transformational and transactional – have on turnover intention?

Objectives

To define different leadership styles, transformation leadership and transactional leadership, affect concerning turnover intention.

To explore the effect of different leadership styles between transformational and transactional approaches regarding employees’ turnover intention.

Literature review

Transformational and transactional leadership styles

Transformational leadership refers to the leadership style which utilizes an inspirational approach to create change with-in their followers through the use of idealized influence (charisma), intellectual stimulation, or individualized consideration (Erkutlu, 2008). It creates valuable and positive change in the follower regarding their achievement, self-actualization, the well-being of others, the organization, and society. It means that this approach to leadership behaviors “constitute a crucial integrating and aligning mechanism in successful strategy implementation” (Engelen et al., 2015, p. 2). Transformational leadership is widely accepted that it is an approach to drive organization (Bass & Riggio, 2006). By doing this, the transformational leadership style, upon its implementation, creates an internal environment in which “followers feel respect towards the leaders and are motivated to do more than they are expected to do” (Yukl, 1989, p. 272). Erkutlu (2008) stated that the organizational’s performance could be increased due to the transformational leadership approach (Erkutlu, 2008).

Transactional leadership is based more on the exchange between the leader and their followers regarding their attempt to meet their specific goals. The followers perform their duties by following instructions and orders from their leaders. However, the followers will expect to receive an incentive bonus or compensation as a result reaching their goals (Long, Thean, Ismail, & Jusoh, 2012). The incentive can also be negative such as penalties and punishment, if the followers fail in their performance to reach stated goals.

Research methods

Previous research suggests that an experimental design is needed to investigate the cause and effect of the phenomenon or, the linkage of constructed-models (Ahmad & Gao., 2017; Mulki et al., 2006). The researchers acquired a sample of experimental subjects and divided the subjects into



two groups - experimental and control. The purpose was to compare different groups at a single point in time. Manager and non-managerial employees were gathered during this research. Previous research conducted by Mulki et al., (2007) suggested that multi samples are used for looking out for each other's good. In this research, it is used for investigating what is best for the company or what might influence work stress. Participants were told that the study was designed to collect information concerning leadership styles used by managers which are both satisfactory or un-satisfactory to employees in the workplace.

This study was deliberately conducted at the end of the year (December) because at that time of year in Thailand is the busiest time for all Thai-firm, since they want to finish their own projects before the next year's project start. Data that could have been collected in the early year may not have found any stress level, heavy workload, or emotional pressure being initiated by leaders. Ahmad & Gao (2018) suggested that the data regarding leadership styles need to be collected from the point-of-view of the followers.

To ensure validity, the researchers collected data from interviews. In order to obtain the insight concerning factors that were affected by different leadership styles, the qualitative method is a good fit to gain insight into the context (Baskrada et al., 2017). This research collected qualitative data directly from 6 senior leaders' working in the private sectors in Thailand. Accordingly, semi-structured interviews were conducted with the Chief of Financial Organization, Chief of Executive Organization, Deputy Chief Joint Operations, Board of Director, Director General Support and Senior upper-level managers. This study applied a qualitative rather than quantitative method because there was no need to collect statistically samples. The collection of information was based on their position (senior leaders from different parts of organizations), and their availability and willingness to participate in the study.

The conduction of qualitative research is generally applied for use in interviews in order to collect “facts” or “to understand” opinions, attitudes, experiences, and predictions (Rowley, 2012). An interview protocol was prepared to match the research objectives and research questions in this study. The interview questions were semi-structured to allow other questions to emerge during the interviewing process and additional ideas could be explored. Before the interview, we developed a set of open-ended questions focusing on leadership styles. For each of the six firms; approximately six-hour per firm, were conducted an interview. Altogether there are six managers who had experience in term turnover intention regarding transformational and transactional leadership approaches participated in this research.

Firstly, we explained to the interviewees what the differences between transformational and transactional styles were. We interviewed in Thai and translated the interview data into English. In addition, the interviews were supplemented with other sources of data such as field notes, company



documentation, and internet data. Due to derive sources of information, we can have a cross-checking information in order to increase reliability and accurate of our explanations.

Results and discussion

Causing of Employees' turnover intention

The qualitative analysis identified two factors (attitude and stability) of transformational leadership and two factors (compensation and motivation) of transactional leadership that are considered to have an effect on employees' turnover intention (as shown in figure 1).

It was found that transactional leadership is associated with short-time orientation. For instance, the organization has increased workers compensation in order to motivate these employees to increase their sales volume, If the company doesn't have this policy, employees will change jobs because of the salary being too low. One interviewee mentioned that although he prefers transformational leadership, he needs a while to adjust himself into this leadership style as he has been treated with transactional approach from the previous companies. Engelen et al. (2015) found that the transformational leadership approach has a positive impact regarding turnover intention. They mentioned that top managers should develop special skills to lead their firms in a transformational in order to leverage entrepreneurship's orientation.

Many of the leaders, who were interviewed noted that their policies had resulted in the stability of their employees regarding concerns such as income, relocation, and health insurance for the transformational leadership approach. However, a leader requires exceptional skills to utilize the transformational leadership approach. One of the interviewees note that they received a job promotion, but he/she was “not happy” with that because he/she didn't want more duties.

One of the interviewees stated that a personal attitude towards an organization was a cause of employees' turnover intention. For example, the younger generation has trended to leave a job on their early career path because they want to find a new experience with different organizations or industries, and after that they prepare to become an entrepreneur in the future. Another interviewee agreed that the level of positions from middle-manger to staff had left a job when they had only worked 1-2 year. In addition, many interviewees found that if the employees have negative attitudes and search for a job, they can predict the leaving. One reason is that the position is not the right job for them, and as a result of this is a negative attitude happens which leads to turnover intention.

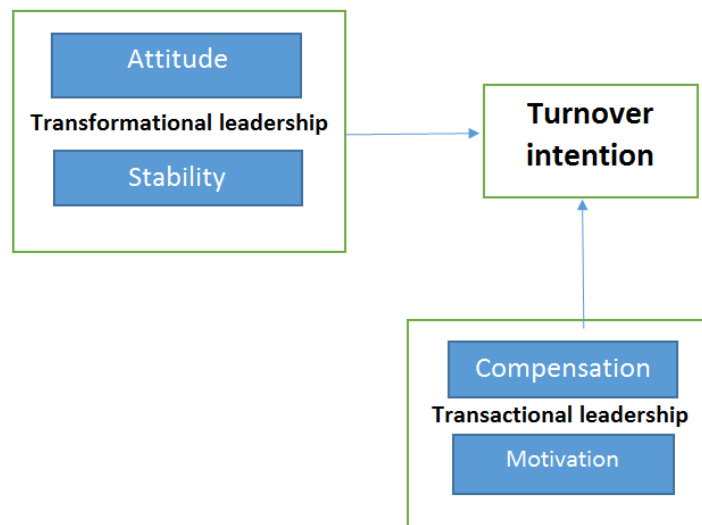


Figure 1: Conceptual framework

Conclusion

This study explored the effect of leadership styles - either transformational or transactional – regarding employees’ turnover intention. This study concludes that transactional leadership approach has effect on employees’ turnover intention rather than transformational leadership. Perhaps, this is due to the choice of industry chosen in this study. Private firms usually have heavy workloads for their employees and young generation perceives that if they work hard, they should earn more. Therefore, they tentatively feel that the jobs aren’t the right fit for them. Further research may investigate the extent to which this paper’s finding is duplicated in a public organization (i.e., military or public).

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