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**THE RELATIONSHIP BETWEEN LEADERSHIP STYLES AND JOB  
PERFORMANCE: THE MODERATING ROLE OF PERFORMANCE  
APPRAISAL POLITICS**

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**DOCTOR OF PHILOSOPHY  
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## ABSTRACT

Drawing upon the leader-member exchange theory and equity, fairness and justice theory, the present study examined the role of performance appraisal politics in moderating both relationships between transactional and transformational leadership styles with job performance. This study also examined the corresponding dimensions of transactional and transformational leadership styles in relation to job performance. Using the quantitative inquiry, the survey method employed had collected a total of 266 responses from bank managers of six large banks in Sindh, Pakistan. They were selected using the stratified random sampling technique. The PLS-SEM analyses revealed that the study supported both the hypothesized relationships between transactional leadership, transformational leadership styles and job performance. Specifically, positive relationships were found between two dimensions of transactional leadership (contingent reward and management by exception [active]) with job performance. Conversely, the significance of relationship between management by exception (passive) and job performance was not supported. However, except intellectual stimulation, remaining four dimensions of transformational leadership styles, namely, idealized influence (attributed), idealized influence (behavior), inspirational motivation, and individualized consideration, were found positively related to job performance. Additionally, while performance appraisal politics moderated the relationship between transformational leadership style and job performance, the reverse was found for the relationship between transactional leadership style and job performance. In general, the results suggested that transformational leadership indeed plays an integral role in facilitating job performance; this relationship is strengthened in the presence of the moderating variable, performance appraisal politics. Finally, the theoretical, methodological, and practical implications were also included.

**Keywords:** Transactional Leadership, Transformational Leadership, Job Performance, Performance Appraisal Politics, Banks, Pakistan

## ABSTRAK

Kajian ini meneliti peranan politik penilaian prestasi dalam menyederhana kan hubungan antara gaya kepemimpinan transaksional dan transformasi dengan prestasi kerja berdasarkan teori pertukaran ketua dan ahli dengan teori ekuiti, kesaksamaan dankeadilan. Kajian yang menggunakan kaedah kuantitatif ini turut menyelidik dimensi yang sepadan dalam gaya kepemimpinan transaksional dan transformasi yang berkaitan dengan prestasi kerja. Kaedah tinjauan yang mengupayakan teknik persampelan rawak berstrata diguna pakai dalam kajian ini. Data tinjauan diperolehi daripada 266 orang pengurus bank daripada enam institusi bank yang besar di bandar Sindh, Pakistan. Analisis PLS-SEM memperlihatkan bahawa kajian ini menyokong hubungan yang dihipotesis antara kepemimpinan transaksional, gaya kepemimpinan transformasi dengan prestasi kerja. Secara khususnya, analisis kajian mendapati terdapat hubungan positif yang signifikan antara kedua-dua dimensi kepemimpinan transaksional (ganjaran bersyarat dan pengurusan melalui pengecualian [aktif]) dengan prestasi kerja. Sebaliknya, hubungan yang signifikan antara pengurusan melalui pengecualian (pasif) dengan prestasi kerja tidak sokong dalam kajian ini. Walau bagaimanapun, kecuali stimulasi Intelek, empat dimensi gaya kepemimpinan transformasi yang lain, iaitu pengaruh yang diunggulkan (ditentukan), pengaruh yang diunggulkan (tingkah laku), inspirasi yang memberi motivasi dan pertimbangan individu, didapati mempunyai hubungan yang positif dengan prestasi kerja. Selain itu, meskipun politik penilaian prestasi didapati menyederhana secara signifikan hubungan antara gaya kepemimpinan transformasi dengan prestasi kerja, namun hal yang sebaliknya didapati berlaku dalam hubungan antara gaya kepemimpinan transaksional dengan prestasi kerja. Secara umumnya, hasil kajian menyarankan bahawa kepemimpinan transformasi memainkan peranan yang penting dalam menentukan prestasi kerja. Hubungan ini diperkukuh dengan adanya pemboleh ubah penyederhana, iaitu politik penilaian prestasi. Akhir sekali, implikasi teori, kaedah dan amali turut diketengahkan dalam kajian ini.

**Kata kunci:** Kepemimpinan Transaksional, Kepemimpinan Transformasi, Prestasi Kerja, Politik Penilaian Prestasi, Bank, Pakistan

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## LIST OF ABBREVIATIONS

ABL	Allied Bank Limited
AMOS	Analysis of Moment Structures
ATM	Auto Teller Machine
AVE	Average Variance Extracted
BAF	Bank Al-Falah
CMV	Common Method Variance
CR	Composite Reliability
CR	Composite Reliability
DFIs	Development Financial Institutions
DV	Dependent Variable
FBR	Federal Board of Revenue
GDP	Gross Domestic Product
GoF	Goodness of Fit
GoP	Government of Pakistan
HBL	Habib Bank Limited
LMX	Leader Member Exchange
MLQ	Multifactor Leadership Questionnaire
MCB	Muslim Commercial Bank
NBP	National Bank of Pakistan
OCB	Organizational Citizenship Behavior
PAP	Performance Appraisal Politics
PCPAQ	Perceived Political Considerations in Performance Appraisal Questionnaire
PLS	Partial Least Square
PLS-SEM	Partial Least Square Structural Equation Modeling
SBP	State Bank of Pakistan
SEM	Structural Equation Modeling
SPSS	Statistical Package for Social Science
TRFIC	Transformational leadership Individualized Consideration
TRFIIA	Transformational leadership Idealized influence (Attributed)
TRFIIB	Transformational leadership Idealized Influence (Behavior)
TRFIM	Transformational Leadership Inspirational Motivation
TRFIS	Transformational leadership Intellectual stimulation
TRSCR	Transactional Leadership Contingent Reward
TRSMBEA	Transactional Leadership Management by Exception Active
TRSMBEP	Transactional Leadership Management by Exception Passive
UBL	United Bank Limited
VIF	Variance Inflation Factor
$f^2$	Effect size
$Q^2$	Q-squared (denotes Predictive Relevance)
$R^2$	R -squared (denotes Coefficient of Determinant)
Sig.	Significant
A	Cronbach's Alpha coefficient
B	Estimate of beta coefficient/ path coefficient
<	Less than (in value)
>	Greater than (in value)

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Introduction**

This chapter consists of background of the study, problem statement, followed with research questions, and research objectives. In addition to that, the significance of the study and operational definitions of the variables are given. Lastly, the organization of thesis has been provided.

### **1.2 Background of the Study**

Leadership has been considered as an important factor which has great influence on the performance of organizations, managers, and employees worldwide. The success of the organization depends on the efficiency of the leader to uplift individual performance. Among all other sectors banking sector is considered as backbone of the economy, and contributes significantly in the growth of economic development worldwide. But due to sub standard services by the employees of banking sector worldwide i.e., in America and Europe has hampered after global crisis between 2007-08 (Greenspan, 2008; Rhodes & Stelter, 2010; Emu & Umeh, 2014). Resulting to poor performance of employyes specially the performance of managers of the banks affected the banking services worldwide and pushed some banks to bankruptcy (Greenspan, 2008; Wagner, 2010).

The banking sector being a major contributor in the financial sector of Pakistan is facing problems related to job performance. In the year 2011/2012, a sum of 9,038 complaints were recorded which pointed out employee's substandard job performance among these, large number of complaints were recorded in the account of large banks of the country reported by State Bank of Pakistan, Review (MjPanni & Associates, 2013). This shows poor performance of employees in delivering quality services. A recent report published in Daily Kawish Newspaper on December 18, 2014 has reported the poor quality of services and inefficient role of bank managers in resolving the problems of customers (News Bureau, 2014). The report has disclosed the complaints of customers in terms of service quality, Automatic Teller Machine (ATM) problems, and the attitude of bank officers and clients long awaited queues has caused wastage of time and disturbance for their routine job activities.

Moreover, leadership issues have remained main cause of the problems faced by the bank clients. Firstly, there is existence of agents outside the banks, which shows some hindrances to get smooth services from banks. Secondly, fresh currency is sold in the open market above the face value of currency. As in local scenario, people use fresh currency on special events, such as eids, wedding ceremonies and other occasions. Thirdly, the difficulties are faced by the borrowers in getting short term and long term loans. This showed the managerial problems in the banking sector of Pakistan. In addition, managerial problems has not only affected the job performance of employees but also declined the spread of banks. The failure of National

Development Finance Corporation was due to leadership role which pushed this big bank to bankruptcy (Hussain, 2010a; Hussain, 2010b).

Since its independence in 1947, Pakistan has survived and managed to get through numerous ups and downs. The country is one of the few countries that have managed to achieve 5 percent growth in its first four decades, with around 30 million people at the time of independence which has reached to 189 million in 2015 (World Meters, 2015), the country was fairly dependent on imports (Hussain, 2004, cited in Aurangzeb, 2012). However, to a larger extent the country has become able to fulfill its basic needs of food through adequate agricultural production ranging from wheat, rice to fruits and vegetables of all sorts. The nation despite of severe political complexities, religious conflicts and military dictatorships has managed to progress and move forward.

Recently, the government of Pakistan has pushed itself forward by taking noteworthy steps for strengthening the economic conditions of the country. Pakistan has signed agreements with China on the establishment of economic corridor which is expected to multiply the benefits and prosperity aspects for the nation as a whole (Economic Survey, 2014-15). The recent regulations and emphasis on policy implementation has led the economy to improve in tax collection, reduction of fiscal debt, foreign remittances, stock markets boom and rise in foreign exchange reserves (Economic Survey, 2014-15).



According to (Haque, 2014) there is a tough road ahead of Pakistan particularly in terms of its competition with the neighboring countries. Countries like India, China, and Iran are working their heads off for more regional and global market share and competitive advantage in all sectors due to which, nations like Pakistan need to strategize carefully.

Mujahid and Alam (2014) have suggested that economies in the current global age need to be highly competitive in terms of their services in order to survive and sustain. Pakistan over the years has transformed itself from the agricultural based economy to manufacturing service sector. According to Szirmai and Verspagen (2010) the economies transforming from agricultural to manufacturing and from there to service based in focus have actually shown signs of greater economic development. According to the press report, Pakistan has done a tremendous job in developing its service sector due to which the sector is currently worth billions of dollars. The report also mentioned that the sector also performing a critical part in the growth of the economy as whole through providing employment, attracting foreign investment, and improving the financial conditions of the country as a whole (Baig, 2012).

Importantly, service sector and its contribution in the Pakistan`s economy has reached to new heights, trolling to good 58.1 percent in 2014-15 (Economic Survey, 2014-15). The report data clearly outline the extent to which the Pakistan`s economy relies on service industry. Accordingly, the reports also indicate towards the potential in the country`s service sector. Even the Asian development bank`s economic reports have

outlined the significance of service sector for the developing Asian economies like Pakistan (Park & Shin, 2012). The report has highlighted that Pakistan as a nation is well capable of developing itself in the service sector with a high percentage of literate audience, capable of moving ahead with the leading service economies. Notably, in the service sector, banks have a large share and contribution in towards the total percentage contribution (Hussain, 2006).

As discussed earlier that the service sector of Pakistan has remained the major contributor of the economy and has significantly increased its share of gross domestic product (GDP) (Pakistan Economic Survey, 2014-15). This sector comprises of six components namely Finance and Insurance (Banking and Insurance), Transport, Storage, and Communication, Housing services, Wholesale, and Retail Trade, General Government Services, and Private Services (Pakistan Economic Survey, 2013/2014).

For the last five years a growth of 2.9 percent on average has been recorded where as GDP growth declined to 3.7 percent as compare to 5.3 percent in the past year (Pakistan Economic Survey, 2012/2013). According to Chang (2000) service industry of any country is the key to support the economy, and service industry not only builds the image of the country but also performing an essential part in its growth and potency for the developing countries like Pakistan. Pakistan is a developing country and is dependent mainly on the share of its service sector in the total GDP. Even though, this is alarming that the growth rate of service sector has declined to 4.3 percent as compare to 4.9 percent in the last year 2012/2013.

The performance of banking sector is one of the components of service sector which is merely contributing 6.6 percent out of 56 percent of GDP of total service sector in year 2012/2013 (Pakistan Economic Survey, 2012/2013). The overall GDP decreased to 5.2 percent in year 2013/14, whereas the GDP of service sector overall increased to 58.1 percent of total GDP of the country (Pakistan Economic Survey, 2013/2014). According to Meslier-Crouzille, Nys, and Sauviat (2012), the banks are regarded as the engine of development for any financial system of a country globally, because of main driver of financial growth. According to Hussain (2004) as cited in Aurangzeb (2012) the banking system of Pakistan plays a very important role in accelerating its economic growth with 95% share in the financial sector and demonstrates a positive relationship with growth. The banking sector is one of the financial sectors that create financing activities in order to create expansion, which eventually leads economy towards prosperity and growth (Ugolini, 2011). But due to lack of quality services provided by the employees of banks to its clients, has resulted inverse effect on lending activities of banks, liquidity problems, and created issues related to advances and bad debts, which resulted some banks towards bankruptcy internationally (Greenspan, 2008; Wagner, 2010).

The banking sector of Pakistan has continued experiencing different structures since nation's freedom in 1947. Initially the banking set up comprised of public and private banks, then turned to nationalization and now mix system of public and private, prevailing in the country. Due to the deficiency of qualified, experienced human resources and experts has led this sector into low quality of services. In order to

overcome the issues of quality service, the State Bank of Pakistan (SBP) was established by the Government of Pakistan (GoP) in year 1948. SBP took over the control on financial sector as a central bank of country. In the year 1974, GoP nationalized all the existing banks of the country. Due to nationalization of banks, the performance of banks worsened as the employees were protected by the government as far as job security is concerned. This caused the lack of quality services and sub-standard job performance of bank employees. In order to improve the quality of services, GoP again came up with reforms to privatize the banks. Now the country's banking system is comprised of Development Financial Institutions (DFIs), commercial, specialized, Microfinance, and Islamic banks (Federal Board of Revenue (FBR) Report, 2011-12). According to Shabbir, (2012) there are 40 banks with 9,087 branches functioning all over the country which are comprised on 25 domestic private and seven foreign banks, four commercial in public sector as well as four specialized banks, and six banks which are functioning as Islamic banks.

Average spread of large banks has decreased in year 2012 to 6.9% as compared to 7.9% in year 2011 (Banking Survey, 2013). The average performance ratings of banking sector across Pakistan appear to be low, foreign banks are providing better services than those of local banks in Pakistan, both public and private and comparatively private local banks execute better performance than the public sector local banks in Pakistan (Akhtar, 2010; Zaman, 2012). Job performance of employees in banking sector of Pakistan is one of the constraints to uplift the performance of the banking sector and it is one of the reasons for declining the contribution in GDP for

service sector of the country, which is due to lack of quality services as one reason (Khalid, Mahmood, Abbas, & Hussain, 2011).

The leadership is an element which has a considerable impact on the efficiency of organizations, employees, and managers (Vigoda-Gadot, 2007; Wang, Law, Hackett, Wang, & Chen, 2005). Importantly, leadership can play a notable role in fostering a culture in organizations that would help them in achieving phenomenal success and prosperity competitively (Kuczmarski, 1996). The author has also suggested that businesses need to focus on the development of building strong performance prospects and leadership styles can play a notable role in this regard. Eagly, Johannesen-Schmidt, and Van Engen (2003) in their meta-analysis have outlined that leadership can play a prominent role in boosting performance beyond expectations. The analysis has suggested that employees look up to their respective leaders for motivation, drive, and inspiration so that they could responsively shape their behaviors according to the job and role expectations. The leadership styles and job performance has a causal link towards the success of an organization, relying on the abilities of leader to optimize the human resources. It was found that leadership and performance have both direct and indirect relationship (Vigoda-Gadot, 2007).

According to Colquitt, Lepine, and Wesson (2010) Transformational leadership is viewed as a more motivational approach in comparison to other managerial approaches. Transactional leaders make their subordinates happy by rewarding them with the best possible way of identifying their desires (Wegner, 2004). A sound

leadership leads to productive results for the organization and encourages all individuals towards success (Warren & Nanus, 1985). Therefore this study in addition to transactional leadership and transformational leadership incorporates performance appraisal politics as one factor that can affect job performance.

Many research scholars have found that managers intentionally manipulate performance evaluations of their subordinates for political reasons (Longenecker, Sims & Gioia, 1987; Tziner, Latham, Price, & Haccoun, 1996; Poon, 2004 ; Sogra, Shahid & Najibullah, 2009; Spence & Keeping, 2011; Ahmad & Lemba, 2010; Arshad, Masood, & Amin, 2013; Aziz, Saif, Qureshi, Rehman, & Khan, 2013). These studies have indicated towards a significant negative managerial practice that hindering positive employee outcomes. Logenecker, Sims, and Gioia (1987) was the first to emphasize politics in performance appraisal performance with detailed arguments and suggested that each organization has to deal with these issues as far as the performance evaluation process is in practice within organizations. The author also emphasized towards the urgency of the issue and how authoritative and leadership positions can potentially play an active role in addressing this issue.

According to Dhiman and Maheshwari (2013) appraisal politics is the sub set of organizational politics. Bodla and Danish (2009) have suggested politics as moderator to be used in relation to job performance. According to them, appraisal politics has an interesting interplay role which could be examined to moderate the influence of different variables on performance prospects. Following this, performance appraisal

politics is incorporated as moderator variable in the study. According to Dulebohn and Ferris (1999) performance appraisal is one of the core Human Resource functions and found the point of interest for researchers. The study also underlined that HR functions can dominantly enhance performance and the responsive management of their performance is one of the most important factors in this regard. Furthermore, the researchers also found that political skill at work place is used as moderating variable (Bing, Davison, Minor, Novicevic, & Frink, 2011; Brouer, Harris, & Kacmar, 2011). In addition to this, organizational politics has also been used as a moderating variable in the study (Kacmar, Bachrach, Harris, & Zivnuska, 2011). The study found that organizational politics can considerably act as a buffer to multiply and maximize performance prospects.

Therefore this study builds theoretical link through Leader Member Exchange (LMX) theory (Graen, 1976; Vigoda-Gadot, 2007) as recommended by Wang *et al.* (2005) and equity, fairness and justice theory (Kacmar & Ferris, 1991; Vigoda-Gadot, 2003; Ferris & Kacmar, 1992; Byrne, 2005) to further investigate the relationship of leadership styles with job performance with moderating influence of performance appraisal politics.

### **1.3 Problem Statement**

The banking sector of Pakistan is facing job performance problems of the employees particularly large number of complaints were related to the employees of six large banks of Pakistan. The performance of employees has always been considered as the

key towards the success of organization and the job performance of employees has remained the topic of interest for the managers for any type of business, nature and its scope (Motowidlo & Scotter, 1994). The banking sector of Pakistan, with a great potential to accelerate the growth in service sector and ultimately economic development, is lacking of quality services to its customers. Consumer protection department of State Bank of Pakistan reported 9,038 complaints against the job performance of bank employees in the year 2011/2012 reported by State Bank Review published in the paper (MjPanni & Associates, 2013). The bank clients were faced with problems such as service quality, queries long awaited, delay in solving clients' issues, ATM machines out of order, delay in transfer of funds, internet banking links down, etc., which have affected bank clients and banks performance (Khan & Ahmad, 2011; Zaman, 2012). This shows a clear evidence of poor performance at the part of bank employees of Pakistan. The majority of the complaints were registered against the large banks of Pakistan. Out of all these complaints at least 80 percent were remained concentrated among the large banks (MjPanni & Associates, 2013).

In addition, a report published in Daily Kawish (December, 18, 2014), and Daily Dawn (January 7, 2015) have reported performance issues related to bank officers, decline in deposits by 68% and specially bank managers. Bartlett and Ghoshal (1995) pointed out that the final success of organizational success is dependent on the performance of their employees. Therefore performance of employees is important for growth of banking sector of Pakistan.



Some academic attention is found on the relationship of leadership, performance, and organizational citizenship behavior. The impact of leadership style on job performance, was reported in some research studies carried out in the environment of the Western countries (Avolio, Zhu, Koh, & Bhatia, 2004; Bodla & Hussein, 2009; Kark, Shamir, & Chen (2003). Wofford, Whittington, and Goodwin (2001), Geyer and Steyrer (1998), Bass (1985) pointed out in their studies that the leadership concentrate on strengthening relations in between managers and employees, they define the expectations of their subordinates, explain their roles and fulfill their requirements as they seek expected level of performance.

Referring to past studies scholars have found mixed and varied relationship in between leadership styles and job performance such as positive, negative and no relation. The studies conducted by (Rad & Yarmohammadian, 2006), Voon, Ngui, and Ayob (2011), Chookruvong (2000), Shah and Hamid (2015a), Shah, Hamid, Memon, & Mirani (2016), and Dolatabadi and Safa (2010) have found positive and significant relationship between leadership styles and job performance. By using multifactor questionnaire by (Bass & Avolio, 1993) also found positive and significant relationship in between transformational leadership, performance and organizational citizenship behavior. Other studies conducted by the researchers resulted insignificant and negative relationship between transactional leadership styles and performance (*see for example*, Sheridan & Vredenburgh, 1978; Geyer, & Steyrer, 1998; MacKenzie, Podsakoff, & Rich, 2001; Parry & Thomson 2002).

Some studies conducted by (Sheridan & Vredenburg, 1978; O'Reilly & Roberts, 1978) stated that there is no relationship between leadership styles and job performance. Motowidlo (2003), Gomez-Mejia, Balkin, and Cardy (2007), Wall, Michie, Patterson, Wood, Sheehan, Clegg, & West (2004), Jex and Britt (2008, 2014) highlighted on the importance of job performance and organizational performance that motivates to investigate the important factor in order to determine the employees performance.

Some of the studies, on job performance and its antecedents which were conducted in the last 12 years (Wall *et al.*, 2004; Jamal, 2007; Imran, Arif, Chima, & Azeem, 2014). A study conducted by (Khan & Ahmad, 2011) on banking sector has pointed out dissatisfaction of employees' which results in low level of loyalty and commitment, and it decreases ultimately job performance. But still so far, a limited scholarly attention was given to explore the moderating effect of performance appraisal politics between transactional leadership and transformational leadership and job performance. A study conducted on transformational leadership and job performance by Tse and Chiu (2014) on five Banks of China has resulted differentiated outcomes in between line managers and immediate subordinates. Baron and Kenny (1986) stated that when the results are inconsistent in between independent variable and dependent variable the moderator can best predict the results. Therefore performance appraisal politics was incorporated as moderating variable to test and readdress the issue.

Performance appraisal is considered as one of the core functions of human resource management and it was given more focus by the researchers (Arshad *et al.*, 2013; Dulebohn & Ferris, 1999; Osma, 2013). Managers do manipulate the ratings of performance of their employees on political reasons found in many studies (Longenecker *et al.*, 1987; Tizner *et al.*, 1996; Poon, 2004; Sogra *et al.*, 2009; Spence *et al.*, 2011; Arshad *et al.*, 2013; Ahmad & Lemba, 2010; Rahman, 2012; Abbas & Raja, 2014). As pointed out by Dhiman and Maheshwari (2013) appraisal politics is the sub set of organizational politics. In other studies political skill at work place is used as moderator variable (Bing *et al.*, 2011; Brouer, *et al.*, 2011). It is found that political skill has positive relationship with job performance, task performance across many occupations. The performance appraisal politics as a variable was drawn from trait activation theory (Tett & Gutterman, 2000).

In a study on “Fostering Good Citizenship through Ethical Leadership” Organizational politics is used as moderating variable (Kacmar *et al.*, 2011). Logenecker *et al.* (1987) raised the issue of politics in performance appraisal and explained with detailed arguments and additionally they were of the opinion that almost all organizations will face appraisal politics in organizations. Few studies have been conducted on leadership styles, organizational politics and job performance (Vigodat, 2007; Rahman, Hussain, & Haque, 2011; Ahmed *et al.*, 2010). Mostly studies are conducted on performance appraisal politics and its effects on job satisfaction, turnover intentions, loyalty to supervisors and organizational commitment (Poon, 2004; Sogra *et al.*, 2009; Spence *et al.*, 2011; Arshad *et al.*, 2013;

Dhiman & Maheshwari, 2013; Aziz *et al.*, 2013; Eisenberger, Fasolo, & Davis-LaMastro, 1990). Moreover, still there is lack of scholarly attention given to test performance appraisal politics as moderator, between leadership styles and job performance.

Many studies have shown significant relationship between job satisfaction and job performance (Bhatti & Qureshi, 2007; Judge, Thoresen, Bono, & Patton, 2001; Moynihan & Pandey, 2007). Other studies have shown relationship of motivation and job performance (Van Knippenberg, 2000; Halbesleben & Bowler, 2007). Other factors that affect performance include gender (Semadar, Robins, & Ferris, 2006) age (Ng & Feldman, 2008) salary (Lemieux, Macleod, & Parent, 2009), and stress (Hourani, Williams, & Kress, 2006; Motowidlo, Packard, & Manning, 1986). However, very limited research is conducted on leadership and job performance with moderating effect of performance appraisal politics which was limitedly explored.

This study expected to contribute to the body of knowledge in this field of human resource management by examining the moderating effect of performance appraisal politics on the relationship between leadership styles and job performance. A number of studies are linked together with organizational politics and equity, fairness and justice theory at work settings (Kacmar & Ferris, 1991; Ferris & Kacmar, 1992; Vigoda-Gadot, 2003; Arshad *et al.*, 2013; Dhiman & Maheshwari, 2013; Shah *et al.*, 2016). Some studies have expressed organizational politics as a power game to use the tactics to achieve the desired output in the self interest of users (Kipnis, Schmidt,

& Wilkinson, 1980; Pfeffer, 1992). Abbas and Yaqoob (2009) have suggested to conduct the study in terms of leadership styles and performance appraisal. Arshad *et al.* (2013) conducted study in cellular sector, have suggested future direction of research in banking sector with other outcomes of employees i.e., job performance. Shah and Hamid (2015a) proposed to conduct an empirical study to test performance appraisal politics as a moderator between leadership styles and job performance in banking sector. Following these research direction, this study has fulfilled the research gap in literature in the area of leadership and job performance with performance appraisal politics as a moderating variable.

Leader member exchange (LMX) theory and equity, fairness and justice theories are linked with this study. Wang *et al.* (2005) recommended LMX theory (Graen, 1976) as it explained a better relation for leadership styles, job performance and organizational citizenship behavior. Moreover, Baron and Kenny (1986) suggested moderating variable can best describe the results especially when direct relationship is inconsistent between independent and dependant variables. In many respects, the LMX theory (Wang *et al.*, 2005) is in line with Vroom's expectancy theory (1964) and exchange theory (Blau's, 1964; Vigoda-Gadot, 2007) which calls a strong sense of balance for managers and subordinates. These theories have explained that the optimum level of performance can only be achieved in case when a realistic level of anticipation is believed and secondly the social exchange between leaders and followers is based on fairness and equitable. Wang *et al.* (2005) has suggested that

overall expectations are based reciprocal exchange of equity, fairness, and justice which grows by the time.

Additionally, despite many studies were conducted and investigated the relationship between leadership styles and job performance but have not yet concluded the clear results which could be end point for the researchers. Secondly, majority of the studies were conducted in European countries and context and least attention was given in the Asian context especially in the context of Pakistan. The few studies which were conducted in the local context have provided research gap in relation to performance appraisal politics using as moderating variable. The present study has come up by analyzing all the dimensions of transactional leadership (contingent reward, and management by exception [active], and management by exception [passive]), and transformational leadership (idealized influence [attributed], idealized influence [behavior], inspirational motivation, intellectual stimulation, and individualized consideration). By incorporating PAP as moderator the study has additionally filled the gaps in literature not only in the local context but in general as well.

#### **1.4 Research Questions**

- i. Does transactional leadership style have positive relationship with job performance in six large banks of Pakistan?
- ii. Do contingent reward, management by exception (active), and management by exception (passive) have positive relationship with job performance in six large banks of Pakistan?

- iii. Does transformational leadership style have positive relationship with job performance in six large banks of Pakistan?
- iv. Do idealized influence (attributed), idealized influence (behavior), inspirational motivation, intellectual stimulation, and individualized consideration have positive relationship with job performance in six large banks of Pakistan?
- v. Does performance appraisal politics moderate the relationship between transaction leadership and job performance in six large banks of Pakistan?
- vi. Does performance appraisal politics moderate the relationship between transformational leadership and job performance in six large banks of Pakistan?

### **1.5 Research Objectives**

- i. To investigate the positive relationship between transactional leadership style and job performance in six large banks of Pakistan.
- ii. To investigate the positive relationship between contingent reward, management by exception (active), and management by exception (passive) with job performance in six large banks of Pakistan.
- iii. To investigate the positive relationship between transformational leadership style and job performance in six large banks of Pakistan.
- iv. To investigate the positive relationship between idealized influence (attributed), idealized influence (behavior), inspirational motivation,

intellectual stimulation, and individualized consideration with job performance in six large banks of Pakistan.

- v. To examine the moderating effect of performance appraisal politics between transactional leadership and job performance in six large banks of Pakistan.
- vi. To examine the moderating effect of performance appraisal politics between transformational leadership and job performance in six large banks of Pakistan.

### **1.6 Significance of the Study**

The present study contributed in the existing literature in theoretical and practical perspective. From the theoretical point of view, the results of the present study have successfully provided empirical evidence on job performance, thus enriching the available body of literature. In this notion there have been numerous studies that were conducted to examine the direct influence of leadership styles on job performance (Rad & Yarmohammadian, 2006; Voon *et al.*, 2011; Dolatabadi & Safa, 2010; Sheridan & Vredenburgh, 1978; Geyer, & Steyrer, 1998; MacKenzie *et al.*, 2001; Parry & Thomson, 2002; Sheridan & Vredenburgh, 1978; O'Reilly & Roberts, 1978). Particularly, the literature on influence of leadership styles over job performance have been inconsistent, therefore, the present study has added in the body of knowledge by providing the empirical evidence in testing this relationship.



Additionally, the current study has also contributed in the body of literature by providing empirical evidence on the role of performance appraisal politics influencing the leadership styles and job performance relationship. Specifically, the present study has contributed by empirically providing evidence on the moderating role of performance appraisal politics influencing leadership styles and job performance relationship. This study will help management of six large banks of Pakistan in identifying the causes of job performance and how leaderships styles, specifically transactional leadership and transformational leadership, could further help these banks in improving managerial job performance.

From the theoretical perspective, the results of the present study have provided empirical evidence in the banking sector of Pakistan to validate the claim of leader member exchange theory (LMX) and equity, fairness and justice theory. Accordingly, the LMX theory and equity, fairness and justice theory supported the notion in predicting managerial job performance from the human resource management perspective. The empirical investigation has attempted to respond to the basic assumption of leader member exchange theory that provided a strong sense of balance for managers and subordinates. Adding further, the results have responded to these theories empirically in supporting their basic essence that leadership should provide realistic anticipation for achieving optimal level of managerial performance. Secondly, the results have also supported the reciprocity based notion of these theories that suggest that the overall exchange in between employee performance and top leadership is based in the means of fair exchange.

In addition to this, the present study has responded successfully, to Hilderbrand Grindle, Trostle, Sommerfeld, Simon, and Lippincott (1997) argument where they claimed that the leadership styles vary from region to region, specifically, the leadership styles practiced in western countries are quite different than the one's practiced in developing countries. Finally, the results of the present study would be helpful for the bank managers, particularly for six large banks of Pakistan, to effectively identify and strategize the key factors that would promote managerial job performance.

### **1.7 The Scope of the study**

The present study focused on the assessment of the influence of leadership styles on job performance in the six large banks of Pakistan. Among six large banks of Pakistan there is only one public sector bank (NBP), and the rest five banks (HBL, UBL, MCB, ABL and BAF) are private owned banks. HBL, NBP, UBL, MCB, ABL, and BAF, are ranked from top to bottom as large banks in terms of higher assets investments. The profits of the large six banks were in million Rs., as 48,515, 23136, 35616, 37354, 22,433, and 8,514 in year 2014 respectively (Pakistan Banks Association). The rationale for selecting the six large banks of Pakistan as the research context is as under.

Firstly, the service sector is highly important in making the economy of the country profitable. The sector contributed 56.6% share in 2008/2009 and this share increased

to 58.1% in the year 2013-14 in overall economy of Pakistan (Pakistan Economic Survey, 2013/2014). The growth rate of service sector has declined to 4.3 percent as compare to 4.9 percent in the last year 2012/2013. As highlighted by Chang, (2005) service sector is a major contributor that helps an economy. This sector is important due to the fact that it helps in increasing the overall employment rate, attracts the foreign investment, and it plays a critical role in enhancing the country's financial position (Baig, 2012). More importantly, the Asian development Bank's report has reported that Pakistan's service sector has a greater potential (Park & Shin, 2012).

Secondly, specifically within the service sector of Pakistan, banks have a large share and contribution in towards the total percentage contribution (Hussain, 2006). According to Hussain (2004) as cited in Aurangzeb (2012) the banking system of Pakistan plays a very important role in accelerating its economic growth with 95% share in the financial sector and demonstrates a positive relationship with growth.

Thirdly, within the banking industry of Pakistan the six large banks hold the larger market share and assets with 80% market capitalization of large Banks (Kazim 2013: The Express Tribune). The large banks have total assets share of around Rs.600 billion in 2014/15 (Pakistan Banks Association 2014/15). Fourthly, the literature has repeatedly reported managerial job performance as an important factor declining the bank performance, specifically with regards to six large banks of Pakistan. As a result of the poor job performance average spread of large banks was decreased in year 2012 to 6.9% as compared to 7.9% in year 2011(Kazim 2013: The Express Tribune).

Lastly, there have been no or at least lack of investigation of the job performance in the banking settings of Pakistan. Therefore, looking at the importance of the banking sector in terms of its contribution in the overall growth, development of the country and potential job performance issues, the present study selected the investigation of job performance in the six large banks of Pakistan.

In connection to data collection process, 500 questionnaires were distributed to the bank managers of six large banks of Pakistan (refer section 3.12 of chapter 3 for details). As the focus of the study was to investigate the influence of leadership styles on job performance in the presence of performance appraisal politics as a moderating variable, and the unit of analysis of the present study was individual.

## **1.8 Definitions of Key Terms**

### **1.8.1 Job Performance**

In general job performance refers to effectiveness of individual behaviors that contribute to the organizational objectives as defined by McCloy, Campbell, and Cudeck (1994). Although job performance has been studied with two dimensions task performance and OCB, but the present study was carried on job performance as a whole (Motowildo, Borman, & Schmit, 1997; Organ, 1988; Campbell, McHenry, & Wise, 1990). Job performance was analysed as a single dependent variable without separating its dimensions.

### **1.8.2 Leadership Styles**

The process of influencing others an organizational culture and the distinctive or characteristics manner in which one performs (Marquis & Huston, 2009).

### **1.8.3 Transactional Leadership**

A leadership style that recognizes the needs of followers and clarifies the ways that these needs to be satisfied against the performance of the follower at the optimal level of efforts towards the desired objective. According to Bass and Avolio, (1995) transactional leadership consists of three dimensions namely contingent reward, management by exception (active) and management by exception (passive). Transactional leadership was analyzed as an independent variable along with its three dimensions.

### **1.8.4 Transformational Leadership**

This leadership style is the one that seeks to uplift the wishes of the individual follower for their desired achievements and also for self-development, on the other hand it promotes development for the group as well as the organization (Bass & Avolio, 1990) and motivating the followers to produce the output more than it is desired originally expected consisting idealized influence (attributed), idealized influence (behavior), inspirational motivation, intellectual stimulation and

individualized consideration, (Bass, 1985). Transformational leadership style was analyzed as an independent variable along with its five dimensions.

### **1.8.5 Performance Appraisal Politics**

Performance appraisal politics is used in the context of motivational motive and punishment motives, to gain their personal benefits by using political tactics, political managers usually rate their subordinates with some formal instrument once a year or twice a year to check the performance of employees (Longenecker & Ludwig, 1990; Tizner *et al.*, 1996; Poon, 2004). Performance appraisal politics was analyzed as a single moderating variable without separating its dimensions.

### **1.9 Organization of Thesis**

The remaining part of the thesis is organized as under. In the second chapter, a comprehensive review of the literature has been carried out. Specifically, the concepts of transactional leadership, transformational leadership and managerial job performance along with the moderating role of performance appraisal politics are elaborated. In this notion, the past studies pertaining to these relationships have been discussed in detail to presenting the hypothesized relationships. To empirically link these relationships, the leader member exchange theory and equity, fairness and justice theory has been used. Therefore, the chapter two further presented an elaboration of these two theories in detail. Next, in chapter three the proposed methods and techniques have been discussed. This includes the discussion on research

design, research framework, hypothesis development, data collection procedure, sampling, methods for analysis of data, among others. Chapter four provides the data analysis and results of the research. Lastly in chapter five, the main findings of the study have been presented in a summary form connecting each of them with research objectives. In addition to this, the chapter five also provides discussion pertaining to the results revealed, especially the theoretical, methodological and practical implications of the results are provided in this chapter. Lastly, chapter five provides recommendations and future research suggestions.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter provides detailed discussion on the variables of the study drawing upon the literature. The organization of literature is presented on dependant, independent and moderating variables, and the relationship among the variables. The first part of the study is started with dependant variable; job performance following with the detailed discussion on independent variables and moderating variable i.e., leadership styles and performance appraisal politics by highlighting research gaps clearly. After elaborating the structured relationship between the proposed variables of the study, the discussion on underpinning theories has been provided in this chapter. The chapter ends with a conclusion.

#### **2.2 Job Performance**

“In general job performance refers to effectiveness of individual behaviors that contribute to the organizational objectives as defined by McCloy *et al.* (1994). Earlier studies conceptualized job performance as comprising of two dimensions; task performance and OCB (Motowildo *et al.*, 1997; Organ, 1988)”. Whereas, the present study used job performance as a single variable.



The performance is usually measured in financial terms but sometimes other factors are also taken into consideration like task related aspects and expected behaviors, that could affect performance potentially (Motowidlo, 2003; Britt & Jex, 2008). Job performance consists of both monetary and non-monetary and that is linked with performance and success (Anitha, 2014). It is considered as one of the key indicator to measure overall performance related to organizations as witnessed in (Wall *et al.*, 2004). Job performance is most important criteria to determine overall organizational effectiveness, in the domain of organizational and industrial psychological research (Borman & Motowidlo, 1997; Borman, 2004; Organ, 1997).

As per the evidence from the past literature, the job performance is based mainly on two concepts; one is efficiency which relates inputs to outcomes and second is effectiveness which shows the linkage with outcomes in relation to expected outcomes. The word "performance" highlights upon the concepts such as "attainment," "accomplishment," and "the execution of a task".

The performance of the organization is based on absolute or relative judgment, which is considered as the true reflector of overall performance (Gomez *et al.*, 2007; Wall *et al.* 2004; Gomez-Mejia, Berrone, & Franco-Santos, 2014). In addition to that job analysis can also be used in setting the standards for performance for each employee (Heneman & Judge, 2005; Drucker, 1999). It is also important to know whether present structure of the organization is supporting or not and there is need to refine

job characteristics in order to encourage employees to achieve maximum level of output (Johari & Yahya, 2009).

In fact job performance has been reported one of the important factor and major sign of organizational performance whereas; this was conceptualized by variety of ways as stated by Organ (1997). For example, Schmit and Chan (1998) had break up performance into “will do” and “can do”. It relates to knowledge, skill, ability, and other distinctiveness which one individual needs to carry out that particular job. The “can do” creates inspiration for employees to perform the job. According to Campbell, (1990) job performance is an important construct in organizational psychology as well as in human resource management. Whereas Jamal (2007) determined job performance as an individual’s function carrying out efficiently within the prevailing constraints and the resources available. The meaning of Job performance varies depending upon job to job. Some researchers including Campbell, (1990) have developed broader scope of performance which can be generalized for various jobs.

Campbell introduced eight factors related to job performance which are (a) job specific proficiency, (b) effort to demonstrate, (c) non-job specific task proficiency, (d) oral and written communication, (e) marinating peer and and performance, (f) to maintain personal discipline, (g) supervision and leadership, and (h) administration and management. He further is of opinion that all factors are not relevant towards all jobs and all of these factors can be used to portray job performance for any possible

occupation. Moreover, all factors and content of factors varies from job to job, primarily each factor is one of motivational element. The study conducted by Hochwarter, Kiewitz, Gundlach, and Stoner (2004) has further added social worth towards all these factors. The scholars have pointed out that job performance is a multidimensional concept, consists of task related performance and contextual elements highlighting the social skills predicting as job performance. Lots of studies have been carried out to understand the main variations among employees and their job performance. The studies conducted by Beck, Behr, and Gütler (2009) on gender, Ittner, Larcker, and Pizzini (2007) on salary, Ng *et al.* (2008) age, Hourani *et al.* (2006), and Jamal (1984) on stress, have determined that all these variables have relationship with job performance.

Earlier researches have cut up the aspects of job motivation and satisfaction towards several detailed factors and these factors have watered down convergent effect towards job performance. Even though, those studies have described the influence on job performance with joint impact of job satisfaction and motivation variables on job performance. The relationship between job motivation and job performance was investigated by Van Knippenberg (2000; Hackman, 1992 ) and found it with positive relationship. These scholars have elaborated on this relationship stating that motivation possesses a high level of influence over job performance. Whereas, Moorman (1993) and Fisher (2003) further evaluated the relationship of satisfaction and performance and minimized the connection in between satisfaction and job

performance. It is seen in the literature conflicting evidences specifically to the case of job satisfaction as to the level of job satisfaction impact on job performance.

According to Lee, Tan, and Javalgi (2010; Demerouti & Bakker, 2014), task performance or in role performance are those behaviors which are directly related to the responsibilities, duties and tasks which are prescribed and are documented in job description. Kanter (1988) has conceptualized task performance as innovative performance, which refers the qualities of the employees' skills like creativity and problem solving techniques at workplace. Likewise, OCB or extra role behavior is important at work place to be innovative to generate, promote and to realize creative ideas to bring organizational successes (Janssen & Van Yperen, 2004; Lee *et al.*, 2010).

According to Austin and Villanova (1992), every individual is different in several ways in relation to job role behaviors where measures are criteria to identify such differences. A large number of constituencies have used such criteria for measures used in applied psychology. Some of them used evaluation criteria as work behavior theories some used effective human resources administration and some used provision for feedback to the individuals. As a result, however, an index that measures the significance of the observation that most, if not all, of the pioneers of industrial-organizational psychology has addressed this issue during the career. The paper reviews the development of conceptual and methodological problems related to the standard of 1917, as the size of the organization, methods of measurement, analysis,

and use the classification framework competing values from which to view performance metrics.

Regardless of an extensive history of apprehension on issues of condition, the construct of the employee performance has not yet been mapped completely. Campbell (1990), Motowidlo and Van Scotter (1994) argued that the investigation of employment complicated techniques is accessible to recognize the tasks and significant behaviors, but their focal point is mainly experimental and normally precise jobs or job families. Therefore, they have not formed reasonable hypothetically fundamental underlying dimensions which can be used to portray the performance necessities of jobs in all-purpose. More theoretical attempts to divide the area of performance are opening to confirm hopeful symbols. They adopt extremely unusual conceptual orientations, dissimilar investigative approaches to conventional employment and the other, but they unite on the difference between task performance and contextual performance (Borman & Motowidlo, 1993; Motowidlo & Van Scotter, 1994).

As reported in (Motowidlo & Van Scotter,1994), Katz and Kahn (1978) state that theoretical scheme is more fundamental for the job performance and partitioning is tripartite splitting up between (i) to join the organization and remain in, (ii) to meet the expected standards or even exceeding standards as framed by organization, and (iii) be innovative, and spontaneous to go ahead of the roles and actions in terms of

cooperation with all members, giving suggestions to bring improvements, protection against harm, carry out personal development and building the image of organization.

Further, Orr, Sackett, and Mercer (1989) have confirmed about the importance of two actions by providing empirical support on it. Their study showed that at least few supervisors are inclined to prescribed and flexible behaviors in consideration in measuring dollar value on job performance for hypothetical analyst for the programmers. According to Motowidlo and Van Scotter (1994), the model of Campbell's (1990) has brought a very important feature between the job performance behaviors, which adds to the effectiveness of organization. This involves task ability and behaviors of performance, which ultimately contribute overall organizational effectiveness in different ways. The task competence in the Campbell model are more highly saturated with the prearranged role performance, and other factors are more highly saturated with elements of organizational behavior citizenship, pro-social behavior, and the spontaneity of the organization . Therefore, three associated themes run through these efforts to clarify the value of common practice. One is the difference between a given behavior and decision-making roles. Secondly the set effectively flavored carry and cooperation of behavior in organizational citizenship behavior, pro-social behavior, and spontaneity of the organization. The third task is to pass the competency and performance of mission-related behaviors is the dissimilarity between the performance behaviors.

In addition, Yammarino and Bass (1990) suggested that transformational leadership could produce recognition and internalization of enviable values, as opposite to a limited objective of transactional leadership to create a submissive workforce. Vigoda-Gadot (2007), Parry and Thomson (2002) particularly observed the styles of leadership in public related sector organizations and he determined that transformational leadership has a positive effect on modernism and usefulness of those organizations. Wang *et al.* (2005) proposed, leader member exchange (LMX) theory, according to (Vigoda-Gatod, 2007) cited in (Graen, (1976) is best described role in mediating between the styles of leadership and organizational performance as well as organizational citizenship behavior. Specifically, the LMX theory (Wang *et al.*, 2005) in many respects it is in line with expectancy theory (Vroom, 1964) and exchange theory (Blau's, 1964) as cited in (Vigoda-Gatod, 2007) which calls a strong sense of balance for managers and subordinates. These theories suggest that better output on performance is linked with strong form of anticipation and it even can increase it if the social exchange is fair enough and equitable between employees and managers. Wang *et al.* (2005) have stated that subordinates can embrace, reject or re-negotiate the roles already set by the managers because they have expectations of the roles of their managers; they are not just passive followers. This process of equity, fairness and justice is based on reciprocal exchange and build on mutual expectations and it grows with the passage of time.

Typical performance evaluation often explains performance which is considered to be a common factor to account for the total variance of the outcome. Campbell, McCloy,

Oppler, and Sager (1993) declared in performance theory given by them, they are of the opinion that that only general factor is not providing sufficient conceptual explanation about performance. They propose that research studies should consider each dimension out of eight separately while measuring performance and not all dimensions altogether, because “general factor cannot possibly represent the best fit” (Campbell *et al.*, 1993).

Adding to that, other scholars have also urged upon the usefulness of single, general factor, and they have stated that particular dimensions can also be conceptualized. Viswesvaran, Schmidt, and Ones (2005) using meta-analytic measures to see the relationship of overall performance and dimensions there in, where they found the variance of around 60 percent in rating the performance which comes from the general factors. In addition, general factor may not be explained by the error of rater (halo effect). Therefore, vast experimental data suggests that scholars should not discharge the thought of general factor, and the job performance theories have noteworthy place for multi dimensional measures for overall performance. In role performance and extra role performance have got a distinction in the literature of performance (Katz & Kahn, 1978). According to (Smith, Organ, & Near, 1983) extra role performance is similarly conceptualized as organizational citizenship behavior.

Borman and Motowidlo (1993) following this study have recommended that performance additionally be divided in two parts as task performance and contextual. Task performance is considered as formal part of the job which contributes towards



the core activities of organization. Whereas contextual performance are those activities which are not formally prescribed by the organization as part of job and nor contribute to the organizational core technical activities (Organ, 1997). Contextual performance include actions such as cooperating, helping others, and volunteering which are important parts of job but these are not formally prescribed as part of job. Thus this study focuses on both performance parts task and OCB. An elaboration of each of these components has been provided in the following sections.

### **2.2.1 Task Performance**

Task performance can be explained as the level of effectiveness with which individuals contribute towards the organization's core functions directly or indirectly (Borman & Motowildo, 1997).

Task performance is different from contextual performance or OCB as they concern with the additional and social volunteering towards the organizational effectiveness. People when perform as per organizational expectations in their core job role and responsibilities; this then shows they task performance. According to Lievens, Conway, and DeCorte (2008) that task performance is highly important for businesses to achieve their long and short term targets. The author state that in order to enhance the viability of business processes and their smooth operating. It is important that employee's performance in the core tasks that they are assigned, is improved in order to achieve organizational effectiveness. Views of Shao and Shao (2012) can be

considered in relation to this whereby the authors said that organizations need to outline how and what do they want people for them to perform so that the exact result is achieved by the employees.

Accordingly, as Motowidlo and Van Scotter (1994) while differentiating, suggested that task performance lies at the core of what an organization is focused at achieving strategically in order to survive and sustain for instance technology, innovation, production, and service and so on. Contextual on the contrary is associated with the discretionary efforts of people towards social and civic concerns of the business.

In the views of Locke and Latham (2013) that goals and objectives of an organization needs to be very clear in order to help employees to focus and thus, achieve exactly what is expected out from them. The authors have underlined that it is not possible for employees to result in adequate performance in their assigned tasks unless they have a clear goals decided and results formulated for them. Carlson (2013) suggests that task performance of employees is highly significant for businesses to improve their customer satisfaction levels, productivity and profitability. Commercial or non-commercial, every enterprise requires achieving sufficient task performance in order to keep the business thriving and progressing.

Critical review of all this outlines that task performance is an important employee performance prospects which is critically important for businesses to survive and sustain. The review has also outlined that there is a strong need for businesses to

outline and clearly highlight what they expect their employees to perform in their assigned tasks and job roles. The review has also briefly outlined to let us understand that task performance is different from organizational citizenship behavior. This leads us to understand that task performance is primary and OCB is secondary. An organization may appreciate and facilitate its organizational effectiveness through individuals engaging in organizational citizenship practices but it would not be of any values until and unless the core tasks and outputs are enhanced and significantly achieved at the first place.

Talking about the effects and factors that could influence task performance, empirical studies outline large number of diverse reasons including leadership styles (Carter, Armenakis, Feild, & Mossholder, 2013; Aryee, Walumbwa, Zhou, & Hartnell, 2012; Yu & Frenkel, 2013), employee or follower characteristics (Ashkanasy & Paulsen, 2013), monetary rewards (Zedelius, Veling, Bijleveld, & Aarts, 2012; Pierce, Camerson, Banko, & So, 2003), individual character strengths (Harzer & Ruch, 2014), organizational support (Chiang & Hsieh, 2012), self-efficacy (Sitzmann & Yeo, 2013).

Thus it can be said that a variety of different organizational and individual components can influence employee's task performance ranging from psychological resources to company support features and recognitions. Importantly, leadership roles and styles have noticed to be of massive significance in enhancing task performance.

Robust literature on the topic can be highlighted, outlining the prominent role of different leadership styles in boosting task performance.

Notable empirical studies have outlined that leadership styles can have a robust influence on individual task performance. According to Salanova, Lorente, Chambel, and Martínez (2011) that leaders bring in different types of inspirations to work which help employees to boost their confidence, potential, and potential. It is also important to note that different leadership styles would have a different influence upon performance prospects. For instance, study by Aryee *et al.* (2012) that leadership styles are significance for enhancing task performance but importantly, transformational leadership has more potential to influence in this regard. The paper concluded that leaders with transformational style inspire employees to foster innovation and task performance for higher productivity.

Accordingly, importantly, in the meta-analysis by Wang, Courtright, and Colbert (2011) on transformational leadership has been concluded that task performance can be significantly enhanced through transformational leadership. Importantly, the meta-analysis has also indicated towards the predictive significance of other leadership styles. Chi and Pan (2012) has also explained that transformational leadership is greatly linked with task performance. The authors have also outlined that there is a missing link in this relationship which is why it is important for us to understand and outline further variables that could facilitate and enhance the impact accordingly. Similarly, empirical study by Walumbwa, Mayer, Wang, Wang,

Workman, and Christensen (2011) that linking leadership with performance is important. More importantly, how employees behave and perform has more to do with the behavior and style of leaders. This is also what Walumbwa and Hartnell (2011) said that understanding and exploring the linkage between transformational leadership and task performance is important.

The authors have also explained that there is a positive association between and hence should be empirically tested in various occupational settings. It is also important to note that there is a strong link between what employees can potentially do and what leaders can potentially do for them in order to enhance their performance prospects. Critical evaluation of all this has led us to understand that leadership styles could be of greater significance towards task performance. Influence and inspiration from leaders can significantly boost employees morale, confidence, commitment, and drive towards achieving organizational targets through enhanced performance. Task performance, which concerns primarily with the core of how an employee results in the assigned tasks and responsibilities, is highly critical for businesses to enhance their productivity and performance. Performance is an important aspect of employees which helps an organization to foster its targets, gain competitive advantage and sustain profitably.

## 2.2.2 Organizational Citizenship Behavior

Organizational Citizenship Behavior (OCB) refers to those behaviors which contribute organizational wellbeing across the time, across the person and in aggregate (Organ, 1988).

Organ is popularly known as the father of the OCB concept. Based on the explanations of Katz (1964), Organ (1988) worked on the idea of OCB whereby he referred it as a discretionary based individual behavior that does not result out of any reward of recognitions and potentially results in enhancing the organizational effectiveness. These discretionary efforts are mainly not part of an individual's job description which at times pushes people to engage in extra role behaviors at work (Mamman, Kamoche, & Bakuwa, 2012).

There have been different explanations forwarded for Organizational Citizenship Behavior for instance, extra-role behavior (VanDyne & Cummings, 1990), organizational spontaneity (George & Brief, 1992), and counter role-behavior (Sraw & Boettger, 1990). OCB generally is referred to facilitate towards organizational effectiveness. According to VanDyne, Graham, and Dienesch (1994) that Organizational Citizenship Behavior has been redefined and so theorists not just view it in the perspective of in-role performance but also in the extra role behavior and political participation in the organizational affairs.

The in-role performance perspective of organizational citizenship behavior explains how employees with high OCB can contribute respectively. Some authors and scholars in the area have underlined organizational citizenship behavior as a component that directly supports and influences organizational outputs (Podsakoff, Mackenzie, Moorman, & Fetter, 1990).

According to Koys (2001) that organizational citizenship behavior has a growing significance as a performance prospect as it notably helps in facilitating organizational wider goals and objectives for enhanced effectiveness. The author also proved empirically that organizational citizenship behavior can be enhanced by different employee prospects like job satisfaction. Accordingly, organizational citizenship behavior has been examined whereby researchers have outlined numerous components affecting it such as organizational engagement (Saks, 2006; Kopperud, Martinsen, & Humborstad, 2014; Ilies, Nahrgang, & Morgeson, 2007; Li, Sanders, & Frenkel, 2012), Justice (Moorman, Blakely, & Niehoff, 1998), Leadership styles (Podsakoff *et al.*, 1990), organizational monitoring (Niehoff & Moorman, 1993), organizational commitment (Mamman *et al.*, 2012). Organizational citizenship behavior to a larger extent relies on the will of an individual. People at the work place may choose to exert discretionary willingness towards some extra roles and responsibilities (DiPaola & Tschannen-Moran, 2014).

Individuals with OCB express five behaviors in common which are called Altruism, Courtesy, Sportsmanship, Conscientiousness, and Civic Virtue (Wang, Hinrichs, Prieto, & Howell, 2013).

Altruism refers to facilitating and supporting other individuals or showing a desire to help others without any expectation for reward or acknowledgement. People with high OCB generally tend to support other colleagues or office mates during turbulent situations without any expectation for compensation (Podsakoff *et al.*, 1990) in groups such people express willingness to assist and support other employees in their own tasks in order to keep them at ease.

Accordingly, courtesy is explained as polite behavior towards other people. These people may or may not be in close association but generally, in the context of OCB, a courteous behavior of an individual is generally posed towards others working in the same organization. At work, courteous behavior facilitates colleagues to indulge in positive behaviors such as guiding them towards work, advising them for issues (if any) and so on. Consequently, sportsmanship is referred as a negative behavioral expression when something willingly or unwillingly goes against the plan. Sportsmanship behavior is generally termed as an important component of OCB, especially when it comes to handling aspects of work like arguments and disentanglements (Organ, Podsakoff, & Mackenzie, 2005).



In the similar verge, conscientiousness is expressed as the behavioral component that is concerned with the additional amount or level of self-control which is generally not needed in normal situations. This type of behavior is expressed when an employee does more than required in aspects like coming to work on time and completing assignments in advance etc. According to (Organ *et al.*, 2005) employees with conscientious behavior are noticed to be advance planner and goal setters for work tasks. Lastly, literature on organizational citizenship behavior suggests that civic virtue is another behavior that such individuals exert. By definition, civic virtue means how appropriately and responsively, the individual represents its organization.

Mover, civic virtue becomes more evident when the individual expresses about the organization out in public. Literatures have suggested that employees with high civic virtue show higher commitment and tend to work in a more productive manner which ultimately enhances performance (Marshall, Moncrief, & Shepherd, 2012; Mackenzie, Podsakoff, & Fetter, 1991). Islam, Ahmad, Ahmed, and Mohammad (2012) in their empirical study on the 5 types of OCB in the banking sector have outlined that organizational citizenship behavior is very important for the effective bank performance. Additionally, they also suggested that employees need to have citizenship behaviors in order to work with effectiveness and efficiency. Empirically, the study found that altruism, conscientiousness, and civic virtue to be the most significant enhancers of citizenship behaviors. The findings suggested that out of the 5 these three contributed the most in their study on the banking sector of Pakistan. In terms of the impact on organizational citizenship behavior, study by Chen and Yang

(2012) suggests that leadership style and type can have a greater influence on individuals to push them towards doing something that is beyond their conventional job descriptions. The study also outlined that when people perceive that their leaders are supportive and encouraging; they automatically end up developing citizenship traits within themselves.

In the similar fashion, book on organizational citizenship behavior has outlined that people often team out to work for the betterment of organization in terms of their image, teambuilding, community service and image building. Such individuals are generally the ones who are called high in organizational citizenship behavior. The book also mentioned that it is important to understand the citizenship behavior which may vary from one employee to another but they will certainly be focused on expressing civic citizenship behaviors. Moreover, the authors also suggested that different organizational and individual components influence OCB and hence it becomes important to see what impacts employees more in particular such as leadership style, work climate, fairness, supportive behaviors etc (Organ *et al.*, 2005).

Similarly, recent study by Dipola and Tschannon-Moran (2014) has suggested that numerous factors can influence organizational citizenship behavior out of which leadership and supportive environment are the critical ones. More importantly, the paper also suggested that OCB significantly enhances workplace climate through making it encouraging, healthy and contributory to further the organizational effectiveness. Accordingly, study by Bonaparte (2008) that organizational citizenship

behavior is important for organizations particularly in this globally age whereby organizations are struggling to survive and sustain competitively.

Critical review of the explanations on these behaviors suggested that organizational citizenship is a matter of discretionary efforts and hence is voluntary in nature. The review suggest that organizations need to enhance and foster OCB through educating employees on the potential benefits and prospects but above all, create such a working environment that encourage civic behaviors. The review also suggested that there is a strong correlation between organizational effectiveness and OCB practices and behaviors employees with these behaviors contribute responsively towards organizational well-being. It is also important to note that these features on a general scale are also important to examine and evaluate how employees associate themselves with the work and organization as a whole. OCB practices can also help us to outline employee connection with the organization and its betterment. More importantly, OCB behaviors can considerably help organizations to critically appraise their performance and productivity potential in the competitive global economy. The review has outlined that OCB behaviors are becoming increasingly important and it will not be a surprise if businesses start considering them on serious grounds particularly while evaluating employees' overall performance on a regular basis. However, the present study was conducted on single dimension as job performance merging together the items of task and organizational citizenship behavior.

## **2.3 Independent and Moderator Variables related to the Study**

This section of the study concentrates on the explanations pertaining to the independent variables, under which, the independent variables namely transactional leadership, and transformational leadership have been defined and discussed in detailed. This has been followed with the explanations of the moderating role of performance appraisal politics on the proposed relationship of the study.

### **2.3.1 Leadership Styles**

The process of influencing others an organizational culture and the distinctive or characteristics manner in which one performs (Marquis & Huston, 2009). A leader is one or more people who select, equip, train, and influence one or more followers who have diverse gifts, abilities, and skills. Leaders focus the follower(s) on the organization's mission and objectives, causing the follower(s) to willingly and enthusiastically expend spiritual, emotional and physical energy in a concerted, coordinated effort to carry out the organization's mission and achieve its objectives (Wolverton, Gmelch, & Sorenson, 1998).

Leadership can be defined as the practice of having influence over the group's activities to achieve the objectives. To carry out the task of leadership, managers try to affect people under their supervision and try to motivate them directly for achieving the organizational goals and objectives. To create motivation to staff in such a way, that they do with their activities and work in the organization with

eagerness and achieve goals. According to Salmani and Taatian (2010) leadership styles are responsible way for forming and establishing realization among managers and employees leading towards higher level of motivation and their job performance. Managers with transactional and transformational leadership styles are supposed to essentially show elasticity relative enough to esteem the eagerness of workers, distinguish inspiration desires of the people, and choose an appropriate style of leadership in harmony to situations and then get into action regarding individuals under the direction to understand definite objectives.

The literature offers several definitions of leadership. This diversity of definitions may be related to the complexity of the constructs that are used to describe it and also to the environmental context of the definitions, e.g. the military, sports teams, religious groups, etc. (Parry & Thomson, 2002). A study conducted by Winston (2003) examined 26,000 articles which pertain to the concept of leadership. The study retained 160 documents and generated an inventory of over 1000 leadership constructs grouped into 92 categories like definitions and scales. The author does not provide a definition of leadership per se but describes the characteristics of a leader. A leader is one who selects, train, equip and control one or many followers who have a variety of abilities, gifts and skills. The Leader focus the follower(s) towards the mission of the organization and objectives set, causing the follower(s) to keenly and excitedly spend saintly, affecting and physical vigor in a rigorous, synchronized endeavor to carry out the goals and objectives of the organization. Along with several other authors such as Bass (1985), Northouse (1997, 2015), Jung, Bass, and Sosik

(1995), and Avolio (1999) underlines one of the main attributes of leadership, the ability to influence subordinates' behaviors, actions, attitudes and ways of thinking in order to achieve organizational goals.

The success of the organization depends on the qualities of leader and employees performance through efficient use of resources (Barrow, 1976). A high quality leader knows the value of the employees to achieve the organizational goals and believes in motivating employees with superior importance to achieve the organizational goals. It is generally believed that leadership plays a vital role in the success of the organization and ignorance to it will directly affect the performance of the organizations and different cultures (Howell & Avolio 1993; Fiedler & House, 1988; Taleghani, Salmani, & Taatian, 2011). Moreover, it is accepted at large that it is the leader's qualities to enable the group effective and it is the leader's behavior that realizes and facilitates the followers' desires, which ultimately translates it into performance in actual form (Everett 1987; Fowler 1991; Ristow, Amos, & Staude, 1999; Maritz 1995; Fiedler & House, 1988; Hamstra, *et al.*, 2015). According to Cummings and Schwab (1973) the leadership is one of the organizational variables that has been largely studied and has potential impact on the employee performance.

This concept of leadership has been of prime importance for organizations. It has been associated with the facilitative dimension of knowledge management (Bass & Avolio, 1993), has had an impact on performance management (Jung & Avolio, 1999), has played an important role in succession planning (Lam, 2002) and, most importantly,

has been a factor in the development of professional judgment. Leaders who have the ability to influence others in order to achieve organizational goals and foster positive outcomes have been recognized as providing quality decisions which increase subordinates' commitment to outcomes (Goleman, 1998). Most definitions describe leadership as a composite of individual dimensions and attribute felt and observed by a group (Adams & Yoden, 1995).

According to Bowman and Kogut (1995) the organizational structure has significant impact on the performance of human resources. In addition Hersey and Blanchard (1996) found that maturity is one of the key and basic factors to find out effectiveness of leadership. They relate maturity as capacity which sets the standards very high and attainable goals, willingness, experience, capabilities and taking full responsibilities for individuals and groups. The key role of the leader does not merely include hiring, evaluating and rewarding but also taking decisions related to personnel, funding, tenure and budgeting, apart from to understand the complete structure of departments (Wolverton *et al.*, 1998).

Hence, it is indeed important to evaluate the performance of the leader by inquiring about various functions he or she conducts in the organization. The effectiveness of the leader can be seen and formulated by observing his/ her achievements of the objectives and how the resources are utilized skillfully in order to get maximum output. Besides that dynamic leaders have main role impacting the performance of the followers in the preferred way of achieving desired objectives. Organizational

performance can be affected in various ways of leadership adopted (Nahavandi, 2002). Status of the organization is mainly influenced by the success of the departments and the head of the organization is supposed to be the key person behind the picture of whole success. As a result it is important for the head to keep his or her group of people satisfied by his attempts to keep continuing his departmental success. Therefore, in the given scenario as the role of leader is vital to the success of the organization.

Leadership style characterizes a leader through relatively consistent pattern of behavior (Andrew, 2001). Although, the performance related to the leadership management was considered significantly by the researchers of this particular domain, but the philosophical and systematic foundation of leadership style is still dotted and unclear. In the last decade, many scholars have tried to investigate the power of different leadership styles but most of the researches inferred that only transformational leadership and transactional leadership are the most noticeable (Whetstone, 2002; Ehrhart, 2004; Dvir, Eden, Avolio, & Shamir, 2002; Avolio & Bass, 2004; Chookruvong, 2000).

According to Gardner and Stough (2002) transformational leadership is more effective in comparison to transactional leadership style. Lowe, Kroeck, and Sivasubramaniam (1996) argued that these two leadership styles; transformational and transactional cannot be termed as the contradictory leadership styles. One leader may act both as a transformational and transactional in style. The assumption that



transformational leadership is more effective in comparison to transactional leadership is supported by some strong evidences (Bass, Avolio, Jung, & Berson, 2003; Dvir *et al.*, 2002). According to Bass *et al.* (2003) and Dvir *et al.* (2002) transformational leadership is more correlated to the high level of efficiency and effectiveness in comparison to transactional leadership style that is a smaller amount connected with efficiency and output.

Argyris and Schon (1996) Glynn (1996) Hurley and Hult (1998) stated that transformational leadership motivates the individuals to bring innovation in processes, adopt positive changes, and create a dynamic learning environment that would ultimately improve the overall organizational and individual performance. In the controlling part of management decision making the transformational style of leadership does not emphasized heavily on the punishment and contingent reward system but the transactional leadership style is more related to such controlling decisions (Waldman, Bass, Francis, & Yammarino, 1990). Moreover the leadership style that is based on change adoption and change management always sets up a cohesive understanding to succeed in learning the business dynamics and human resource practices and it has a big impact on the attitudes and behaviors of the followers. Transformational leadership redirects the attention of the intellectuals towards the new challenges and problems in real scenario in the organizations.

Although both the leadership styles have concentration on their group of people who are perusing the institutional desired objectives but transactional leadership style is

related towards giving the feedback related to their performance and transformational leadership drives the followers to achieve the set objectives (Kelman, 1958). This is only the concentration of the leader that makes distinctions between transactional leadership style and transformational leadership style. Besides this transformational leaders support the followers with the recognition and internalizing the process whereas transactional leaders use obliging agreement. It is well clear that the transformational behaviors try to get better effectiveness of the leader in addition one can achieve throughout transactional leadership style. Almost all the studies conducted on transactional leadership styles have found not much about leader behaviors in so far as different in performance and other parameters of standards. Thus, mainly the transactional leaders keep providing the performance feedback, while extraordinary leaders play the active part towards transformational leadership conduct as well.

Leadership could be expressed in number of ways and is therefore commonly referred to as leadership style (Avolio, 1999). Although literature has suggested that there is existence of several leadership styles. However out of many, two have received more attention in the literature over the last 25 years, these two leadership styles have been named as transactional and transformational styles of leadership. Leaders whose primary focus is in meeting organizational requirements by completing tasks by coordination and planning by rewarding system which motivates the employees to achieve work-related tasks exhibit a transactional leadership style (Yukl, 1998). Other leaders put the emphasis on people, they develop and maintain relationships with

subordinates and are primarily concerned about their well-being. These leaders show trust, confidence in subordinates' abilities, and consideration in order to support subordinates' efforts to succeed. They are referred to as exhibiting a transformational leadership style (Yukl, 1998). Burns (1978) has been identified as one of the first to establish the distinction between both transactional and transformational leadership styles. Author associated the former with a tendency to reward followers' performance and punish non-performance. Burns characterized transformational as focusing on promoting attitudinal changes that foster participation, create vision, create a climate of trust, bring change and create powerful networks among followers.

Later, Bass (1985) expanded on these concepts by labeling transactional leaders as goal achievers and transformational leaders as individuals who promote empowerment. Taryl (2002) further distinguished between these two styles by stating that transactional leaders influence followers by setting goals, establishing desired outcomes and exchanging rewards for accomplishments. Transformational leaders, as stipulated by the authors, influence followers by elevating followers' goals and giving them the confidence to perform beyond expectations through implicit and explicit agreements. Both transactional and transformational approaches are considered generic leadership styles. Thus, each comprises several sub-styles which, in many studies, have been used as constructs for these generic leadership styles. Contingency reward and management-by exception are two transactional sub-styles (Bass & Avolio, 1996; Waldman *et al.*, 1990). The former is associated with leadership

behaviors such as providing regular, strong and direct constructive feedback (Pawar & Eastman, 1997).

Leaders identified with this sub-style establish clear expectations for outcomes and rewards (Lowe *et al.*, 1996). They exchange rewards and recognition for accomplishments (Bass & Avolio, 1996). They also actively monitor employees' progress and provide supportive feedback (Parry & Thomson, 2002). The latter sub-style focuses on exchanges intended to support followers to keenly avoiding to commit mistakes (Bass & Avolio, 1996). The leaders who use this style do not hesitate to take corrective action and set clear standards. However, they are usually well known for letting problems arise before initiating corrective action. They enforce rules and have a low tolerance for any challenge to the status quo (Bass & Avolio, 1996). Leaders identified with these sub-styles are perceived as strong organizational monitors of outcomes and team processes (Bass & Avolio, 1997).

Individualized consideration leaders, inspirational motivation leaders, intellectual stimulation leaders and idealized influence leaders are considered transformational leaders (Bass & Avolio, 1993). Individualized consideration leaders focus on individual employee needs. They are usually perceived as connecting with employees, being genuine and caring and showing compassion (Bass & Avolio, 1993). They are especially recognized as managers who encourage employee development (Bass & Avolio, 1996). Inspirational motivation leaders help employees to understand the vision of the organization (Bono & Judge, 2003). They align individual and

organizational needs, help employees exceed expectations (Chen & Kilmoski, 2003), and create a strong sense of purpose among employees (Bass & Avolio, 1996). Intellectual stimulation leaders encourage creativity and challenge traditional ways of thinking (Bass & Avolio, 1993). They promote risk-taking for potential gains and thrive on differences (Bass & Avolio, 1993). Finally, idealized influence leaders ‘walk the walk’, exhibit great commitment and persistence in pursuing objectives, demonstrate an embracing vision, and foster trust and confidence among employees (Bass & Avolio, 1996). It is imperative to remember that leaders are rarely purely transactional or transformational in their leadership style (Jung & Avolio, 1999). Most possess components of the two styles, but organizational factors, situations or contexts may make one or the other emerge and become more dominant (Kuchinke, 1999).

The underlying principle of this study is to find out the impact of leadership styles on job performance. Leadership and performance character are exceptional to have not only involving management in a company, but amongst the employees as well. Many people tend to have a tendency to be leaders, whereas some discover victorious leadership behaviors and going to be successful leaders. Leader is the ability to persuade others in a group. Leaders desire to control things go on with or make change. Anyway, it must be one with definite skills to do the job (Cacioppe, 1997).

From the above discussion it seems that leadership is a process which transfers from individuals to its followers. This resulted, to increase the aspiration and enthusiasm

for the accomplishment of desired targets and objectives. This is the ability of the leader for the group to persuade goals as desired by the organization. The relationship between a leader and subordinates is based on exchange relationship. Moreover, the role of leader is to establish values, vision, and creating the environment for the purpose to complete the objectives. The leader should induce the subordinates by conducting meetings, consultations, negotiations, and compromises for building self-confidence in the staff. This could results direct influence on job performance not only but helps to achieve targets and maximize the gains for the organizations. The objective of the leader of today is to monitor the leadership styles which affect motivation level and finally the success of organization by delivery of performance.

In addition, the leaders today are faced with considerable challenges in their roles globally around them due to increasing complexities. It is believed in the present scenario that the firms nowadays have become the toughest business (Zaccaro & Klimostki, 2001).

Stogdill and Coons (1957), and Spector (2011) described leadership as the personality behavior that guides the followers to attain the common goals. Gardner and Avolio, (1998) highlighted that good leaders not only inspire the followers' efficiency but they achieve personal desires as they achieve the organizational targets. Similarly, leadership is a major factor to enhance organizational performance and meeting its objectives successfully. To understand this it seems a well-built connection linking leadership styles and performance of the organization (Venkataraman, 1997). In

addition, some studies recommended that efficient leadership behaviors can make easy improvements in performance when organization looks these latest challenges (McGrath & MacMillan, 2000; Teece, Pisano, & Shuen, 1997). “even though, organizational performance refers to the ability of an enterprise to achieve such objectives as high profit, quality product, large market share, good financial results, and survival at pre-determined time using relevant strategy for action” (Koontz & Donnell, 1993).

According to Barrow (1976) leadership behaviors and flexibility seem causal determinants of job performance. Fowler (1991) and Everett (1987) indicated that managers’ behavior all the time related with job performance and leadership style as power predictor towards organizational efficiency. According to (Howell & Avolio, 1993) leaders and their styles are the major predictors for institutional success and for the business performance. Apart from that organizational structure has also impact on the performance of human resources as stated by Bowman and Kogut (1995). Other researchers (e.g., Hersey & Blanchard, 1982) have stressed on work settings with leadership style to produce and calculate effectiveness. In view of (Hersey & Blanchard, 1996) the main factor of leadership is in identifying effectiveness of leadership by looking at maturity level. According to them maturity is ability which helps not only in setting high and achievable goals but it increases capabilities, keenness, experience and takes responsibility for the groups and individuals.

The role of the leader is to take all the key decisions that could help directly in the accomplishment of tasks and attainment of set goals and along with this the leader also knows the effects of his decisions of the department as a whole (Wolverton, 1990). Actually the concepts of accomplishment and achievement and task completion and execution, all are originated from the word “performance”. Thus, the performance of the leader can be evaluated on the basis of efficiency in his/her functional performance and effectiveness in his/her goals achievement, task completion, and also how he/she is proficient in resource allocation in practice.

For better performance of the organization to reach the target and use survival strategies that might be more practical aims; everything that you need the right and effective leadership style (Rowe, 2001). In addition, the organizational performance can also be seen as an enterprise does, be in relation to the market share, profit amount, and product quality compared to other enterprises in the same industry. As a result, it is evaluated in terms of sales, growth, profit, expansion and development of organization is a reflection of the performance of members of a company. To understand the impact of leadership on performance is the most important factor, because leadership is seen to improve as one of the key drivers of a company's performance by different experts. In addition, sustainable competitive advantage for the improvement of organizational performance is highly related to effective leadership and known as potential source for management development (Rowe, 2001; Avolio, 1999; Lado, Boyd, & Wright, 1992).



Leaders with vision, on the other hand, create a strategic vision of the future state vision, communication design and the use of metaphor and model of vision by working continuously and make a commitment to the vision. (Avolio, 1999; McShane & Glinow, 2000). Zhu, Chew, and Spangler (2005) showed that the leaders will lead to higher levels of trust, cohesion, motivation, commitment, and therefore the strength of the new regulatory environment increase. It was believed that many of the people that they can provide a competitive advantage and thus leading to the people of the performance in the organization. Employees who have a significant role in the success of a business (Collis & Montgomery, 1995), the performance of employees who have been shown to have a positive impact significantly on the operation of the organization (Collis & Montgomery, 1995), one of the main barriers occur when corporate managers believe their organizations working at the highest levels of performance on an ongoing basis to the involvement of employees (Foot & Hook, 2008).

It can be seen that the performance of each individual with a broad impact on the objectives of the organization and is necessary so that the performance of all employees should be managed. The overall objective of all managers is to enhance the output and efficiency to achieve high outcomes in organization. According to Boyett (2006) job satisfaction, achieving recognition and finally professional growth is the basic component to bring improvements in the performance. Therefore, managers must understand their needs and professional associates.

### **2.3.2 Transactional Leadership**

A leadership style that recognizes the needs of followers and clarifies the ways that these needs to be satisfied against the performance of the follower at the optimal level of efforts towards the desired objective (Bass & Avolio,1995).

Transactional leadership is divided into two different transactions: constructive transactions and corrective transactions. Constructive transactions occur when leaders define tasks to be performed and compensation that is to be expected if the task is accomplished. Corrective transactions are the one in which leaders correct the mistakes when they occur or when the mistakes have been highlighted. There is negative feedback system linked with transactional leadership. The leader tends to respond to the activities performed by the followers on the basis of pre-arranged agreements.

Transactional leadership is a type of leadership styles that is usually exhibited in today's business world and is characterized by a reward system for their subordinates, that motivate them to meet organizational goals in return of that reward (Humphreys, 2001). The transactional leadership style involves an exchange between the leader and the follower, where both tend to receive something of value. Often the leaders receive work meeting the organizational goals and in turn followers receive financial rewards. Transactional leadership is defined by Burns (1978) into two different parts. The first part defines different transactions that might occur and the second part explains the

underscoring nature of transactional leadership in terms of leader-members relationship.

The definitions' first part explains an exchange between two people involving one person taking initiatives in making contact with other people for the purpose of exchanging value (Zaleznik, 2004). The exchange could be political, psychological or economical in nature: an exchange of one good for money or swap of goods, a trade of votes between the citizen and candidate or between two legislators, exchange of hospitality to other person in willingness to listen to troubles of one another (Zaleznik, 2004).

Burns (1978) further describes that there is no depth in relationship outside the transaction or exchange that takes place. The exchange of goods with services is the end of relationship and there is not further development that relationship will exist. With both the definitions, transactional leadership is the exchange between the leader and members, who involve both the parties influencing each other in a way that each party tends to receive something of value. For instance, an employee wins a trip as an award and the employer gets an employee who makes specific number of sales or gives specific number of services. In such type of situations, the leader tends to give employee which is of value for that employee in exchange of something that he or she wants. In this leadership style nothing more is expected. They are mutually dependant on each other and the contributions of each side is rewarded and recognized. Transactional leadership style is usually used as it has proved to be effective in

encouraging and motivating employees for the achievement for organizations' short-term goals (Lussier & Achua, 2004).

This style of leadership is comprised of behavior of an exchange between the leader and follower, where rewards are always linked with the effort and output produced by the subordinate (Burns, 1978). Bass (1985) has mentioned two types of behaviors of transactional leadership styles; contingent reward and management by exception and punishment. Contingent behavior is related to positive feedback by the supervisor. This type of behavior is related to criticism and negative feedback by the leader subject to unsatisfactory performance by the subordinate. The risk of punishment makes a transactional conduct which differentiates this from "arbitrary and punitive and behavior" stated by Kohli (1985).

Transactional leaders make their subordinates happy by rewarding them with the best possible way of identifying their desires (Wegner, 2004). Transactional leader has a concerned of a stable environment and with less competition (Tichy & Devanna, 1986). According to Zaleznik (1977) transactional leaders are those who set goals for their followers, allocate tasks, and get the work done. Finally reward the followers who perform better and punish those who do not perform. In the organizational behavior studies, they have widely used the type of transactional leadership style as effective style which can motivate the followers to enhance their inspiration to achieve the objectives of the organization. Burns (1978) as a pioneer to the study on

transactional leadership pointed out those transactional leaders are motivating their followers through appealing them to their self interests.

Bass (1985) argues that the leadership in the research has been usually conceptualized as a transaction and cost-benefit-sharing process. The theories of transactional leadership are based on the idea that leader-follower relationships are based on a number of exchanges or implicit bargain between leaders and followers founded the basis. Transactional leadership is characterized by behaviors and attitudes that emphasize the quality of exchanges between superiors and trailers. According to Bass and Stogdill (1990) the achievement of tasks and goals are the responsibilities of the leaders who are the main factor to motivate the followers to identify the objectives and developed confidence to meet the desire of high performance levels.

The relationship between leader and follower while talking about transactional leadership is based on a number of bargains and exchanges. Those leaders can be efficient to the degree that they make clear expectations and objectives, but in general overlook to spotlight on the improvement of the possible long-term effect (Bass, 1985). Further in particular, transactional leadership course of action exchanges amid between leaders and subordinates. The aim is to increase compliance with organizational regulations and follow the leader (Yukl, 1998).

From another viewpoint, dominant leadership is known as transactional, while it sees the rationale for the optimistic relationship connecting the beginning of formation and

performance, and between contemplation and fulfillment, in the deliverance of precious resources to the group by the leader. It is believed that this has been named because it is the leader is an essential part of group. Group members accept such leadership, because it benefits them in a way that is hard to replace. It looks as if the transaction is between the leader and the founding members of the first offer some services are of high value, and the second accept him / her authority in return for demonstrating in the public greater passion for this person more than any other member of the group (Molero, Cuadrado, Navas, & Morales, 2007). Kark and VanDijk (2007) argue that transactional leadership would spotlight on external opportunity and obligation, and would foresee followers' avoidant motivational direction. Transactional leadership, which involve contingent rewards and management by exceptions, has been described as controlling and as hinder followers self-determination (Sheldon, Turban, Brown, Barrick, & Judge, 2003; Gagne & Deci, 2005; Shah & Hamid, 2015b). Further particularly, these scholars claimed that transactional leadership's highlighting on extrinsic benefits and on monitoring followers working actions will generate a controlling situation in which the supporters practice high compulsion and low self-rule.

According to Felfe (2003), transactional leadership aims to make a process of social exchange between the leader and followers to discuss what are the requirements and the necessary resources to achieve the target. The leader and followers influence each other in a sense of the task responsibilities of the organization. There is a business relationship between the leaders and followers in the business transactions, so the

followers accept obedience and support the recognition of norms and the necessities for team work. In the philosophy of “give and take” the leaders are being able to impose decisions on the strength of achievable performance. Generally, executives with transactional styles put emphasis on setting of goals and give directions that make clear structures and control. In this part, the tactic is positive or negative conditional support depending upon performance that executives attain throughout the mechanism of transactional leadership. Bass and Avolio (1994) pointed out transactional leader’s role to attain following components:

### **2.3.2.1 Facets of Transactional Leadership**

The transactional leadership is based on leader member exchange theory; accordingly, this relationship relies on leader member exchange on a fair and equitable basis. “Transactional leadership occurs when the leader rewards or disciplines the follower, depending on the adequacy of the follower’s behavior or performance” (Avolio, 1999). The transactional leadership consists of the following three facets.

#### **i. Contingent Reward**

The contingent reward could be referred as “dependent reward” enabling followers for analysis of consistent behaviors of their leadership. According to Bass and Avolio (1995) the contingent rewards offers the basics for transformational leaders. According to Avolio (1999, p. 49) “The leader assigns or secures agreements on what

needs to be done and promises rewards or actually rewards others in exchange for satisfactorily carrying out the assignment” (Avolio, 1999, p. 49). In this style of leadership, the leader aligns follower’s needs and requirements with reward for goal attainment. Therefore, this leadership enables trust among followers with regards to rewards provision; these leaders can be either at top level or middle management such as managers and supervisors.

**ii. Management by Exception (Active)**

Management-by-exception-active leaders are proactive and will monitor activities and intervene to ensure organizational standards are being met, and mistakes do not occur. Management-by-exception-active leaders will also take corrective actions in order to improve performance and standards (Bass & Avolio, 1990).

**iii. Management by Exception (Passive)**

Leaders whom are considered management-by-exception-passive are known to be reactive, intervening only when problems occur, performance is low, or standards not being met (Howell & Avolio, 1993). Studies have shown criticism, negative feedback, and punishment in case there is intervention from those who exhibit a management-by-exception-passive leadership style (Bass & Avolio, 1994).

Management by exception explains transactional leader as a reactive leader that responds when there is something wrong (Bass, 1990). The leaders practice



management by exception in either active or passive way. The transactional leaders who practice management by exception in the active form usually take actions before things go wrong. However, on the contrary, those leaders who take action after things go wrong are the ones that practice management by exception in its passive form. Looking into these classifications, Bass and Avolio (1994), stated that “The active manager arranges to monitor and correct deviations; the passive manager waits for them to occur before taking corrective action”. These components demonstrate a wide range of behaviors that transactional leaders exhibit. Bass and Avolio (1994) have further argued that transactional leadership, in addition to transformational leadership, puts more efforts to help their followers. Further, adding these scholars have reported that as a result the transactional leaders bring more fruitful results when compared with other leadership styles calling this as an augmented effect.

Bass (1998) stated that the contingent reward was found to be sufficiently effective to a higher level of development and performance. With this system, the leader assigns or gets conformity, what to do, and it promises rewards or actually rewards people have in minds efficiently carried out accordingly. The management-by-exception, passive leader intervenes only after the non-compliance of the standards, or if an error has occurred.

Transactional leadership involves contingent strengthening where supporters are motivated by the leaders’ promises, prizes and rewards. Altogether, the leaders whether to perform the trailer, what the leader and follower "settled" respond to do

(Bass & Steidlmeier, 1999). This may take the form of employees were pleased consequently and leader make clear followers through direction or involvement (Tatoglu, Demirbag, & Erkutlu, 2008). According to Hollander (1993) the followers of which function under transactional leaders would have more authority and capability to control the potency of the leader's style and actions of group. On the other hand, this type of lead may take the form of passive management, especially where passive control practice leader, except in waiting issues or problems to surface before taking corrective action (Burns, 1978, Northouse, 2001).

Transactional leadership and contingent reinforcement go together (Bass & Avolio, 1994). Good leaders with transactional style are known as good negotiators, dictatorial or aggressive, so that they get the highest advantage from the monetary impact of the relationship which is created by them. This advantage, however, is sub-optimal from the view point of other superior value-added partner, because it produces homogeneity, which includes formal demand activities (in-role behavior) (Cardona, 2000).

In the opinion of original work of Burns (1978) he stated that both leadership styles transactional and transformational are with different concepts. He described that the individuals or groups have different interests and they are together potentially or presently to achieve the optimal level of goals. This can further be realized by testing the significant change which depicts the interest of both leaders and their followers.

The scholars following Burns continued this difference. Bass (1985) stated that transactional leadership is based on two main factors which represent its behavior (contingent reward and management by exception). Management by exception has again active and passive parts. Bass seems that contingent reward is more dominant. Prototypical transactional style managers might study their followers about their expectations and the compensation they are expecting in exchange of fulfilling the desired outcome (Carlos Pastor & Mayo, 2008).

Transactional leadership is in contrast to transformational leadership on the point that transactional focuses on contingent reward and transformational emphasis on interpersonal influence. Transformational leaders are engaging followers and broaden the interests of the employees, when they origin the awareness and recognition of the mission and purpose of group, and as they mix their workforce to appear ahead of their own interests in the best interest of their group (Bass, 1990). Alternately, transactional leadership is often described as having a quid-pro quo nature, emanating from the leader's capability to manage way in to rewards of organization and the formation of contingency between the efforts of followers' toward the achievement of organizational set goals and delivery of such rewards. This difference in between transactional and transformational styles of leadership is evocative of the description in between leadership and management.

In brief, the manager and the process can be based on the quality of leadership concepts for exchange between subordinates is concerned solely with the results for

transactional leader. This leading external change negotiations and follow the will of the leaders so that they focus on the work of its management control the actions of his collaborators. Transactional leaders can influence their employees on the basis of extrinsic rewards and punishments, transactional leadership occurs when the leader rewards or disciplines the follower depending on the satisfactoriness of the performance practiced.

### **2.3.3 Transformational Leadership**

This leadership style is the one that seeks to uplift the wishes of the individual follower for their desired achievements and also for self-development, on the other hand it promotes development for the group as well as the organization (Bass & Avolio, 1990) and motivating the followers to produce the output more than it is desired originally expected (Bass, 1985).

Transformational leaders as a role model influence their followers, and they act for next coming leaders. These leaders provide encouragement and encouraging inspiration to their subordinates. They also exhibit individualized consideration, acting as coaches and mentors, contribute to the development of their subordinates to reach high skills and goals, and make struggle to meet up their subordinates' requirements for development and success. Finally, transformational leaders present intellectual stimulation by cheering and inspiring to become innovative and creative to see their issues from different angles, and to form diverse ways for resolving those

issues. They give confidence to their subordinates to face challenges and try different approaches to achieve success (Bass & Riggio, 2006). Therefore, the transformational leaders build up a strong stand to transport a transformational change in organization. The study conducted by Alimo-Metcalfe and Alban-Metcalfe (2005) considered an extensive study which is based on more than 3,500 respondents in United Kingdom by using 360 degree feedback method reinforced the argument that the ability of the leader, specifically transformational leader is crucial at all levels of organization and very critical to cope up changes for organizational development.

Kuhnert and Lewis (1987) stated that this kind of style will be applicable, where the end values of the leaders are adopted by the individuals who follow them as role models in their practical life. This change in the attitudes and beliefs of followers will occur due to their role models. Transformational leadership is all about the dynamic organizational settings to bring efficiency and effectiveness in the organizational processes. The transformational leaders, who always believe on the dynamic human resource practices, try to increase the real value of followers through excellent performance and also the confidence level of the followers that further lead them to their higher level of motivation and work involvement (Seibert, Wang, & Courtright 2011). Piccolo and Colquitt (2006) stated that leaders with leadership style may change the mind set of followers of such leadership style through their behaviors. A study conducted by Zhu, Avolio, and Walumbwa (2009) has determined moderating role of follower characteristics with transformational leadership and follower work engagement. Transformational management requires that both leaders who like

changes in the organizational processes as per new business horizons and their followers have to raise each other's sense of encouragement and goals achievement.

In a study (Tsai, Chen, & Liu, 2007) conducted on relationship of positive mood as mediator between transformational leadership and success. Earlier intrinsic motivation and self efficacy was tested as mediator between transformational leadership and performance (Charbonneau, Barling, & Kelloway, 2001). Later, the study (Ilies, Judge, & Wagner; 2006) on transformational leadership, have suggested that there is need to conduct research to measure the relationship and understand impact of motivation towards charismatic and transformational leadership style. Empirical studies lining employee motivation to transformational leadership has led to mixed outcomes.

A self-concept-based model was proposed by Shamir, House, and Arthur (1993) which linked leadership with motivation of followers. The main focus of their theory was that transformational leadership style is effective because the leader increase collective identity, the intrinsic valence of work, and self-esteem. The theory was further tested by Shamir, Zakay, Breinin, and Popper (1998) with a sample of Israeli Defense Forces. They concluded that the self-concept-based theory was not able to receive much support from others. Some parts of theory were also tested by Judge and Bono (2001) and even though certain hypotheses were supported, the complete model failed to receive substantial level of support.

Fisher (2003) conducted a study by using MLQ scale through to evaluate the leadership attitude and behavior in a quantitative study process at two different points of time. Further, another study was conducted on quantitative survey to measure perceived organizational capability at the same time, before and after change took place. In addition, a case study was conducted for evaluating qualitative data in which pattern matching approach was in use, in this study data was collected through interviews and organizational documents.

Fisher (2003) conducted study with small and limited sample to study the organizations. It was noted by the researcher that the efforts involved in bringing change were incremental, planned and first order efforts, and like, might require additional time for a successful outcome. This observation suggested the utilization of a measure of effect of transformational leadership and leadership mentoring/coaching, other than the specifically difficult measurable of organizational effectiveness. In a study conducted by Allen (2007), the researcher focused on the transformational leadership behavior on the parts of Carlos Pastor's and the perceived readiness of congregations for change. The research asked the participants to rate their leader's demonstration of full range of leadership behaviors (Avolio & Bass, 2001) by using the MLQ (Avolio, Bass, & Jung, 1999) for identifying perceptions of readiness to change of the congregation and the extent to which the congregation consider creativity to be important. Allen's (2007) research shows that leader's demonstration of transformational behaviors has a positive relation with the perceived readiness of

organizational change and the perceived extent to which congregation has been valuing creativity.

Most importantly, research demonstrated that abstaining from hands off, passive-avoidant leaders' behavior is specifically essential for promoting the change perception among the subordinates effectively and that showing transformational leadership behavior is specifically essential for the creation of innovative and creative atmosphere.

Most common arguments about transformational leadership style is the organizations and all the stakeholders within the organizations cannot be avoided from the effects of such dynamic leadership style, as it is also emphasized in most of leadership theories (Bryman 1992). Similarly, the studies of Burns (1978), Bennis and Nanus (1985), Trice and Beyer (1991), Sashkin (1988), and Shah, memon, mirani, and Hamid (2016) also revealed that there is well-built effect of extraordinary leaders on the organization and job performance of subordinates which resulted this to remain a topic of interest in the theories of leadership. House and Shamir (1993) named extraordinary leaders as "charismatic leaders", where as, Bass (1985) states them as "transformational leaders". According to prospects (Podsakoff, MacKenzie, & Bommer, 1996 ) major measures of dynamic leadership that is also known as a transformational leadership are: fostering the recognition of goals, explaining a vision, defining individual's roles, and support and setting behavioral tasks aligned with



articulated image, ensuring the intellectual reflect on setting high performance projections.

Liao and Chuang (2007) and Walumbwa, Wang, Lawler, and Shi (2004) clarified that transformational style of leadership can positively visualize the performance, attitudes and behaviors all those who follow such leadership style on job. Even though, expected performance is resulted from transactional leadership style but the performance beyond the expected level may potentially be resulted from such dynamic leadership style because ambitions and aims of leaders and followers both will lead towards the common purpose. Both followers and leaders recognize themselves by searching goals that define aspirations. The leaders who follow the philosophy of transformational leadership style are very much energetic and enthusiastic. This can inspire those who like changes and want to adopt changes for the aggressive and competitive human resource strategies. They not only demonstrate their keen involvement and serious concerns in their tasks accomplishment; but they also show their passion and commitment in helping the others members in group.

According to Robbins and Judge (2009), the leader should be both transformational and transactional and pay attention to the concern of the development needs of individual followers so they are changing follower's awareness of issues by helping them to solve the old problems in new ways, moreover, they are able to excite, arouse, and inspire followers to put out additional effort to achieve group goals. Virtually all theoretical treatments of transformational leadership claim that, among its more direct

effects, are employee performance and commitment leading to the kind of extra effort required for significant organizational change (Yukl, 1989).

Transformational leadership is viewed as a more motivational approach to leadership than other managerial approaches (Colquit, Lepine, Wesson, & Wu, 2010). According to Burns (1978) the leader and followers should work for certain goals that show the values and motivations, so the leaders first should focus on the wants and needs of the followers as well as the leaders, therefore, the leaders show the aspirations and expectations of that work. Yukl (1999) argues that this leadership model omits some important behaviors known to be associated with effective leadership, such as influence behaviors. Influence is defined as “an interactive process in which people attempt to convince other people to believe and/or to act in certain ways” (Rost, 1993). Transformational leadership is often linked to high levels of effort (Seltzer & Bass, 1990). According to Bass and Avolio (1993), transformational leaders may make use of one or more of the following five facets:

- i. Idealized influence (Attributed)
- ii. Idealized influence (Behavior)
- iii. Inspirational motivation
- iv. Intellectual stimulation
- v. Individualized consideration

The five factors mentioned above have great influence on the level of performance; there is a strong relationship among the five factors in achieving the objectives of transformational leadership which lead to create the desire and motivation in the followers.

### **2.3.3.1 Facets of Transformational Leadership**

#### **i. Idealized Influence (Attributed)**

Idealized influence (attributed) referring to the degree, to which the leader is perceived as being confident and powerful and focusing on higher order ideals. Leaders with idealized influence may influence the outcomes of innovation through two related and complementary mechanisms: internalization and personal identification. Internalization refers to a process in which followers accept the leader's values as their own, whereas, personal identification occurs when followers seek to emulate a leader's behavior (Elenkov & Manev, 2005; Yukl, 2002).

#### **ii. Idealized Influence (Behavior)**

Idealized influence (behavior) describing the leader's charismatic actions that convey a sense of values and mission, inspirational motivation, and intellectual stimulation. Idealized influence occurs when leaders produce and respect the trust of their followers by doing the right thing than to make sure they do it right. By doing the

right things, they serve as role models. This role model is based on the charisma of the leader allocation. If a leader is thought to show some positive attributes (power perceived, values and focus on higher-order ideals), their followers will broaden an emotional tie in their leader. Managers with idealized influence can be respected and trusted by followers to build good decisions in favor of the organization (Bass & Avolio, 1994).

### **iii. Inspirational Motivation**

Leaders who are committed to inspiring motivation "raise the bar" for their employees by cheering them to reach performance level ahead of their own outlook. At the spirit of this part of transformational leadership articulates and represents the vision. If disciples have a positive attitude about the future because of the leadership behavior, they will be encouraged to carry out well. Managers with a source of motivation encourage team spirit to achieve the objectives of increasing revenues and market growth for the organization (Bass & Avolio, 1997).

### **iv. Intellectual Stimulation**

This involves engaging the challenge of reasonableness in their thinking and assumptions about the old problems in new ways. The leaders who engage in intellectual stimulation are no longer responding to all questions of their followers. Include leader behaviors such as challenge the assumptions of followers of viewpoint

and to examine the problems of subordinates and probable solutions. Managers with intellectual stimulation and critical thinking can better solve the organizational problems (Avolio, 1999).

**v. Individual Consideration**

Individualized consideration deals with treating employees as individuals, being apprehensive positive reception and respond to their needs and to recognize and celebrate their achievements. Leadership is a key issue in the field of organizational behavior. Leadership is one with the most active effects in individual and organizational interaction. The great leader must not only inspire potential subordinate to improve efficiency, but also meets their needs in the process of achieving organizational goals. Leadership includes consideration of individual needs and developing individual strengths of followers. Managers with individual examination encourage partners to achieve the goals that help both the members and the organization. Effective transformational leadership performance results exceeded expectations of the organizational performance (Hinkin & Tracey, 1999).

The leaders who use the transformational style usually motivate their followers by ideals and morals to achieve tasks, therefore, these leaders empower their followers with their own beliefs and personal strengths to inspire them, for example, Martin, Luther, King, and Walt Disney are famous leaders in the field of using Transformational style.

Transformational leadership is implemented when leaders involved broaden and elevate their sub-ordinates' interests, when they generate awareness and acceptance of the group's tasks and missions. This also happens when a leader creates the need within subordinates to look beyond their own self interests for the good of others but if there is an absence of this factor there is going to be effected on the level of achievement and performance. The positive influence of transformational leadership on organizational outcomes, such as employees, satisfaction, subjective and objective performance indicators are well established (Judge & Piccolo, 2004).

#### **2.4 Moderating Variable**

The moderator variable is a third variable, which changes the relationship between independent and dependent variable, either it strengthens or weakens the relationship between independent and dependent variable. This illustrates the context under which the relation holds (Fairchild & McQuillin, 2010).

##### **2.4.1 Performance Appraisal Politics**

The term politics to express machinations in appraisal performance has, most notably, has initially used by Longenecker *et al.* (1987). They defined politics as conscious attempts by individuals to get better or guard their own conflicting interests when courses of action are possible. The authors conducted a qualitative survey on

performance appraisal by interviewing 60 executives. They found that the evaluators had almost always political motives in their mind when they did conduct performance appraisals. Particularly, the researchers provided documented proof that evaluators use discretion and consider the possible efficiency and consequences of their remarks while rendering performance appraisal. This was what enlightened by Longenecker *et al.* (1987) in their findings that raters often rate the subordinates based on their own judgment and they were not concerned to give accurate ratings. Mostly the ratings were usually based on these influences the inspiration of raters to keep away from confrontations, that is regarded as more efficient managers and acquire the desired rewards for themselves or their subordinates.

According to research by Longenecker *et al.* (1987), Tziner and colleagues investigated the politics within appraisal context. For example, Tziner *et al.* (1996) prepared a questionnaire, which is called the Questionnaire of Political Considerations in Performance Appraisal (QPCPA) later it was renamed as Perceived Political Considerations in Performance Appraisal Questionnaire (PCPAQ; Tziner, Prince, & Murphy, 1997; Khan, 2006), to review the degree to which performance evaluations exaggerated by organizational politics. Their observation of the politics was similar to that of Longenecker *et al.* (1987), so that their scale concerned the extent to which raters deliberately distort evaluations to achieve desired objectives. The authors posited that the policy objective is to strengthen the interests of the group, people, or oneself through sanctions or non-sanctioned means (Altman, Valenzi, & Hodgetts, 2013). Sample items include, “Supervisors avoid giving performance ratings that may

antagonize employees (e.g., low rating)” and “supervisors inflate performance ratings in order to maximize rewards offered to their employees” (e.g., salary increases, promotions, prestigious assignments, etc.).

## **2.5 Direct Relationship of Transactional Leadership with Job Performance**

The relationship between leadership and performance has received considerable scholarly attention. Most of the studies on the relationship between transformational and transactional leadership and performance have yielded both positive and negative results. According to Bass (1985), transactional and transformational leadership style plays an important role in management. The sensitivity of the followers is key factors for the success of the success of organization. This is one of the reasons why managers are off course important to an individual career. They can help a person advance or retard the progress for the promotion of his career. Executives are main sources of performance feedback and guidance as models for their subordinates.

The good managers are steady in their actions if determined individuals to trust them and invest time in them. Managers, like all other leaders should be influential of these people when they are taught and build up in their jobs. Chances are that most people have good and bad managers in their career. According to Bass (1985) all the leaders are in a network of relationships. They may not only influence their superiors and colleagues, but to influence others, even within the organization, even if they have no formal authority.



Kotter (2001) found, in his study of general managers, that developing effective lateral relationships is one of the critical job challenges and key elements of job success. Peers are valuable sources of information that can reveal what is happening in other parts of the organization. They can also serve as advisers and counselors in giving feedback regarding an individual's personal style. Burns (1978) also described transformational leaders as intellectual stimulators of the followers. This kind of leadership provides the motivation that exceeds organizational incentives and controls (Lipman & Blumen, 1996). Transformational relationships develop between leaders and subordinates. They motivate subordinates to work toward goals that go beyond individual needs and toward organizational visions. Based on the study from Wofford and Goodwin (1994), transaction leaders, on the other hand, may have had experience working toward the organization's shorter term of performance goals or may have had more exposure to transactional, rather than transformational, role models.

On the other hand, Bass's (1985) using Multifactor Leadership Questionnaire (MLQ) found a high correlation between the leader's transformational style and the performance level. This correlation was consistently higher than the positive correlation between the leader's transactional style and the performance. Followed with some other studies, a negative correlation was found between the transactional leadership style and performance (Geyer & Steyrer, 1998; MacKenzie *et al.*, 2001; Lowe *et al.*, 1996; Parry & Thomson, 2002). Bass (1985) stated that employees choose to perform tasks out of identification with the leader or with the organization.

This relationship resulted in the employees' basic agreement with the norms which they are required to perform.

The effective leadership styles contribute towards better performance in the times when new challenges are faced (McGrath & MacMillan, 2000). In addition, the effects of leadership on performance are considered more important in view of researchers as they think that leaders play an important role in motivating their subordinates in order to increase job performance. Competition in performance lowers returns and results performance competition reduces returns, which ultimately cause creative destruction of current capability (Santora, Seaton, & Sarros, 1999). Therefore the empirically tested evidence provides that transactional leadership shows positive relationship with the job performance, perception and attitude of leader (Zhu *et al.*, 2005). According to (Mahdinezhad, Suandi, Silong, Daud, & Omar, 2013) leadership style increases the overall efficiency of higher education institutions; as a result, they take up leadership style which refine skills and abilities of the academic leaders and assist them to attain the job performance, and it is also asserted that the styles of leadership can support in the improvement of leadership competence of both leaders and develop their performance and commitment.

Transactional style of leadership recognizes some expectations of the leader and provides returns in compensation of their job performance well done. Bass (1985) identified three dimensions for transactional leadership constituent; (i) Contingent reward and (ii) Management by Exception (active), and Management by Exception

(passive). The transactional leaders pay rewards in the form of praise, merit increases, promotions, bonuses, and honors (Bass, 1985). The contingent rewards ultimately enhance the job performance of the subordinates. The performance of the leader is found with the evaluation of leader's behavior and the output contribution towards the stated objectives of the organization, achievements related to the goals identified by the organization and suitable to the followers interpersonal behaviors which are linked with organizational norms.

Gumusluoglu and Ilsev (2009) further indicated that employees in an organization tend to perform tasks out of identification either with the organization or its effective leaders. This condition significantly reflects the relationship that exists either between the employees and the organization or the leaders and employees of the organization. In other words, this relationship is the basic agreement that involves certain norms to which the competent employees perform. Gumusluoglu and Ilsev (2009) additionally stated that leaders have the ability to create internalization and identification of their desirable values in order to achieve the leadership goal i.e. to align workforce towards the achievement of set goals and targets.

First, Hirst, Knippenberg, and Zhou (2009) also studied that there is a positive effect of leadership style and leaders on the effectiveness and innovation of the organization. In another study Rickards and Moger (2006) argued that there is a mediating role between organizational performance, leadership style and organizational citizenship behavior. A culture of innovativeness and creativity demands a strong balance

between employees and managers. In simple words, organizations can achieve better performances when there is a reasonable level of expectation fit between the employees and the managers. In addition to this, social exchange between managers and their employees should also be equal and fair. Rickards and Moger (2006) noted that there is great expectation from leaders of an organization. The subordinates of a leader are ready to embrace, reject or renegotiate their roles and responsibilities on the command of their leader. To sustain this significant relation, it is essential to have a reciprocal process with equity of expectation and exchange based on fairness to drive high performance from key players.

A strong relationship is evident in most studies about the relationship between performance of the organization and its managerial leadership. Leadership is critical at all levels in an organization. However, the managerial level embraces high significance. In many organizations, it seems that leadership is one the most effective process in influencing employees to drive best out of them. Rickards and Moger (2006) stated that leaders of the organization have the ability to educate as well as support their employees while challenging them with creative and innovative work at the same time. Leaders hence; with their words, actions and behavior encourage the employees to put extra effort to promote achievement of set aim and goals.

A basic principle of “full range” leadership model is that style of transformational and style of transactional leaderships are not regarded as continuums of opposite split ends (Avolio & Bass, 2000). A leader can show all the behaviors of full range. Howell and

Avolio (1993) discovered links between performance and transformational leadership style. Furthermore, the study suggested that the implications of trainings would also result in growing skills of both the leadership styles; transactional and transformational that ultimately improves the job performance of the leader as well as organizational outcomes and performance.

## **2.6 Direct Relationship of Transformational Leadership with Job Performance**

Transformational leadership is a motivational technique through which a leader inspires followers and practices thinking of motivation (Bass *et al.*, 2003; Dvir *et al.*, 2002; Herman & Chiu, 2014). The inspirational motivation and idealized influence are the key constituents of transformational leadership that works as charismatic paradigm and also shows an image of future that is collective. Personalized consideration comprises the leader taking into consideration individual variances. Scholarly motivation outlined as the leaders awareness of ideas and thoughts (Bass & Avolio, 1995). Whereas, the transactional behavior is different with transformational behavior, where cooperation is achieved through rewards (Burns, 1978). Conditional return is the main part of transactional leadership through which leaders provide benefits depending on performance. Management by exception (active), which put forward that corrective measures are taken in determining the issue and management by exception (passive), recommended by the head, acts as curative measures on the problem arisen.

The empirical study on the roles of leaders in different kind of leadership styles would enhance in depth understanding of the issue. The leadership has a considerable amount of positive influence of the organizational outcomes that are again based on the individuals and collective performances in human resource philosophy (Peterson & Luthans, 2003; Luthans, Avey, Avolio, & Peterson, 2010). Similarly, Howell and Avolio (1993) also found that the leadership styles are important in the individual's performance at job.

Leadership style characterizes a leader through relatively consistent pattern of behavior (DuBrin, 2001). Although, the performance related to the leadership management was considered significantly by the researchers of this particular domain, but the philosophical and systematic foundation of style of leadership is still dotted and unclear. In the last decade, many scholars have tried to investigate the power of different leadership styles but most of the researches inferred that only transformational leadership and transactional leadership are the most noticeable (Whetstone, 2002; Ehrhart, 2004; Dvir *et al.*, 2002; Avolio & Bass, 2004).

According to Gardner and Stough (2002) transformational leadership is more effective in comparison to transactional leadership style. Lowe *et al.* (1996) argued that these two leadership styles; transformational and transactional cannot be termed as the contradictory leadership styles. One leader may act both as a transformational and transactional in style. The assumption that transformational leadership is more effective in comparison to transactional leadership is supported by some strong

evidences (Bass *et al.*, 2003; Dvir *et al.*, 2002). According to Bass *et al.* (2003) and Dvir *et al.* (2002) transformational leadership is more correlated to the high level of efficiency and effectiveness in comparison to transactional leadership style that is a smaller amount connected with efficiency and output.

Argyris and Schon (1996) Glynn (1996), Hurley and Hult (1998) stated that transformational leadership motivates the individuals to bring innovation in processes, adopt positive changes, and create a dynamic learning environment that would ultimately improve the overall organizational and individual performance. In the controlling part of management decision making the transformational style of leadership does not emphasized heavily on the punishment and contingent reward system but the transactional leadership style is more related to such controlling decisions. (Waldman, Bass, & Yammarino, 1990). Moreover the leadership style that is based on change adoption and change management always sets up a cohesive understanding to succeed in learning the business dynamics and human resource practices and it has a big impact on the attitudes and behaviors of the followers. Transformational leadership redirects the attention of the intellectuals towards the new challenges and problems in real scenario in the higher learning organizations.

Transformational leaders do create clear picture for future and do affect their followers to implement and form a very clear picture of future and affecting others to put into action and share this picture in spite of restrictive and resistance conditions. Bass (1985) has mentioned that transformational style of leadership is linked with

assumed effectiveness of a unit and is surely influencing other related outcomes of institution. There are five transformational leadership constituents; (i) Customized consideration, is one who takes into account the needs of every individual for development and success acting as coach (ii) Intellectual stimulation is the one who motivates the subordinates to find out the new ways to meet the challenges and come up with the solutions of new problems (iii) Inspirational motivation is the one who stimulates the tasks of their subordinates to persuade and encourage them (iv) Idealized influence (attributed), and (v) Idealized influence (passive) is the one who considers trust, admire and respect. The leaders are role models and are followed by the subordinates to correspond expressed ethics, principles and values. Thus, transformational leadership seems positively associated towards leader's performance.

Although both the leadership styles have concentration on their group of people who are perusing the institutional desired objectives but transactional leadership style is related towards giving the feedback related to their performance and transformational leadership drives the followers to achieve the set objectives (Kelman, 1958). This is only the concentration of the leader that makes distinctions between transactional leadership style and transformational leadership style. Besides this transformational leaders support the followers with the recognition and internalizing the process where as transactional leaders use obliging agreement. It is well clear that the transformational behaviors try to get better the effectiveness of the leader in addition one can achieve throughout transactional leadership style. Almost all the studies conducted on transactional leadership styles have found not much about leader



behaviors in so far as different in performance and other parameters of standards. Thus mainly the transactional leaders keep providing the performance feedback, while extraordinary leaders play the active part towards transformational leadership conduct as well.

## **2.7 Moderating Role of Performance Appraisal Politics with Transactional and Transformational Leadership Styles and Job Performance**

The scholars have given much attention to the leadership styles, organizational politics and job performance in the past research (Bass, 1985; Geyer & Steyrer, 1998; MacKenzie *et al.*, 2001; Lowe *et al.*, 1996; Parry & Thomson, 2002; Vigoda-Gadot, 2003; Vigoda-Gadot, 2007), and the researchers have come up with varying outcomes and found inconsistent results. Organizational politics is much studied in different perspectives such employees' perception of politics as a general or supervisors and subordinates perspectives and its effects on performance. Ferris, Russ, and Fandt (1989) defined organizational politics are the activities towards self serving interests which harm the organizational as well as individual interests. Block (1993), Gandz and Murray (1980) have also expressed that politics is considered as negative and manipulative activities, when it is used for a person as political behavior.

The studies followed with this concept also stated that politics in workplace is perceived is self serving actions to gain personal benefits, advantages by ignoring the interests of others and interests of organization (Cavanagh, Moberg, & Velasquez,

1981; Andrews & Kacmar, 2001; Cropanzano & Kacmar, 1995; Fedor, Ferris, Harrell-Cook, & Russ, 1998; Dipboye & Foster, 2002; Drory, 1993; Ferris & Kacmar, 1992; Vigoda-Gadot, 2003). Pillai, Schriesheim, and Williams (1999) found relationship in between transactional and transformational leadership, distributive, procedural justice and OCB and trust in organizational obligation and satisfaction with work. He stated that there is indirect relationship in between OCB and transformational leadership styles.

However, a limited research is conducted with moderating effect of performance appraisal politics in between leadership styles and job performance. A large number of studies are conducted to measure the effect of performance appraisal politics with employee outcomes like satisfaction, turnover intentions, commitment and loyalty to supervisors (Poon, 2004; Sogra *et al.*, 2009; Spence & Keeping, 2011; Arshad *et al.*, 2013; Dhiman & Maheshwari, 2013; Ahmad & Lamba, 2010; Aziz *et al.*, 2013).

According to Dhiman and Maheshwari (2013) performance appraisal politics is sub set of organizational politics and can be considered similar or part of organizational politics. In addition, Breaux, Munyon, Hochwarter, & Ferris (2009) have used perceptions of organizational politics variable as moderator between consciousness and job performance. In other studies political skill at work place is used as moderator variable (Bing *et al.*, 2011; Brouer *et al.*, 2011). It is found that political skill has positive relationship with job performance, task performance across many

occupations. Political skill variable used as moderator was drawn upon trait activation theory (Tett & Gutterman, 2000).

Moreover, LMX theory (Wang *et al.*, 2005) and theory of equity, fairness and justice (Byrne, 2005), organizational justice theory, accountability theory also support to measure performance appraisal politics with job performance. In addition, some studies have also suggested in future direction that performance appraisal politics variable may be used to measure in relation to job performance (Arshad *et al.*, 2013; Abbas & Yaqoob, 2009).

Therefore, this study has filled the gap to test performance appraisal politics as moderator as recommended by the scholars and supported by theories in relation with leadership styles and job performance in banking sector of Pakistan. This way the study has added in the literature and has made little contribution in the body of knowledge.

## **2.8 Underpinning Theories in the Study**

### **2.8.1 Leader-Member Exchange Theory**

LMX theory is based on the ideas of role making (Graen, 1976) as cited in (Wang *et al.*, 2005), social exchange, reciprocity, and equity (Deluga, 1994). Leaders express pose anticipations to their subordinates and provide them tangible and intangible

benefits to the followers those who please these anticipations. Similarly, followers seize role anticipation of their leaders, with regard to how they should be treated and the rewards they receive to meet the expectations of leaders. Followers "role recipients" is not passive; they refuse to embrace, or can renegotiate the roles prescribed by leaders either. Source relationship for each party has a reciprocal process of change in the bilateral exchanges between leaders and followers of different brings here. Role negotiation leader-member exchange that defines quality and maturity occurs over time, and leaders to develop quality relationships with different followers of changing times (Graen, 1976; Graen & Uhl-Bien, 1995).

Leaders exercise authority and standard business performance standards described allocated benefits in exchange for a low quality leader. This relationship quid pro quo and that the underlying stock mainly "contract." High-quality LMX relationships, however, social change, moved to a higher level of trust, respect, and compulsion (Graen & Uhl-Bien, 1995). Example of performance additives (eg. to meet the ever project dates extra hours voluntary work) in exchange followers special privileges (key personnel or information, for example, access to) get career-enhancing opportunities (for example, specific work assignments), and if levels while increasing jobs. Accordingly, the task performance between leaders and followers in social provision and the means to fulfill their obligations for money is a form of reciprocity. In particular, positive, respect, loyalty effects and high-quality LMX necessity felt feature, Liden and Maslyn (1998) stated the construction of a positive result treatment by the leader and instead expressed with high task performance reciprocity

expectations. Gerstner and Day (1997) reported meta analytically resulting correlation of 0.31 linking LMX and supervisory ratings of performance and of 0.11 linking LMX and object measures of employee performance.

High-quality LMX associations, obligations are repeatedly spread and not mentioned, and no value or standard against which favors, gifts, or contributions can be calculated is at hand (Blau, 1964). A constructive relationship connecting LMX and job performance (OCB) is anticipated since job performance (OCB) helps accomplish the reciprocity obligations of supporters, and represent an exchange currency that is dispersing, not mentioned, and imperceptibly time-bound. In addition, in high-quality exchange, leaders demand to higher-order social desires of the supporters by receiving them to set communal benefit over the short-term individual satisfaction (Graen & Uhl-Bien, 1995). An individual's to be "good citizen" promotes wellbeing of the bigger communal. Therefore, LMX is estimated to show a relationship definitely with job performance (OCB), hold up for this connection was provided by Hackett, Farh, Song, and Lapierre (2003), he reported a meta-analytic mean relationship of linking LMX and on the whole job performance, leading them to wrap up that job performance plays an important role in the give-and-take social exchange procedure of LMX.

### **2.8.2 Equity, Fairness and Justice Theory**

The theory of equity, fairness and justice deals with the way the people perceive about the treatment with them and how they are compared with other people. To be treated fairly, fairly compared to the other groups of people or another appropriate person to be treated. Equity includes own perceptions and feelings and it is a considered as method for comparison with others. It is not synonymous with equality, i.e; all treated the same as it would be unfair if they deserve to be treated differently.

Equity, fairness and justice theory states that people can better be motivated when they are equitably treated and they become demotivated, when there is unfair treatment with them, this can also affect their performance (Byrne, 2005). This explains the motivation, satisfaction and performance processes, it can also be important towards morality.

Justice has two forms; distributive justice and procedural justice. Distributive justice which is based on rewards with fairness as people have their perceptions in connection to their performance and contributions in comparison to others. Whereas, procedural justice is the perceptions of people about fairness in the process, and system of business organizations, especially fairness in performance appraisal, justice in promotions, and to maintain better discipline.

Equity, fairness and justice theory states that employees are more motivated when they are treated fairly and less motivated if conditions of unfairness are apparent (Gruber, 2011). Thus, when an employee perceives that his or her level of input and rewards, as compared to the level of input and rewards of a coworker, are not fair or equitable, tensions could rise, and the employee could attempt to find balance by requesting and receiving an increase in compensation, pay, or rewards. However, if the increase in salary or rewards is not perceived as equitable by the employee, there will be no motivation effect, and the employee may decrease his or her level of effort towards work or pursuing the organization's goals and objectives (DelVecchio & Wagner, 2011). According to Ahmad's study (2010) found that this effect could happen more often in large groups in which all the members are paid equally apart from of individual performance because social loafing occurs at larger side in the large groups as compare to smaller groups.

The equity, fairness and justice theory gives managers insight into an important motivation principle based on an ethical and moral level (Mount, Illies, & Johnson, 2006). In a study conducted by Al-Omari (2007) found that chairperson faculty interaction has largest direct, indirect and total effect in participation towards making decisions among the various variables investigated as per reporting made by faculty. From the findings of this study it seems that chairpersons are not only shaping departments dynamics indirectly but they have direct influence on faculty behaviors on the outcomes such as to stay, perform or leave through their relationships build with them within or outside the department.

Politics and leadership are further linked by the notion of fairness, which is the subject of equity, fairness and justice theory. For Porter and Lawler (1968) an employee's expectation of receiving reasonable rewards for hard work was based on a sense of fair play. For Organ (1977) equity, fairness and justice theory illuminated the underlying concepts of fairness and predictability in which social reciprocity occurs between the employee and supervisor. The perceived strength of this reciprocity mediates the psychological contract created between employee and supervisor and this, in turn, influences political perceptions.

The literature matrix was prepared to see the relationships of independent variables with dependent variable as well as mediation and moderation relationships for the past studies. The literature matrix is given in Appendix B.

## **2.9 Summary of the Chapter**

This chapter explained brief overview on the past studies and the variables used related to the framework of present study. All the variables used in the study are explained in view of earlier studies and the relationships of variables are presented. Under pinning theories and their links with the variables are also highlighted related to the framework of study. The relationships of independent variables with dependent variable, and the influence of moderator variable are discussed in detail.



## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Introduction**

This chapter started with an explanation and graphical representation of conceptual framework, following the hypotheses of the study, this was followed with research methodology used in the study. The chapter is comprised of various sections, including research design, unit of analysis, population and sampling, pilot test, data collection procedure, variable measurements, and data analysis procedures. Lastly, the summary of the chapter is presented.

#### **3.2 Conceptual Framework of the Study**

On the grounds of empirical evidences and the gaps presented in the theory that were highlighted in the previous sections, a conceptual framework for the present study was developed. The conceptual framework illustrates the role of performance appraisal politics as a moderating variable on the relationship between transactional leadership and transformational leadership, with job performance. The transactional leadership and transformational leadership styles were considered as independent variables whereby the job performance was proposed to be the dependent variable in this study.

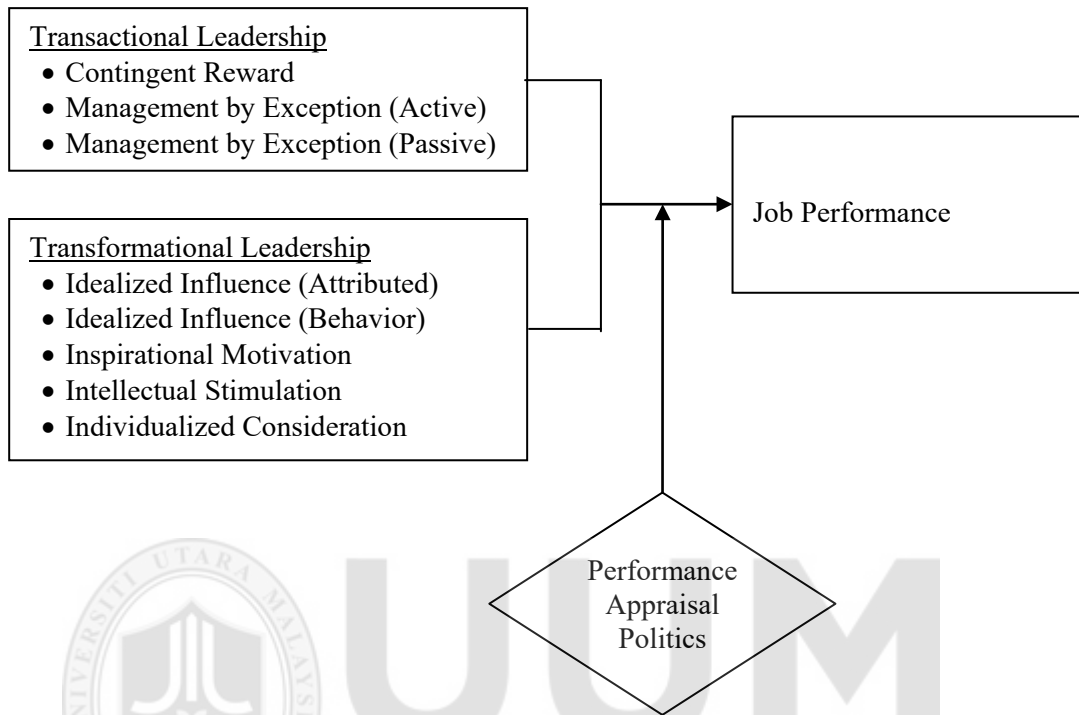


Figure 3.1. Conceptual Framework

The conceptual framework depicted above in Figure 3.1 elaborates the relationship between transactional leadership, transformational leadership and job performance with moderating role of performance appraisal politics. Present study incorporated performance appraisal politics as a moderating variable to test moderating effect between independent and dependent variables. The model for the present study is based on the suggestions of Vogoda-Gadot (2003, 2007), Kacmar and Ferris (1991), Ferris and Kacmar (1992), Arshad *et al.* (2013), Dhiman and Maheshwari (2013), and Abbas and Yaqoob (2009) and have theoretical links with the model presented above. The rationale of the conceptual framework is mainly based on two theories leader

member exchange (LMX) theory (Graen, 1976), and Wang *et al.* (2005) and equity, fairness and justice theory (Kacmar & Ferris, 1991; Vigoda-Gadot, 2003; Ferris & Kacmar, 1992; Byrne, 2005).

LMX theory (Wang *et al.*, 2005) is in line with Vroom's expectancy theory (1964) and exchange theory (Blau's, 1964; Vigoda-Gadot, 2007) which calls a strong sense of balance for managers and subordinates. Leaders express pose anticipations to their subordinates and provide them tangible and intangible benefits to the followers those who please these anticipations. Similarly, followers seize role anticipation of their leaders, with regard to how they should be treated and the rewards they receive to meet the expectations of leaders. The job performance between leaders and followers in social provision and the means to fulfill their obligations for money is a form of reciprocity. LMX and job performance is anticipated since job performance helps accomplish the reciprocity obligations of supporters, and represent an exchange currency that is dispersing, not mentioned, and imperceptibly time-bound.

Equity, fairness and justice theory (Byrne, 2005) which is linked with organizational politics and performance appraisal politics at work settings (Kacmar & Ferris, 1991; Ferris & Kacmar, 1992; Vigoda-Gadot, 2003, 2007; Arshad *et al.*, 2013; Dhiman & Maheshwari, 2013). Equity, fairness and justice theory suggests that leadership and organizational politics are factors which ultimately affect employee job performance and can moderate the relationship between leadership styles and job performance. Studies also expressed organizational politics as a power game to use the tactics of

influence intended to achieve the desired output in the self interest of users (Kipnis *et al.*, 1980; Pfeffer, 1992). Equity, fairness and justice theory states that people can better be motivated when they are equitably treated and they become demotivated, when there is unfair treatment with them, this can also affect their performance (Byrne, 2005). This explains the motivation, satisfaction and performance processes, it can also be important towards morality.

Therefore, it is concluded that the above theories have links to develop the framework for the present study. Both theories have shown the strong links with leadership styles (transactional leadership and transformational leadership) and job performance relationships particularly, LMX theory for independent and dependent variables. On the other hand, the theories have shown strong links to establish theoretical framework in presence of moderating variable (performance appraisal politics) particularly, equity, fairness and justice theory has explained the scenario for moderating role between leadership styles and job performance.

### **3.3 Hypotheses Development**

In congruence with the theoretical reasoning and evidence from the past empirical studies, the hypotheses for the current study have been developed to test empirically for their further validation. Consequently, the present study advanced four hypotheses and eight sub-hypotheses for further testing and validation; these hypotheses were related with the relationships among the variables of the present study.

### 3.3.1 Transactional leadership and Job Performance

The transactional leadership emphasizes on the need recognition of the followers and it clarifies the ways in terms of how these needs are to be fulfilled with an objective of enhancing job performance for attaining desired outcomes. It is comprised of contingent reward and management-by-exception (Bass & Avolio, 2000). This style of leadership is comprised of behavior of an exchange in between the leader and follower, where rewards are always linked with the effort and output produced by the subordinate (Burns, 1978). Bass (1985) has mentioned two types of behaviors of transactional leadership styles; contingent reward and management by exception. Contingent behavior is related to positive feedback by the supervisor. This type of behavior is related to criticism and negative feedback by the leader subject to unsatisfactory performance by the subordinate. The risk of punishment makes a transactional conduct which differentiates this from "arbitrary and punitive behavior" (Kohli, 1985).

Transactional leaders make their subordinates happy by rewarding them with the best possible way of identifying their desires (Wegner, 2004). Transactional leader is concerned with a stable environment and with less competition (Tichy & Devanna, 1986). According to Zaleznik (1977) transactional leaders are those who set goals for their followers; allocate tasks and get the work done; finally reward those followers who perform better and punish those who do not perform. In the organizational behavior studies, they have widely used the type of transactional leadership style as

effective style which can motivate the followers to enhancing their inspiration to achieve the objectives of the organization. Burns (1978) as a pioneer to the study on transactional leadership pointed out those transactional leaders are motivating their followers through appealing them to their self interests.

The theories of transactional leadership are based on the idea that leader-follower relationships are based on a number of exchanges or implicit bargain between them. Transactional leadership is characterized by behaviors and attitudes that emphasize the quality of exchanges between superiors and subordinates. According to Bass and Stogdill (1990) the achievement of tasks and goals are the responsibilities of the leaders who are the main actors to motivate the followers in identifying the objectives and developing confidence to meet the desired high performance levels.

First, the present study hypothesized to investigate the direct influence of transactional leadership on job performance drawing upon leader member exchange theory. Secondly, this hypothesis was supported as a result of large evidence pertaining to inconsistent relationship between transactional leadership and job performance. Lastly, this hypothesis borrows support from the literature as in the banking context; there has been a lack of research in the developing countries, particularly, in the large six banks of Pakistan. Therefore, the present study developed following hypothesis.

Hypothesis 1: Transactional leadership has positive relationship with job performance in six large banks of Pakistan.

Transactional approach is considered as one of the generic leadership styles. This leadership style is comprised of three sub-styles, which in many studies, have been used as constructs for this generic leadership style. Contingent reward, management by exception (active), and management by exception (passive) are three transactional leadership sub-styles (Bass & Avolio, 1996; Waldman *et al.*, 1990). The former is associated with leadership behaviors such as providing regular, strong, and direct constructive feedback (Pawar & Eastman, 1997). Leaders identified with this sub-style establish clear expectations for outcomes and rewards (Lowe *et al.*, 1996). They exchange rewards and recognition for accomplishments (Bass & Avolio, 1996). They also actively monitor employees' progress and provide supportive feedback (Parry & Thomson, 2002).

The latter sub-style focuses on exchanges intended to support followers to keenly avoiding to commit mistakes (Bass & Avolio, 1996). The leaders who use this style do not hesitate to take corrective action and set clear standards. However, they are usually well known for letting problems arise before initiating corrective action. They enforce rules and have a low tolerance for any challenge to the status quo (Bass & Avolio, 1996). Leaders identified with these sub-styles are perceived as strong organizational monitors of outcomes and team processes (Bass & Avolio, 1997).

For management by exception (active) studies have shown that management by exception-active leaders are proactive and will monitor activities and intervene to

ensure organizational standards are being met, and mistakes do not occur. Management by exception-active leaders will also take corrective actions in order to improve performance and standards (Bass & Avolio, 1990).

And management by exception (passive) leaders are those leaders, who are known as, to be reactive, intervening only when problems occur, performance is low, or standards not being met (Howell & Avolio, 1993). Studies have shown criticism, negative feedback, and punishment in case there is intervention from those who exhibit a management by exception-passive leadership style (Bass & Avolio, 1994). In some cases, if there are no issues to address, management by exception-passive leaders may ignore their subordinates altogether. As a result, some studies have shown where subordinates react negatively to this particular leadership style, similar to the laissez-faire leadership style (Howell & Avolio, 1993; Bass & Yammarino, 1991).

Based on the above literature support following three sub-hypotheses were developed to further investigate the influence of dimensions of transactional leadership style i.e., contingent reward and management by exception active and passive. Thus, following three sub-hypotheses were developed to test particularly, in six large banks of Pakistan.

Hypothesis 1a: Contingent reward has positive relationship with job performance in six large banks of Pakistan.



Hypothesis 1b: Management by exception (active) has positive relationship with job performance in six large banks of Pakistan.

Hypothesis 1c: Management by exception (passive) has positive relationship with job performance in six large banks of Pakistan.

### **3.3.2 Transformational Leadership and Job Performance**

The relationship between leadership and job performance has received considerable scholarly attention. Most of the studies on the relationship between transformational / transactional leadership and job performance have yielded both significant as well as insignificant results. According to Bass (1985) transactional and transformational leadership styles play an important role towards performance. According to McGrath and MacMillan (2000) the effective leadership styles contribute towards better performance in the times when new challenges are faced. This notion of the positive relationship between transactional leadership and job performance is also supported by Gumusluoglu and Ilsev (2009), Mahdinezhad *et al.* (2013), and Zhu *et al.* (2005). A strong relationship is evident in most studies about the relationship between performance of the organization and its managerial leadership. Leadership is critical at all levels in an organization.

However, the managerial level embraces high significance. In many organizations, it seems that leadership is one of the most effective processes in influencing employees to drive best out of them. Rickards and Moger (2006) stated that leaders of the

organizations have the ability to educate as well as support their employees while challenging them with creative and innovative work at the same time. Leaders hence, with their words, actions, and behavior encourage the employees to put extra effort to promote achievement of set aim and goals. On the contrary, other studies report a negative relationship between transactional leadership and job performance (Geyer & Steyrer, 1998; Lowe *et al.*, 1996; MacKenzie, Podsakoff, & Rich, 2001; Parry & Thomson, 2002). Hence the relationship between transactional leadership and job performance still stands confusing and the results evident a mixed relationship between these two. The present study, in the light of leader member exchange (LMX) theory (Graen, 1976), aims at investigating the postulated relationship between transactional leadership and job performance in the six large banks of Pakistan.

First, the present study hypothesized to investigate the direct influence of transformational leadership on job performance drawing upon leader member exchange theory. Secondly, this hypothesis was supported as a result of large evidence pertaining to inconsistent relationship between transformational leadership and job performance. Lastly, this hypothesis borrows support from the literature as in the banking context; there has been a lack of research in the developing countries, particularly, in the large six banks of Pakistan. Therefore, the present study presented following hypothesis.

Hypothesis 2: Transformational leadership has positive relationship with job performance in six large banks of Pakistan.

Transformational approach is considered another important generic leadership styles among all the leadership styles. This leadership style is comprised of five sub-styles which, in many studies, have been used as constructs for this generic leadership style. Individualized consideration (attributed and Behavior), inspirational motivation, intellectual stimulation and idealized influence are considered as dimensions of transformational leaders (Bass & Avolio, 1993).

Individualized consideration leaders focus on individual employee needs. They are usually perceived as connecting with employees, being genuine and caring and showing compassion (Bass & Avolio, 1993). They are especially recognized as managers who encourage employee development (Bass & Avolio, 1996). Inspirational motivation leaders help employees to understand the vision of the organization (Bono & Judge, 2003). They align individual and organizational needs, help employees exceed expectations (Chen & Kilmoski, 2003) and create a strong sense of purpose among employees (Bass & Avolio, 1996). Intellectual stimulation leaders encourage creativity and challenge traditional ways of thinking (Bass & Avolio, 1993). They promote risk-taking for potential gains and thrive on differences (Bass & Avolio, 1993).

Finally, idealized influence leaders 'walk the walk', exhibit great commitment and persistence in pursuing objectives, demonstrate an embracing vision, and foster trust and confidence among employees (Bass & Avolio, 1996). It is imperative to

remember that leaders are rarely purely transactional or transformational in their leadership style (Jung & Avolio, 1999). Most possess components of the two styles, but organizational factors, situations or contexts may make one or the other emerge and become more dominant (Kuchinke, 1999).

From the above literature support it seems that transformational leadership is a process which transfers from individuals to its followers. This resulted to increase the aspiration, and enthusiasm for the accomplishment of desired targets, and objectives. Moreover, the role of leader is to establish values, vision, and creating the environment for the purpose to complete the objectives.

Based on the above empirical literature support five sub-hypotheses were developed to further test the relationship of these five dimensions of transformational leadership styles with job performance. Particularly, these sub-hypotheses are developed to test in six large banks of Pakistan. Following are the five sub-hypotheses related to the dimensions of transformational leadership styles:

Hypothesis 2a: Idealized influence (attributed) has positive relationship with job performance in six large banks of Pakistan.

Hypothesis 2b: Idealized influence (behavior) has positive relationship with job performance in six large banks of Pakistan.

Hypothesis 2c: Inspirational motivation has positive relationship with job performance in six large banks of Pakistan.

Hypothesis 2d: Intellectual stimulation has positive relationship with job performance in six large banks of Pakistan.

Hypothesis 2e: Individualized consideration has positive relationship with job performance in six large banks of Pakistan.

### **3.3.3 Performance Appraisal Politics as Moderating Variable**

The term politics to express machinations in appraisal performance, most notably was initially used by Longenecker *et al.* (1987). They defined politics as conscious attempts by individuals to get better or guard their own conflicting interests when courses of action are possible. The authors conducted a qualitative survey on performance appraisal by interviewing 60 executives. They found that the evaluators had almost always political motives in their mind when they did conduct performance appraisals. Particularly, the researchers provided documented proof that evaluators use discretion and consider the possible efficiency and consequences of their remarks while rendering performance appraisal. This was enlighten by Longenecker *et al.* (1987) in their findings that raters often rate the subordinates based on their own judgment and they were not concerned to give accurate ratings. Mostly the ratings were usually based on these influences the inspiration of raters to keep away from confrontations, that is regarded as more efficient managers and acquire the desired rewards for themselves or their subordinates.

The politics with regards to performance appraisals have been largely emphasized in the literature (See for example Longenecker *et al.*, 1987). Further to this, the extent of influence of politics over the assessment of employee performance has been denoted in the work of Tziner *et al.* (1996). In doing so, the researchers have made utmost effort in explaining the critical influence of organizational politics over evaluations of employee performance. It is critically important for organizations to appropriately evaluate employee performance. However, this assessment has largely been influenced badly due to politics. Due to this fact, scholars have given much attention to the leadership styles, organizational politics, and job performance in past research (Bass, 1985; Geyer & Steyrer, 1998; MacKenzie *et al.*, 2001; Lowe *et al.*, 1996; Parry & Thomson, 2002; Vigoda-Gadot, 2003; Vigoda-Gadot, 2007), and the researchers have come up with varying outcomes and found inconsistent results. Organizational politics is much studied in different perspectives such as employees' perception of politics as a general or supervisors and subordinates perspectives and its effects on performance.

First, from the past literature it is observed that a limited research is conducted with regards to the moderating effect of performance appraisal politics on the relationship between leadership styles and job performance. A large number of studies are conducted to measure the effect of performance appraisal politics with employee outcomes like satisfaction, turnover intentions, commitment, and loyalty to supervisors (Poon, 2004; Sogra *et al.*, 2009; Spence & Keeping, 2011; Arshad & Masood, 2013; Dhiman & Maheshwari, 2013; Ahmad & Lamba, 2010; Aziz *et al.*,

2013). According to Dhiman, and Maheshwari (2013) performance appraisal politics is sub set of organizational politics and can be considered similar or part of organizational politics. In addition, Breaux *et al.* (2009) have used perceptions of organizational politics variable as moderator between consciousness and job performance. In other studies political skill at work place is used as moderating variable (Bing *et al.*, 2011; Brouer *et al.*, 2011).

Secondly, according to Barron and Kenny (1986) when the relationship between a predictor and criterion variables is found unexpectedly inconsistent or weak a moderating variable may be incorporated to further explain the situation. Therefore, the present study proposed performance appraisal politics as a moderating variable on the relationship between transformational leadership and job performance. This investigation is conducted in the light of equity, fairness and justice theory. Based on the discussion above following two hypotheses were developed:

Hypothesis 3: Performance appraisal politics moderates the relationship between transactional leadership style and job performance in six large banks of Pakistan.

Hypothesis 4: Performance appraisal politics moderates the relationship between transformational leadership style and job performance in in six large banks of Pakistan.

### 3.4 Research Design

Research design is a plan which explains the techniques and procedures to collect and analyze the required data for the research purpose (Zikmund, Babin, Carr, & Griffin, 2012). It tells the road map for the research project. According to Sekaran (2003) research design is complete procedure that explains how to conduct the research and how to deal with the related methodological problems. These problems are related to purpose, investigation type, and degree of researcher intervention, setting of study, time perspective and unit of analysis. The present study adopted quantitative research approach to assess the structural relationships among the four constructs namely, transactional leadership, transformational leadership, job performance and performance appraisal politics. Partial Least Square path modeling was used in order to test hypotheses of the study.

According to Sekaran (2003) the purpose of research can be exploration of phenomena, means exploratory research or describing phenomena means descriptive research and testing the hypothesis means explanatory research.

The present study adopted quantitative type of inquiry. The study aimed to test the hypothesis based on leader member exchange theory (Wang *et al.*, 2005; Vigoda-Gadot, 2007), and equity, fairness and justice theory (Ferris & Kacmar, 1992; Kacmar & Ferris, 1991; Vigoda-Gadot, 2003).



The quantitative method with correlation enables the participation of large number of respondents, it also eliminates bias of researcher due to availability of the instrument which is reliable as well as valid, and it also provides the results that can be generalized (Leedy & Ormrod, 2010). The study used statistical analysis through structural equation modeling in order to measure the relationship in between independent variables i.e., leadership styles and the dependent variable job performance with moderating effect of performance appraisal politics. The present research was cross sectional and the data was collected, analyzed and summarized statistically and the conclusions were made at a single point of time. It was seen in most cases that cross sectional research is used in longitudinal research due to the limited resources (Cavana, Dalahaye, & Sekaran, 2001; Sekaran, 2003; Veal, 2005). Whereas, this study was based on one go or cross sectional approach in the process of data collection.

In addition, performance appraisal politics was tested as moderating variable in between independent and dependent variable. The moderator variable is a third variable, which changes the relationship between independent and dependent variable, either it strengthens or weakens the relationship between independent and dependent variable. This illustrates the context under which the relation holds (Fairchild & McQuillin, 2010).

The study was carried out using survey method through distribution of questionnaires to the respondents. Keeping in view the objectives of the study and hypotheses

designed for the study, the questionnaire method was considered the most suitable tool in order to collect the data from respondents within a possible short period of time (Cavana *et al.*, 2001; Sekaran, 2003) and to collect perceptions of the respondents about their attitudinal and behavioral aspects (Veal, 2005). Therefore the questionnaire was considered most suitable in examining the attitudinal and behavioral constructs in this cross sectional research (Saunders, Lewis, & Thornhill, 2009; Punch, 2005, Zikmund *et al.*, 2012; Sekaran & Bougie, 2010; Saunders, Lewis, & Thornhill, 2011).

### **3.5 Unit of Analysis, Population and Sample Size**

For the present study individuals were the unit of analysis. According to Cooper and Schindler (2008) population consists of those respondents or people, records or events that have intended information and can respond to the measurement. Hence the targeted population for the study was full time bank managers of six large banks of Sindh, Pakistan. The data was collected from Sindh Province of Pakistan (i.e. Karachi, Hyderabad, Sukkur, Mirpurkhas and Larkana divisions). In these five divisions the total population consisting of bank managers in the six large banks was 1314 (Pakistan Banks Association, 2013).

According to the general guidelines of sampling size by Krejcie and Morgan (1970), Sekaran (2003), Sekaran and Bougie (2010) appropriate sample size for this study was 302 respondents. It is most important to mention that the sample size guidelines

by Krejcie and Morgan (1970), Sekaran (2003), and Sekaran and Bougie (2010) were used in the study because it has taken into account the confidence level aspects and precision towards estimation in order to ensure that the sample size was chosen, was right for the study.

### **3.6 Sampling Technique**

According to Cooper and Schindler (2008) sampling is a procedure through which desired elements are chosen from the whole population and those can be the best representative of whole population. Sekaran (2003) states that a sample is sub set of whole population under study, which are chosen as respondents. Sekaran (2003) and Zikmund *et al.* (2012) have stated that sampling is done for some practical reasons, in either case when population is too large and too small. Through sampling time, cost and energies are saved in case population is large. Sampling also minimizes the chances of errors in case when dealing with large number of population.

Broadly speaking there are two main types of sampling namely probability and non probability sampling. In probability sampling each element from the whole population is chosen randomly and each element has equal chances to be selected as subject, whereas, in non probability sampling a sample is chosen on the basis of random selection method (Singleton, Bruce, & Straits, 2005). Sekaran (2003) states that non probability sampling has some limitations that by using the data parametric testing

cannot be done by using regression. Keeping in view that issue probability sampling was chosen for the present study.

There are different types of techniques which are used in sampling design. While using probability sampling one of the methods from various techniques is followed. The first one is simple random sampling, which means every element has equal chances to be picked from larger population. Second one is systematic sampling which means the selection of sample is based on ordered number which has equal chance to be picked from the list of elements. Third one is stratified sampling, in this technique the population is breakup in homogenous subgroups which are related to categories under research. Fourth one is cluster sampling which is based on breaking the whole population in groups and then the elements are chosen by using simple random technique. By using any of the technique in random sampling same equal steps are to be followed for each technique: (a) to determine population, (b) to identify needed sample size, and (c) to choose the sample.

Looking at the suitability, the present study employed stratified sampling method. As the respondents were from six large banks of Sindh, Pakistan and the number of respondents varied from bank to bank keeping in view number of bank branches. In this case stratified sampling was most suitable method to represent the data from each bank. Stratified method ensures the homogeneity within group i.e. bank employees in different bank branches (Cavana *et al.*, 2001; Hair, Money, Samouel, & Page, 2007).

In the process of sampling, first the respondents' were divided in stratum or mutually exclusive groups i.e., number of branches under each bank. The breakup of subjects in a stratum provided sufficient number of representatives from that particular stratum. In other words the stratified sampling method was chosen for this study because stratified sampling provides accuracy and richness of the data from different stratum of the respondents. The stratified sampling method is considered more practical when the research objective is to obtain differentiated information from the various stratum along with certain limitations of cost and time (Cavana *et al.*, 2001; Hair *et al.*, 2007; Sekaran & Bougie, 2010).

The present study chosen the stratified sampling technique because, the respondents were from six large banks of Sindh, Pakistan. Each bank had different number of branches and respondents. In this situation if simple random would have been applied, it might have received large number of responses from one or two banks only or might have ignored a bank with less number of branches. Secondly, if systematic random sampling would have been applied it might have representation of the banks with large number of branches. Thirdly, if cluster sampling was applied it might have again focused on fewer banks. Therefore, stratified random sampling was applied in the present study. By employing stratified sampling technique the responses were received from all stratum and it represented respondents from all banks and branches as per the proportion of these banks. According to Sekaran (2003) stratified sampling technique gives more richness in data in case the sample is from different groups in whole population.

Table 3.1

*Proportionate Stratified Sampling of Respondents*

Name of Bank	Number of Branches	Number of Elements	Number of Subjects	Number of Questionnaires Distributed
Habib Bank Limited	257	257	59	98
National Bank of Pakistan	241	241	55	91
United Bank Limited	290	290	67	111
Muslim Commercial Bank	255	255	59	98
Allied Bank of Pakistan	198	198	45	74
Bank Al-Falah	73	73	17	28
Total	1314	1314	302	500

Once the population was stratified, the number of subjects was calculated proportionately from the each stratum which made the total of 302. Keeping in view the response rate from the past studies 500 questionnaires were distributed out of which 308 were collected making a total of 60% response rate. Hence, a sufficient number of questionnaires were returned by the respondents and the same were entered in SPSS for further analysis. Table 3.1 shows the detail of proportionate stratified sampling for the respondents.

### 3.7 Variables and Measurements

One of the important parts of research is measurement of variables and in fact without the instrument there will be no any way to collect the data (Sekaran, 2003). Moreover research questions could be answered and objectives could be met once the data is collected. It is important in social research that the instrument must be valid and reliable. For the instrument, there can be two ways, one way is to develop own instrument and the other way is to use already established instrument. Developing own instrument was rigorous method but at the same time it requires a lot of time, whereas employing established instrument is less time taking and cost saving method. Therefore the present study used already established scales for data collection. This is known as a common practice in social science as well. But using a right instrument for data collection, testing hypotheses, and dealing with reliability and validity was not compromised. The questionnaire for current study consisted of the items to measure, leadership styles (i.e. Transactional and Transformational) the independent variable, performance appraisal politics as moderating variable, and job performance as dependant variable.

The present study used multifactor leadership questionnaire (MLQ) developed by Bass and Avolio (1995) to measure transactional leadership and transformational leadership with five points Likert scale. To measure job performance Williams and Anderson (1991) scale on five Likert scale was used and for measuring performance appraisal politics the scale developed by Tziner *et al.* (1996) originally on ten Likert

scales was used for the present study. This scale was changed to six Likert scale in the study conducted by Sogra *et al.* (2009) and in another study conducted by Aziz *et al.* (2013) changed the Likert scale from ten to seven Likert scale, questionnaire on political considerations in performance appraisal (QPCPA). Dawes (2008), and Frary (1996) mentioned that seven or more points on a scale require more thought, time and effort; hence it could confuse the respondents with hair-splitting difference between the response levels. Therefore, the present study employed a five-point Likert scale. Therefore all the scales were standardized on five point Likert scale to make it easy for the respondents to respond on questions and towards better accuracy as well.

### **3.7.1 Independent Variable**

The leadership styles were taken as independent variables; here two leadership styles transactional and transformational leadership styles were incorporated in the study. The detailed information regarding these variables is given below subsequently.

#### **3.7.1.1 Transactional Leadership Style**

Multifactor Leadership Questionnaire was used in this study to measure the leadership styles. Bass (1985) was the first to introduce this measure, Bass and Avolio (1995) further developed this measure and same was used here. Table 3.2 represents all items of transactional leadership and its dimensions.



Table 3.2

*Items for Transactional Leadership*

Variable	Key Definitions & Items
Leadership Styles	The process of influencing others an organizational culture and the distinctive or characteristics manner in which one perform (Marquis & Huston, 2009).
Transactional Leadership	Leadership that recognizes the needs of followers and clarifies the ways to fulfill in exchange with follower's satisfactory performance (Bass & Avolio, 1995).
Contingent Reward	The leader one who helps his/her followers on effort exchange system, specifies for target accomplishment, rewards based on the goals to achieve and shares his/her satisfaction with others.
Item 1	Provides with assistance in exchange for their efforts.
Item 2	Discuss in specific terms who is responsible for achieving performance targets.
Item 3	Makes clear what one can expects to receive when performance goals are achieved.
Item 4	Express satisfaction when others meet expectation.
Management by Exception (Active)	The leader, who concerns on mistakes and any failures, quickly deals to correct the mistakes and failures, monitors the mistakes and makes aware of the failures.
Item 1	Focuses attention on irregularities, mistakes, exceptions and deviations from standards.
Item 2	Concentrates full attention on dealing with mistakes, complaints and failures.
Item 3	Keeps track of all mistakes.
Item 4	Directs my attention towards failure to meet standards.
Management by Exception (Passive)	The leader who delays the corrective action until the mistakes and problems emerged become more serious.
Item 1	Fail to interfere until problems become serious.
Item 2	Waits for things to go wrong before taking action.
Item 3	Shows that I am firm believer in "if it ain't broke, do not fix it".
Item 4	Demonstrate that problems must become chronic before I take action.

MLQ is actually an instrument to measure leadership styles comprising 45 items originally, related to transactional, transformational and laissez faire styles of leadership. MLQ is the instrument which has been recognized by researchers for evaluating leadership styles (Kirkbride, 2006). The present study used MLQ which is suggested by Bass and Avolio (1995) and the bank managers evaluated themselves for their leadership styles as immediate bosses. The study employed MLQ 32 items on transactional and transformational leadership styles, out of these 32 items, 12 items represent three dimensions of transactional leadership.

Transactional leadership style was composite on three dimensions; contingent reward and management by exception: active and passive (Bass & Avolio, 1995). Taking into consideration the literature on leadership styles, all researchers have used leadership styles as independent variable. And independent variables are those variables which cause change or effect on the dependent variable (Khan & Farooq, 2010). The studies conducted by Burns (1978), Bass (1985), Yammarino, Spangler, and Bass (1993) have shown that leadership styles have effect on job performance. Transactional leadership address contingent reward, which contain incentives or gifts for the members those achieve performance targets (Bass & Avolio, 1995). This addresses that managers take action when there was any evidence of non compliance towards the planned goals (Bass & Avolio, 1995). Vigoda (2007) has reported that all the dimensions of transactional leadership style have reliability factor 0.83.

### 3.7.1.2 Transformational Leadership Style

Multifactor Leadership Questionnaire was used in this study to measure the leadership styles. Bass (1985) was the first to introduce this measure, Bass and Avolio (1995) further developed this measure and same was used here. MLQ is the instrument which has been recognized by researchers for evaluating leadership styles (Kirkbride, 2006). The present study used MLQ which is suggested by Bass and Avolio (1995) and the bank managers evaluated themselves for their leadership styles as immediate bosses. The employed MLQ, comprised of 20 items which are developed on five dimensions of transformational leadership style.

Transformational Leadership Style is composite of five dimensions; idealized influence (attributed and behavior), inspirational motivation, intellectual stimulation and individualized consideration (Bass & Avolio, 1995). Moorhead and Griffin (1995), Argyris and Schon (1996), Glynn (1996), Hurley and Hult (1998) stated that transformational leadership motivates the individuals to bring innovation in processes, adopt positive changes, and create a dynamic learning environment that would ultimately improve the overall organizational and individual performance. Vigoda-Gadot (2007) has reported that all the dimensions of transformational leadership style have high reliability factor 0.95. Table 3.3 represents all items of transformational leadership and its dimensions.

Table 3.3

*Items for Transformational Leadership*

Variable	Key Definitions &Items
Transformational Leadership Style	The leader's abilities that allows the leader to recognize the need for change, and to create a vision as a guide to that change, while executing it more effectively (Moorhead & Griffin, 1995).
Idealized Influence (Attributed)	The leader, who emphasizes on values and beliefs, fosters pride to employees, gives awareness of having sense of purpose and demonstrates power and confidence.
Item 1	Instills pride in others for being associated with me.
Item 2	Goes beyond self interest for the good of the group.
Item 3	Acts in ways that build others' respect for me.
Item 4	Displays a sense of power and confidence.
Idealized Influence (Behavior)	The leader who has charismatic actions such as highlight on the sense of purpose and performance, emphasize on the moral and ethics for decisions.
Item 1	Talks about my important values and beliefs.
Item 2	Specifies the importance of having strong sense of mission.
Item 3	Considers the moral and ethical consequences of decisions.
Item 4	Emphasizes the importance of having a collective sense of purpose.
Inspirational Motivation	The leader who expresses optimism, enthusiasm, visionary and confidence on the future achievements.
Item 1	Talks optimistically about the future.
Item 2	Talks enthusiastically about what needs to be accomplished.
Item 3	Articulates a compelling vision of the future.
Item 4	Expresses confidence that goals will be achieved.
Intellectual Stimulation	The leader who is creative problem solver, see the problems from various views, has alternative methods of finishing tasks and rechecking for critical assumptions appropriateness.
Item 1	Seeks different perspectives when solving problems.
Item 2	Get others to look at problems from many different angles.
Item 3	Suggests new ways of looking at how to complete assignments.

(table continues)

**Table 3.3. (continued)**

Item 4	Re-examine critical assumptions to question whether they are appropriate.
Individualized Consideration	The leader who practices teaching and coaching approaches others more personally, accepts individual differences of others and provide assistance in developing others.
Item 1	Spends time in teaching and coaching.
Item 2	Treats others as individuals rather than just as a member of a group.
Item 3	Considers as an individual as having different needs, abilities and aspirations from others.
Item 4	Helps others to develop their strengths.

### **3.7.2 Moderating Variable**

Performance appraisal politics was incorporated as moderating variable to test its influence on the relationship between leadership styles and job performance. Earlier studies by Poon (2004) and Sogra *et al.* (2009) have analyzed performance appraisal politics with two dimensions; motivational motive and punishment motive. Whereas, the present study has analyzed performance appraisal politics as a single moderating variable without analyzing dimensions. The detailed information regarding the variable and its dimensions is given below.

#### **3.7.2.1 Performance Appraisal Politics**

Performance appraisal politics was measured by using the questionnaire on political considerations in performance appraisal (QPCPA, Tziner *et al.*, 1996). QPCPA

basically is composite of 30 items originally, out of that fifteen items were used to evaluate performance appraisal politics as used by Poon (2004) and Sogra *et al.* (2009).

Table 3.4

*Items for Performance Appraisal Politics*

Variable	Key Definitions &Items
Performance Appraisal Politics	The state to which managers evaluate their subordinates' performance by distortion the ratings deliberately in order to achieve political motives by using motivational motives and punishment motives (Poon, 2004; Longenecker & Ludwig, 1990; Tizner <i>et al.</i> , 1996).
Item 1	Avoid ratings that have negative consequences for employees.
Item 2	Inflate ratings to maximize rewards to employees.
Item 3	Avoid low ratings to avoid written record of poor performance.
Item 4	Give equivalent ratings to avoid resentment and rivalries.
Item 5	Give inflated ratings to avoid uncomfortable confrontation.
Item 6	Avoid low ratings to that may antagonize employees.
Item 7	Give high ratings to gain employee support/ cooperation.
Item 8	Conform to the norm to avoid disapproval from peers.
Item 9	Ratings in part reflect personal or liking disliking of employees.
Item 10	Inflate ratings to gain special purposes.
Item 11	Quality of personal relationship affects rating.
Item 12	Give low ratings to teach rebellious employees a lesson.
Item 13	Give low ratings to encourage employee an employee to leave.
Item 14	Give higher ratings than deserve to repay favors to employees.
Item 15	Give accurate ratings only to the extent that they perceive they may be rewarded for doing so or penalized for failing to do so.

Arshad *et al.* (2013) has reported internal consistency (Cronbach's Alpha) for all 15 items on QPCPA as 0.76, which shows relevance and is quite satisfactory on these items. Poon (2004) and Sogra *et al.* (2009) excluded one item from 15 items and reported alpha value for rest of 14 items more than 0.8 for the both dimensions motivational motive and punishment motives. However, the present study used 15 items of performance appraisal politics as a single variable without separating dimensions. Table 3.4 represents all items of performance appraisal politics.

### **3.7.3 Dependent Variable**

Job performance was incorporated as dependent variable in this study.

#### **3.7.3.1 Job Performance**

Job performance has been used as a single dimension. The variable was measured with the scale developed by Williams and Anderson (1991). The bank managers evaluated themselves to describe the degree to which their performance falls. In order to measure job performance the present study followed past studies that have effectively achieved this objective of measuring these variables with minimum biased information (Graham, 1986; Morrison, 1994; Borman & Motowidlo, 1997).

Table 3.5

*Items for Job Performance*

Variable	Key Definitions &Items
Job Performance	Job performance conceptualized as effectiveness of individual behaviors that contribute to the organizational objectives (Motowidlo <i>et al.</i> , 1997).
Item 1	Fulfills the responsibilities stated in job description.
Item 2	Perform tasks that are expected.
Item 3	Meets formal requirements of the job.
Item 4	Involved in the activities that are relevant to yearly performance assessment.
Item 5	Neglects the aspects of the job that is obliged to perform. ®
Item 6	Fails to perform essential duties.®
Item 7	Adequately completes assigned duties.
Item 8	Always complaint about the things those are not important. ®
Item 9	Always make a big issue out because he or she hassmall issues. ®
Item 10	Always find fault with what theorganization is doing. ®
Item 11	Always pays attention to matters that are negative rather than on matters that are positive. ®
Item 12	Always complaining about work. ®
Item 13	Helps new workers to adapt even though it is not required to do so.
Item 14	Willingly helps others who have problems with their work.
Item 15	Helps others who have heavy workload.
Item 16	Always ready to offer help of those around.
Item 17	Helps to do work of those coworkers who have not been able to come to work.
Item 18	Tries to prevent from creating problems for coworkers.
Item 19	Does not abuse the rights of others.
Item 20	Always considers the impact of actions on coworkers.
Item 21	Takes steps to avoid problems with other coworkers.
Item 22	Aware of how behavior affects other people's job.

(table continues)



**Table 3.5 (continued)**

Item 23	Reads and follows all one announcements, memos, and others given out by organization.
Item 24	Keeps up to date with changes in the organization.
Item 25	Confident that if does job honestly will be rewarded accordingly.
Item 26	Attends meeting that are not compulsory, but are considered important.
Item 27	Attends functions that help improve company's image even though attendance is not compulsory.
Item 28	Follows the rules and regulations of company even when no one is watching.
Item 29	Does not take extra time for break.
Item 30	Often works beyond office hours even though not being asked.
Item 31	One of the organization's most honest employees.
Item 32	Makes innovative suggestions to improve this department.
Item 33	Tries to adopt improved procedures for this department.
Item 34	Tries to institute new more effective work methods for this department.
Item 35	Provides constructive suggestions to improve how things operate in this department.
Item 36	Makes recommendations on issues that affect the department.
Item 37	Speaks up with ideas for new changes in procedures.

Job performance was measured with 37 items adapted from Williams and Anderson (1991). Earlier studies analyzed these 37 items with two dimensions (task performance 06 items, and OCB 30 items). Out of 37 items 07 items were reversely coded. According to Ishak (2004) these items had recorded a high reliability coefficient of 0.89 of task for this construct. Vigoda-Gadot (2007) reported reliability for task performance as 0.93. Ishak (2004) had recorded moderate to high reliability coefficients of 0.71 to 0.89 for OCB. Vigoda-Gadot (2007) reported 0.95, reliability

for OCB. But the present study has used all items as as a single dimension of job performance. Table 3.5 shows the items and its sources for all items on job performance.

### **3.8 Demographic Variables**

In order to determine the demographic profile of the respondents, seven questions were asked pertaining to personal information like; gender, age, qualification, position held, experience with current job, income, and marital status. Gender was taken as nominal variable and was coded as 1 for male and 2 female. Age and income variables were asked within ranges, whereas other demographic variables were asked categorically suggested by Sekaran (2003). The variable, age was breakup in four groups 1 for 20 to 30 years age, 2 for 31 to 40 years age, 3 for 41 to 50 years age, and 4 for 51 and above years of age. Monthly income was asked by making categories of six groups. 1 for PKR Rs.40,000 or less, 2 for Rs. 41,000 to Rs.50,000, 3 for Rs. 51,000 to Rs.60,000, 4 for Rs. 61,000 to Rs. 70,000, 5 for Rs. 71,000 to Rs. 80,000, and 6 for Rs. 81,000 and above. Position held, experience in years, the name of bank, and qualification were asked as open ended questions. The reason for this was to know the exact position held, work experience in exact years, the name of bank, and qualification respectively. Finally marital status was asked with two options, 1 for married and 2 for unmarried. In the end all questions were organized in a questionnaire form for formal data collection.

### **3.9 Pre-Test of the Instrument**

In order to ascertain the instrument's content validity, before putting it into actual survey, the questionnaire was sent to five senior academicians and industry experts. The experts were requested to read the questionnaire items and give feedback on the contents i.e., language, wording, format, clarity, simplicity, and ambiguity of the questionnaire items (Dillman, 1991; Yaghmale, 2009). After receiving the suggestions of the experts on face validity, the suggestions were noted and incorporated for the improvements accordingly, before conducting survey. For example, the experts suggested that item number 06 in performance appraisal politics consisted of a word "antagonize"; which according to experts would be very difficult for survey respondents to interpret and understand.

Therefore, they suggested providing a more simple word as an alternative; as a result the "up-set" was incorporated as an alternative word for better understanding of the participants. Similarly, there were certain other corrections pertaining to survey items, which were incorporated as per expert suggestions before proceeding for data collection. Following this, a pilot test was conducted to further ascertain the reliability and validity of the instrument.

### **3.10 Pilot Study**

According to Zikmund *et al.* (2012) pilot study is a process in which the data is collected at micro level from the respondents having same characteristics as of the

actual respondents of the study. He further stated that pilot study gives insight to the researcher for actual large study to be conducted and it explains the related actual problems that will be faced by the researcher so that these issues can be resolved with shorter set of data to minimize the wastage of time and resources. Therefore, present study considered conducting a pilot study before the actual data on study was collected. The purpose of pilot study was to examine the reliability value of the instrument and its each dimensions used in this study. Pilot testing is considered important for any research for ensuring the accuracy and consistency for the responses to be gathered through questionnaires (Hair *et al.*, 2007). Although majority of the items included in the questionnaire were adapted from well established instruments, but even then the pilot study further confirmed the reliability issues pertaining to the proposed variables. This was important due to the fact that different groups of individuals from different cultural backgrounds and demographics responded differently to the various items in the questionnaire. Table 3.6 shows reliability and validity of constructs.

For this purpose, a total of 100 questionnaires were distributed before the start of actual data collection. Out of the distributed 100 questionnaires a total of 57 completely filled questionnaires were received, that was used for presenting the pilot study results. It is important to mention here that these 57 responses were not included in the analysis of the main study. The purpose of pilot study was ascertaining the reliability and validity of instruments that were adopted (Flynn, Sakakibara, Schroeder, Bates, & Flynn, 1990; Henson, 2001).

Table 3.6

*Reliability and Validity of Constructs (n=57)*

Latent Variables	No of Indicators	AVE	CR
JP	12	0.506	0.924
PAP	06	0.670	0.924
TRFIC	02	0.601	0.748
TRFIIA	02	0.683	0.811
TRFIIB	02	0.591	0.740
TRFIM	02	0.646	0.785
TRFIS	02	0.710	0.831
TRSCR	02	0.605	0.754
TRSMBEA	02	0.740	0.851
TRSMBEP	04	0.608	0.861

The present study employed PLS path modeling (Wold, 1974, 1985), using Smart PLS 2.0 M3 software (Ringle, Wende, & Will, 2005), for determining internal consistency reliability and discriminant validity of the variables that were used for pilot testing. By using PLS Algorithm (Geladi & Kowalski, 1986) the average variance extracted and composite reliability were computed. The cut-off for composite reliability was .700 or more as suggested by Bagozzi and Yi (1988), similarly, the cut-off for average variance extracted was followed according to Fornell and Larcker (1981) according to whom the AVE value should be at least .5 or greater. Accordingly, the Fornell and Larcker (1981) have recommended that for ascertaining discriminant validity, the square root of average variance extracted should be higher than the correlations among latent variables. The values of average variance extracted and composite reliability coefficients are provided in Table 3.6.

It could be noted that the composite reliability coefficients for the pilot study ranged between; 0.740 to 0.924. This suggests that the present study have successfully reached the minimum required threshold of composite reliability, therefore, the present study has met the internal consistency reliability as per the guidelines of (Bagozzi & Yi, 1988). Similarly, the average variance extracted values for the pilot study have ranged from 0.506 to 0.740, this has also suggested that the AVE values were up to the acceptable level. The further details are provided in Table 3.6 above. With regards to discriminant validity, Table 3.7 provides the comparison among the correlations among latent variables with the square root of average variance extracted.

Table 3.7

*Latent Variable Correlation*

	1	2	3	4	5	6	7	8	9	10
JP	<b>0.711</b>									
PAP	0.534	<b>0.818</b>								
TRFIC	0.517	0.313	<b>0.775</b>							
TRFIIA	0.438	0.036	0.330	<b>0.826</b>						
TRFIIB	0.698	0.403	0.475	0.416	<b>0.768</b>					
TRFIM	0.582	0.181	0.465	0.479	0.5509	<b>0.803</b>				
TRFIS	0.518	0.129	0.584	0.338	0.553	0.406	<b>0.842</b>			
TRSCR	0.477	0.034	0.465	0.330	0.541	0.460	0.583	<b>0.860</b>		
TRSMBEA	0.363	0.225	0.390	0.427	0.467	0.406	0.500	0.340	<b>0.860</b>	
TRSMBEP	0.151	0.512	0.202	0.234	0.313	0.268	0.069	0.860	0.341	<b>0.779</b>

As discussed above, Fornell and Larcker (1981) have suggested that the square root of average variance extracted should be greater than the correlation among latent

variances in order to display discriminant validity. Table 3.7 illustrates that the square root of average variance extracted for each of the latent variable that is presented in the boldface diagonals were higher than the suggested criteria. Therefore, it could be concluded that the pilot study has provided sufficient evidence that the instruments adopted for the present study was reliable and valid. Based on these results, the researchers further initiated to collect the complete set of data that was required as per sampling recommendations.

### **3.11 Questionnaire Design**

The questionnaire of current study was consisted on 93 items including seven items on demographic variables. All the items were arranged clearly and questionnaire was divided in sub sections for the convenience of respondents. Questionnaire was divided in two parts A and B. Part A consisted of seven items on demographic items and part B for rest of the items on all variables, Part B was again divided in three sections. In first section of the questionnaire 32 questions were asked on measuring leadership style including both transactional and transformational. Section two contained 15 questions to measure performance appraisal politics. Section three contained 37 items on job performance.

### 3.12 Data Collection Procedures

Data collection is one of the very important parts of the research. Data collection can be done by different methods such as questionnaire, personal interviews, telephone etc.

For data collection an official letter was received from Othman Yeop Abdullah Graduate School of Business (OYAGSB), which helped to introduce the researcher and the purpose of the research study. This enabled the researcher to get full support from the bank managers of six large banks of Sindh, Pakistan. For this purpose, the questionnaires were mailed to the bank managers of six large banks of Pakistan along with self-addressed envelopes to receive back the filled questionnaires.

In order to avoid any ambiguous and biased responses the survey participants were ensured of maintaining their confidentiality on the responses to be provided with the help of a covering letter that clearly specified the researcher's intention to use the received information for the academic purpose only. This covering letter guided the respondents to seal the questionnaire after completion in the same envelope provided with questionnaire and same was returned.

As the present study was designed to collect the data from the bank managers of the six large banks of Sindh, Pakistan, the data was collected mainly from all five divisions (Karachi, Hyderabad, Sukkur, Mirpurkhas and Larkana) of Sindh, Pakistan.



The numbers of questionnaires for data collection were decided keeping in view the response rate of past studies in the banking sector of Pakistan. A study conducted by Khan, Shahid, Nawab, and Wali (2013) had stated the rate of response in banking sector of Pakistan is 82.5 percent. Usman, Haq, and Hussain, (2014) has shown response rate of 78% in banking sector of Pakistan. Another study conducted in the banking sector by Zahid and Ali (2011) shows 57 % response rate. Keeping in view the response rates by the past studies it was expected that around 60% questionnaires will be returned. Therefore a total of 500 questionnaires were distributed that resulted in receiving 308 questionnaires.

Once all the items on scales were arranged in a proper format, the process of data collection was started in February 2015. The questionnaires were printed and designed in a booklet form to make it easier for the respondents. All questionnaires were pre-numbered before sending to the respondents. A record of the sent questionnaires was arranged with prenumbered serial numbers to know the exact respondent to whom the questionnaire was sent. This was done because the stratified sampling was employed, and a required number was important to achieve. So even if, those respondents who left bank name column blank, were found with prenumbered address list. In order to distribute 500 questionnaires, distribution of questionnaires in each bank was based upon the respondents fall in that stratum. For this stratified proportionate sampling method was used in order to receive appropriate number from each bank. The questionnaires were sealed along with instruction sheet, self addressed

envelope and covering letter and were mailed through a courier service and the delivery was confirmed by back receipt.

After two weeks, responses were started and the returned questionnaires were noted in the address book list. The other respondents were contacted by phone after three weeks and their queries were also solved and this record was maintained for the reminders. To follow that process more than 200 responses were received within two months (February and March 2015). And rest of the responses around 108 were received in April and May, 2015. The responses were counted for each stratum and the efforts were taken to increase the number as per the requirement of each stratum. To complete this whole process it took a total of four months time duration approximately.

### **3.13 Analytical Procedures**

The analysis of data required passing through many stages. It started with demographic analysis such as descriptive statistics of the respondents' profile and accuracy of input of data and cleaning the data. After that reliability, factor analysis, validity, was reported. Hair, Black, Babin, and Anderson (2010) suggests performing factor analysis in order to identify fundamental structure in the variables in the data analysis. According to Bollen and Long (1993), Cheng (2001), and Hair Black, Babin, Anderson, and Tatham (2006) SEM is most appropriate method of multivariate analysis because it is designed to analyze the construct validity and theoretical

associations of various latent constructs that are represented by multiple observed variables. Most importantly, SEM is considered as most preferred method to analyze the mediating and moderating assessment because this controls on measurement error, provides information on degree of fit for the complete model and is considered more flexible as compare to regression analysis (Anderson & Gerbing, 1988; Frazier, Tix & Barron, 2004; Joreskog & Sörbom 1993; Shaver, 2005; Tabachnick & Fidell, 2007; Worthington & Whittaker, 2006).

The present study used PLS path modeling (Wold, 1974, 1985) by adopting Smart PLS 2.0 M3 software (Ringle, Wende, & Will, 2005), to test the research model. PLS path modeling was found most suitable technique for the present study for certain reasons: First, although PLS path modeling is same as the other conventional methods of regression, but PLS path modeling has beauty of estimating the relationship among constructs (structural model) and the relationship between indicators and also with their corresponding latent variables (measurement model) simultaneously (Chin, Marcolin, & Newsted, 2003; Duarte & Raposo, 2010; Gerlach, Kowalski, & Wold, 1979; Lohmoller, 1989).

Secondly, as pointed out earlier in this study, in spite of extant research in relation to leadership styles and job performance of employees, still a limited attention was given by the researchers on testing the effect of performance appraisal politics as a moderating variable. This was found a research gap to be filled in the literature. In addition to this, the objective of present study was to predict the role of transactional

leadership, transformational leadership, job performance and performance appraisal politics in maximizing the likelihood of bank managers to better perform in their jobs.

This study was exploratory in nature and employed on leader member exchange theory and equity, fairness and justice theory. A path modeling technique was required because it has been suggested that if the research is prediction oriented or an extension of an existing theory, PLS path modeling should be applied (Hair, Ringle, & Sarstedt, 2011; Henseler, Ringle, & Sinkovics, 2009; Hulland, 1999). In comparison to others (e.g., AMOS; Analysis of Moment Structures) path modeling software, Smart PLS 2.0 M3 was chosen for analysis because of its graphical nature and user friendly interface. This helped to create a moderation effect for path models with interaction effects (Temme, Kreis, & Hildebrandt, 2006, 2010).

The analysis of data required passing through many stages. In the beginning, collected data was screened by using SPSS to make sure that the data is suitable for its use in the PLS analysis. Following this, the second objective was to ascertain the measurement model, individual item reliabilities, internal consistency reliabilities, convergent validity, and discriminant validity using Smart PLS 2.0 M3 software (Hair *et al.*, 2011; Henseler *et al.*, 2009).

Thirdly, on the cases of 266 standard bootstrapping procedure was employed with 500 bootstrap samples to evaluate the structural model (Hair *et al.*, 2011; Hair, Sarstedt, Ringle, & Mena, 2012; Henseler *et al.*, 2009). Particularly, the significance of the

path coefficients, level of the R-squared values, effect size and predictive relevance of the model were assessed (e.g., Hair, Hult, Ringle, & Sarstedt, 2014).

Fourth, a supplementary PLS-SEM analysis (i.e., moderator analysis) was conducted, after the analysis of the main PLS path model were run. Therefore, the present study followed Henseler and Chin (2010) and Henseler and Fassott's (2010) approaches to analyze the moderating effect of performance appraisal politics using PLS path modeling. In doing so, a two stage approach was used to test the moderation effect of performance appraisal politics on the relationship between transactional leadership, transformational leadership and job performance. Finally, the fourth step required was to determine the strength of the moderation effect using Cohen's (1988) effect size formula (see Table 4.11).

### **3.14 Summary of the Chapter**

This chapter was started with the framework of study and development of hypotheses with the literature support. Followed with research methodology and practical procedure that were used to conduct the study to answer the research questions and to meet the research objectives designed for the current study. The present study was conducted on measuring relationship between leadership styles and job performance of employees with moderating effect of performance appraisal politics in six large banks of Sindh, Pakistan. The discussion was made on methodological issues such as population for the study, sample size, measurement of variables, data collection

methods, data analysis, questionnaire design and other related issues accordingly. A proportionate stratified sampling technique was employed in the current study. Measurement scales were adapted from the past studies to measure four constructs i.e., transactional leadership, transformational leadership, performance appraisal politics and job performance. The next chapter is followed with the analysis and results.



## **CHAPTER FOUR**

### **RESULTS**

#### **4.1 Introduction**

This chapter reports the results of the study by using PLS Path Modeling. In the beginning, the results are presented to show the reliability and validity of the measures. Following this the screening of data and preliminary analysis are presented. Firstly, the study reported the descriptive statistics about all latent variables. Secondly, the main results are reported. The results reported are divided in two major parts. The first part discusses and describes the measurement model in order to determine individual item reliability, convergent validity, internal consistency reliability, and discriminant validity. The second part reports the results of structural model by presenting significance of path coefficients, effect size, R-square values, and predictive relevance of the model. Lastly, the results of complementary PLS-SEM are reported after analysis. These results examine the moderating effect of performance appraisal politics on the relationship between leadership styles and job performance.

#### **4.2 Response Rate**

In the process of data collection a sum of 500 questionnaires were mailed to the managers of six large banks of Sindh Pakistan. The envelopes were mailed with self-

address for returning of the filled questionnaires. Once all questionnaires were mailed the respondents were called on phone call to ensure that they have received the questionnaires and were requested for their response. After one month those respondents who had not yet sent questionnaires were called for soft reminder (Silva, Smith, & Bammer, 2002; Traina, MacLean, Park, & Kahn, 2005), with these efforts 308 questionnaires were received.

Table 4.1

*Response Rate of the Questionnaires*

Response	Frequency/Rate
Number of distributed questionnaires	500
Returned questionnaires	308
Returned and usable questionnaires	297
Returned and excluded questionnaires	11
Questionnaires not returned	192
Response rate	62%
Valid response rate	59%

The total received number of questionnaire was 308 out of 500 that were actually distributed using mail survey method. The returned of filled 308 questionnaires resulted response rate of around 62%. This response rate is in accordance with Jobber's (1989) given recommendation for the response rate. Additionally, out of totally received 308 questionnaires 11 questionnaires were not appropriately filled and were not usable for the analysis as these questionnaires contained more than 80% of the missing data. Thus, the remaining 297 questionnaires, which were properly filled



by the respondents, were found usable for the analysis. The 297 number of usable questionnaires counted for around 59% valid response rates. Therefore, 59% response rate is considered as sufficient response rate for further analysis of this study as suggested by Sekaran (2003). According to Sekaran (2003) 30% response rate is sufficient for the survey research (see Table 4.1).

### **4.3 Data Screening and Preliminary Analysis**

In the multivariate data analysis it is necessary to look into data screening before using that data for actual analysis. Hence, it is important for the data file to pass through the data screening stage. This provides help to the researchers to find out the likelihood of any violations related to key assumptions regarding the application of multivariate techniques of data analysis (Hair *et al.*, 2007). Furthermore, preliminary data screening allows researchers to better understand the data collected for further analysis.

Before the preliminary data screening, all 297 usable questionnaires were coded and entered in SPSS. The questionnaire contained seven negative worded items and these items were reversely coded. These items reversely coded included in the questionnaire were as under, JP5, JP6, JP8, JP9, JP10, JP11, JP12. Therefore, before performing any high level of data analysis these negatively worded questions were reversed using SPSS. Subsequent to data coding and entry the following initial data analysis were

performed i.e. (a) missing value analysis, (b) assessment of outliers, (c) normality test, and (d) multicollinearity (Hair *et al.*, 2010; Tabachnick & Fidell, 2007).

#### 4.4 Missing Values Analysis

During the data entry in SPSS dataset, out of 26730 data points 55 were randomly found missing, this accounted for 0.20% missing values. Particularly transactional leadership had 10 missing values and transformational leadership had 10 missing values. On the other hand performance appraisal politics was found with 04 missing values and job performance was found with 31 missing values.

Table 4.2

*Total and Percentage of Missing Values*

Latent Variables	Number of Missing Values
Transactional Leadership	10
Transformational Leadership	10
Performance Appraisal Politics	04
Job Performance	31

Total 55 out of 26730 data points Percentage .20%.

**Note:** Percentage of missing values is obtained by dividing the total number of randomly missing values for the entire data set by total number of data points multiplied by 100.

There is no any definite or minimum percentage related to missing values in a data set which makes the data set valid but researchers have generally agreed upon that 5

percent or less missing values is non-significant (Schafer, 1999; Tabanick & Fidell, 2007).

Moreover, mean substitution is easier way to replace missing values in case missing values are 5 percent or less as suggested by the researchers (Little & Rubin, 1987; Raymond, 1986; Tabachnick & Fidell, 2007). Consequently, randomly missing values were replaced in the present study by using mean substitution (Tabachnick & Fidell, 2007). Table 4.2 displays total number of missing values and its percentage of random missing values of the present study.

#### **4.5 Detection of Outliers**

According to Barnett and Lewis (1994) outliers are “as observations or subsets of observations which appear to be inconsistent with the remainder of the data” (p.7). In a regression based analysis, the existence of outliers in the data set can critically change the estimates of regression coefficients and could potentially cause non-reliable results (Verardi & Croux, 2009). In order to identify any observation which seems to be outside the SPSS value labels due to incorrect data entry, first, frequency tables were tabulated for all the variables using lowest and highest statistics. There was no any value discovered outside the estimated array while using initial analysis of frequency statistics.

Moreover, as suggested by Tabachnick and Fidell (2007) the data were examined for univariate outliers using standardized values with a cut-off of  $\pm 3.29$  ( $p < .001$ ). The

present study followed Tabachnick and Fidell (2007) criteria for detecting outliers, where no any case was found using standardized values as possible univariate outlier. Moreover, after using standardized values to identify univariate outliers, multivariate outliers were also identified using Mahalanobis distance (D2). According to Tabachnick and Fidell (2007) Mahalanobis distance (D2) is “the distance of a case from the centroid of the remaining cases where the centroid is the point created at the interaction of the means of all the variables” (p. 74).

Based on 84 observed variables of this study the recommended threshold of chi-square was 124.116 ( $p=0.001$ ). Mahalanobis values that exceeded this threshold were detected. Following this criterion, 31 multivariate outliers ( i.e., 18, 28, 34, 36, 39, 48,53, 54, 61, 73, 86, 107, 108, 110, 127, 164, 170, 171, 182, 194, 195, 206, 221, 244, 247, 251, 252, 253, 259, 263, 268) were detected and were deleted from the data set as these could affect the data analysis accuracy for the data analysis technique. As a result, after deleting 31 multivariate outliers, 266 was the final number of cases used in dataset of the present study.

#### **4.6 Normality Test**

Popular literature such as (Cassel, Hackl, & Westlund, 1999; Reinartz, Haenlein, & Henseler, 2009; Wetzels, Odekerken-Schroder, & Van Oppen, 2009) has suggested that PLS-SEM model estimation deals with non-normal data. On the other hand, this assumption may possibly turn to be incorrect. Later, Hair *et al.* (2012) proposed that

researchers should run a normality test on the data set. Chernick (2011) stated that highly skewed or kurtotic data can increase the bootstrapped standard error estimate, due to this error it can lead to under rate the statistical significance of the path coefficients (Dijkstra, 1983; Ringle *et al.*, 2012).

Following these recommendations, a graphical method was applied in the present study in order to check the normality of the data (Tabachnick & Fidell, 2007). According to Field (2009) this is quite important for the large sample of 200 or even more to view the shape of the distribution graphically rather just to look on the value of skewness and kurtosis statistics. Further, Field (2009) is of the opinion that there are chances to inflate the value of skewness and kurtosis statistics, when large sample decreases the standard error. Therefore, it is justified to use a graphical method of normality test instead of statistical method.

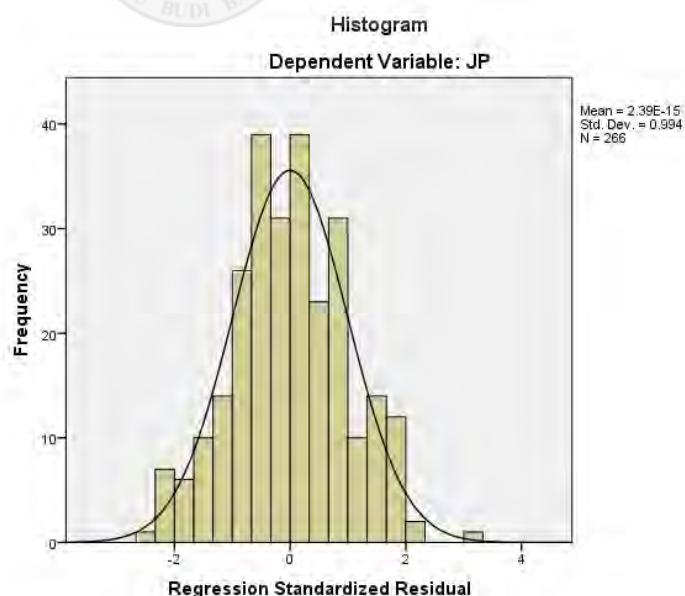


Figure 4.1. Histogram and Normal Probability Plots

In order to ensure that the normality assumptions are not violated, a histogram and normal probability plots were examined in the present study by following Field (2009). Figure 4.1 shows that the data collected for the present study follows normal pattern and all the bars are close to the normal curve. Therefore, in present study normality assumptions were not violated.

#### 4.7 Multicollinearity Test

Multicollinearity is a situation where one or more exogenous latent constructs become highly correlated. The existence of multicollinearity among the exogenous latent constructs can considerably change the estimates of regression coefficients and their statistical significance (Chatterjee & Yilmaz, 1992; Hair *et al.*, 2006). On the whole, multicollinearity increases the standard error of the coefficients, which in turn causes the coefficients to be statistically insignificant (Tabachnick & Fidell, 2007).

Table 4.3

*Correlation Matrix of the Exogenous Latent Constructs*

Number of Latent Constructs	1	2	3
1. Transactional Leadership	1		
2. Transformational Leadership	.581**	1	
3. Performance Appraisal Politics	.512**	.217**	1

Note: \*\* Correlation is significant at the 0.01 level (1-tailed).

The present study used two methods in order to detect multicollinearity (Chatterjee & Yilmaz, 1992; Peng & Lai, 2012). First, the correlation matrix of the exogenous latent constructs was examined. Following Hair *et al.* (2010) if the correlation coefficient is 0.900 or above it shows multicollinearity between exogenous latent constructs. Table 4.3 depicts the correlation matrix for the all exogenous latent constructs.

Table 4.3 clearly shows that the correlations between the exogenous latent constructs were less than the recommended limit values of 0.900 or above which signifies that exogenous latent constructs are independent and are not correlated highly.

Further, in order to identify the problem of multicollinearity, the examination of variance inflated factor (VIF), correlation matrix for exogenous latent constructs and the examination of tolerance value were examined. According to Hair *et al.* (2011) if tolerance value is below 0.200, VIF is greater than 5 there seems multicollinearity issue. The Table 4.4 displays VIF values and tolerance values, for the exogenous latent constructs.

Table 4.4

*Tolerance and Variance Inflation Factors (VIF)*

Latent Constructs	Collinearity Statistics	
	Tolerance	VIF
Transactional Leadership	.507	1.973
Transformational Leadership	.654	1.529
Performance Appraisal Politics	.729	1.372

It seems clear from the Table 4.4 that values are below 5, it also shows that tolerance values are above 0.200 and at the same time condition indices are less than 30, following Hair *et al.* (2011) it could be concluded that there was no any issue of multicollinearity in the present study.

#### **4.8 Non-Response Bias**

According to Lambert and Harrington (1990) non-response bias is “the difference in the answers between non-respondents and respondents” (p.5). Armstrong and Overton (1977) recommended time-trend extrapolation approach through comparing the responses received early and late (non-response) to measure the possibility of non-response bias. They suggested that late respondents present similar features with non-respondents. According to Lindner and Wingenbach (2002) for minimizing the non-response bias issues the researchers should at-least achieve 50% of the response rate.

The present study followed Armstrong and Overton (1977) approach to deal with early and late response issue. To do so, first the participants were divided into two groups, accordingly those who responded within two months (early respondents) and those who responded after the time period of two months (late respondents) (Vink & Boomsma, 2008). Majority of the respondents in the sample, that is 211 (79%), responded to the questionnaire within 60 days, while the remaining 55, representing 21% responded after 60 days (Table 4.5).



Specifically, in order to find out possible non-response bias an independent sample test was performed on all the core variables of the study which included transactional leadership, transformational leadership, performance appraisal politics and job performance. Table 4.5 displays independent-sample t-test results obtained.

Table 4.5

*Results of Independent-Sample T-Test for Non-response Bias*

Variables	Group	N	Mean	Std. Deviation	Levene's Test for Equality of Variance	
					F	Sig.
Transactional Leadership	Early Response	211	3.591	.393	1.394	.239
	Late Response	55	3.633	.420		
Transformational Leadership	Early Response	211	3.966	.334	.021	.886
	Late Response	55	4.007	.323		
Performance Appraisal Politics	Early Response	211	3.140	.605	.111	.740
	Late Response	55	3.065	.587		
Job Performance	Early Response	211	3.746	.330	.469	.494
	Late Response	55	3.617	.340		

As indicated in Table 4.5, the independent sample t-test results suggested that the equal variance significance values for all four core variables were higher than the 0.050 significance level of Levene's test for quality of variance. This is in-line with the recommendations forwarded by Pallant (2010) and Field, (2009). Therefore, it suggests that assumption of equal variance between early and lately responses were not violated. Thus, the present study concludes that there was no any issue pertaining to non-response bias.

In addition to this, drawing upon Linder and Wingenbach's (2002) recommendations, as the current study achieved a response rate of 59% it could further be added that non-response bias was not a concern in the present study.

#### **4.9 Common Method Variance Test**

The common method variance (CMV) commonly, known as, mono-method bias which refers to "variance that is attributable to the measurement method rather than to the construct of interest" (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). All the researchers in general are agreed upon that common method variance is a main apprehension for scholars using self report surveys (Lindell & Whitney, 2001; Podsakoff *et al.*, 2003; Spector, 2006). For instance, Conway and Lance (2010) mentioned that "common method bias inflates relationships between variables measured by self reports" (p.325). In the same way, a meta-analytic review conducted by Organ and Ryan (1995) on 55 studies on attitudinal and dispositional predictors of OCB, pointed out that the use of self report surveys are linked with falsely high correlations as a result of common method variance.

In order to minimize the effects of CMV the present study adopted a number of procedural measures (MacKenzie & Podsakoff, 2012; Podsakoff *at el.*, 2003; Podsakoff, MacKenzie, & Podsakoff, 2012; Podsakoff & Organ, 1986; Viswanathan & Kayande, 2012). First and foremost, in order to minimize evaluation apprehension, in the beginning the respondents were clearly informed that there are no right and

wrong answers pertaining to the survey questionnaire. In addition to this, the respondents were given complete assurance that the responses provided on the questionnaire will be solely used for research purpose and will remain confidential all the way through the process of research. Secondly, common method bias was reduced by incorporating the improvements in the items of the scale. The present study avoided vague language in the survey questionnaire so that the respondents could easily understand the concept in simple language. All items in the scales were written in simple, specific, and clear language, keeping in view the education level of the respondents. Thirdly, the questionnaire was sent to the experienced managers and academicians to get the feedback on language and content.

Apart from the above remedies, the present study also implement Harman's single factor test suggested by Podsakoff and Organ (1986) to examine common method variance. Conventionally, during the process all the variables under study were subject to an exploratory factor analysis and the result outputs of the un-rotated factor solution were then observed to find out those factors which were important to account for variance in the variables (Podsakoff & Organ, 1986). According to Harman's (1967) single factor test is one that if a considerable total of common method variance is present, either a single factor may emerge or a general factor may account for the most of covariance in the predictor and criterion variables (Podsakoff & Organ, 1986).

To follow Podsakoff and Organ (1986) all items were subject to the main component factor analysis in the present study. The results showing a 70.64% cumulative variance from the analysis of six factors yielded; the largest factor explains a total of 17.5% variance and the same is less than 50% (Kumar, 2012). In addition, the results suggested that there was no any single factor that accounted for mainstream of covariance in the predictor and criterion variables (Podsakoff *et al.*, 2012). Therefore, the results suggested that there is no any issue of common method bias in the present study and it is not likely that it could inflate the relationship measured between the variables.

#### **4.10 Demographic Profile of the Respondents**

The demographic part of the study explains the respondents' profiles taken as sample. The present study has taken into consideration the demographic characteristics consisting; position, age, gender, experience, highest level of education and marital status (refer Table 4.6).

The Table 4.6 explains that the large number of respondents were males with 94.7% where as females were 5.3% percentage only in the total sample of 266. The earlier studies have also been showing the same trends as far as gender is concerned. For example study carried out by Abbas and Yaqoob (2009) on different organizations in Pakistan showed that majority of the respondents were males with 87% a larger portion of the sample whereas only 13% were female representatives from the sample. With regards to age, the majority of the respondents fall in 31 to 40 years of age group

with 39.1% and lowest percent of respondents falls in 51 or above age group that is with 8.1 percent. Whereas, the age groups 20 to 30 years and 41 to 50 were 24.8% and 27.1% respectively. The bank managers were 51.5% and operation managers were 48.5% as the participants for this study.

Table 4.6

*Demographic Characteristics of the Respondents*

Characteristics	Frequency	Percentage
<b>Gender</b>		
Male	252	94.7
Female	14	5.3
<b>Age</b>		
20-30 years	66	24.8
31-40 years	104	39.1
41-50 years	72	27.1
51 and above	24	9
<b>Position</b>		
Branch Manager	137	51.5
Operation Manager	129	48.5
<b>Experience</b>		
Less than 5 years	42	15.8
5 to less than 10	101	38
10 to less than 15	44	16.5
15 to less than 20	31	11.7
20 to less than 25	16	6
25 to less than 30	14	5.3
30 and above	18	6.8
<b>Qualification</b>		
Undergraduate	021	7.9
Graduate	242	91
Postgraduate	003	1.1

(table continues)

**Table 4.6. (continued)**

Monthly Income		
40 K or less	57	21.4
41 to 50 K	49	18.4
51 to 60 K	48	18
61 to 70 K	29	10.9
71 to 80 K	27	10.2
81 K and above	56	21.1
Marital Status		
Married	226	85
Unmarried	40	15

At first, the major chunk of the respondents i-e 38 percent was young having not more than 10 years of work experience. Accordingly, 16.5 percent of the respondents reported to have ten to fifteen years of experience whereas, 15.8 percent were found having less than five years of experience. With regards to qualification 90 percent of respondents had postgraduate qualifications. As far as the salaries are concerned, 21.4 percent managers were drawing salary of PKR40,000 or less and 21.1 percent managers were drawing salary of PKR80,000 or above. Moreover, 18.4 percent of the managers were drawing a salary of PKR41,000 to PKR50,000, and 18 percent were drawing PKR51,000 to PKR60,000. Notably, 10.9 and 10.2 percent of the managers reported to belong to the highest salary groups of PKR61,000 to PKR70,000 and PKR71,000 to PKR80,000 respectively. Pertaining to marital status, highest number of 226 i-e 85 percent managers was married and 40 (15%) managers were unmarried.

#### 4.11 Descriptive Analysis of Latent Constructs

This part of the present study primarily represents the descriptive statistics related to latent variables. Initially the mean and standard deviations were computed for all the latent variables by using descriptive statistics shown.

The present study measured all the latent variables on five-point scale anchored by 1=strongly disagree and 5= strongly agree. The results of descriptive statistics are shown in Table 4.7. The Table 4.7 above indicates that the mean for all the latent variable ranges between 3.125 to 3.974. Particularly, the mean for transactional leadership was 3.599 and standard deviation was 0.399. Subsequently, the mean and standard deviation of transformational leadership was 3.974 and 0.331 respectively.

Table 4.7

*Descriptive Statistics for Latent Variables*

Latent Constructs	Number of Items	Mean	Std. Deviation
Transactional Leadership	12	3.599	.399
Transformational Leadership	20	3.974	.331
Performance Appraisal Politics	15	3.125	.601
Job Performance	37	3.720	.336

The mean value of 3.125 was found performance appraisal politics with standard deviation of 0.601. Lastly, the results indicate in the Table 4.7 that mean of job performance were 3.720 and the standard deviation was 0.336.

Table 4.7 shows in particular that transformational leadership has highest mean of 3.974 and is perceived as more important in terms of its influence on job performance. Followed with transactional leadership having mean value of 3.599 this suggested that the managers in the six large banks in Pakistan also perceive transactional leadership as an important factor that could potentially influence the job performance. The standard deviation for transactional leadership was 0.399 which suggests that the perceptions of managers in the six large banks in Pakistan do not have much difference of the opinion regarding the importance of transactional leadership.

In addition, the perceptions of managers related to performance appraisal politics have much influence on job performance with having mean-value of 3.125. The standard deviation for performance appraisal politics was 0.601 which suggests that the perceptions of managers do not have much difference of the opinion regarding the importance of performance appraisal politics. Finally, the Table 4.7 also suggests that the managers in the six large banks in Pakistan also perceive job performance with mean of 3.720 as an important factor that could potentially influence the job performance. At the same time standard deviation of 0.336 for job performance shows tendency towards the results that there is not so much difference of opinion by the



managers of six large banks of Pakistan in five divisions of Sindh (i.e., Karachi, Hyderabad, Sukkur, Mirpurkhas and Larkana).

#### **4.12 Assessment of PLS-SEM Path Model Results**

It is very essential to point out the recently Henseler and Sarstedt (2013) have suggested that the index of goodness of fit (GoF) is not appropriate for the model validation (refer Hair *et al.*, 2014). According to Hair, Ringle, and Sarstedt (2013), as an example by using PLS path model with simulated data, the researchers are of the opinion that goodness of fit index is not suitable for the model validation with the reason that it does not bifurcate valid and invalid models. The present study employed a two-step process to analyze and report the outcome results as recommended by Henseler *et al.* (2009). The two-step process implemented in the present study is comprised of (a) the assessment of measurement model and (b) assessment of structural model, which are further elaborated in Figure 4.2 (Hair *et al.*, 2014; Hair *et al.*, 2012; Henseler *et al.*, 2009).

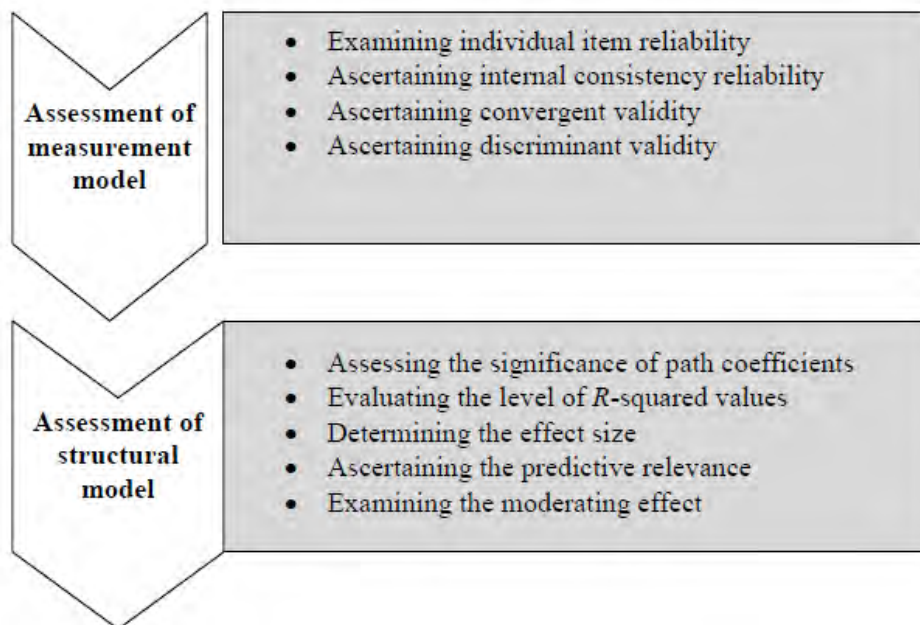


Figure 4.2. A Two-Step Process of PLS Path Model Assessment Source: Henseler *et al.* (2009)

#### 4.13 Assessment of Measurement Model

According to Hair *et al.* (2014), Hair *et al.* (2012), and Henseler *et al.* (2009), assessment of measurement model consists of individual item reliability, internal consistency reliability, content reliability, convergent reliability, and discriminant validity. The PLS algorithm diagram for the measurement model assessment is depicted in Figure 4.3. Their assessments results are further reported in the separate sections that follow.

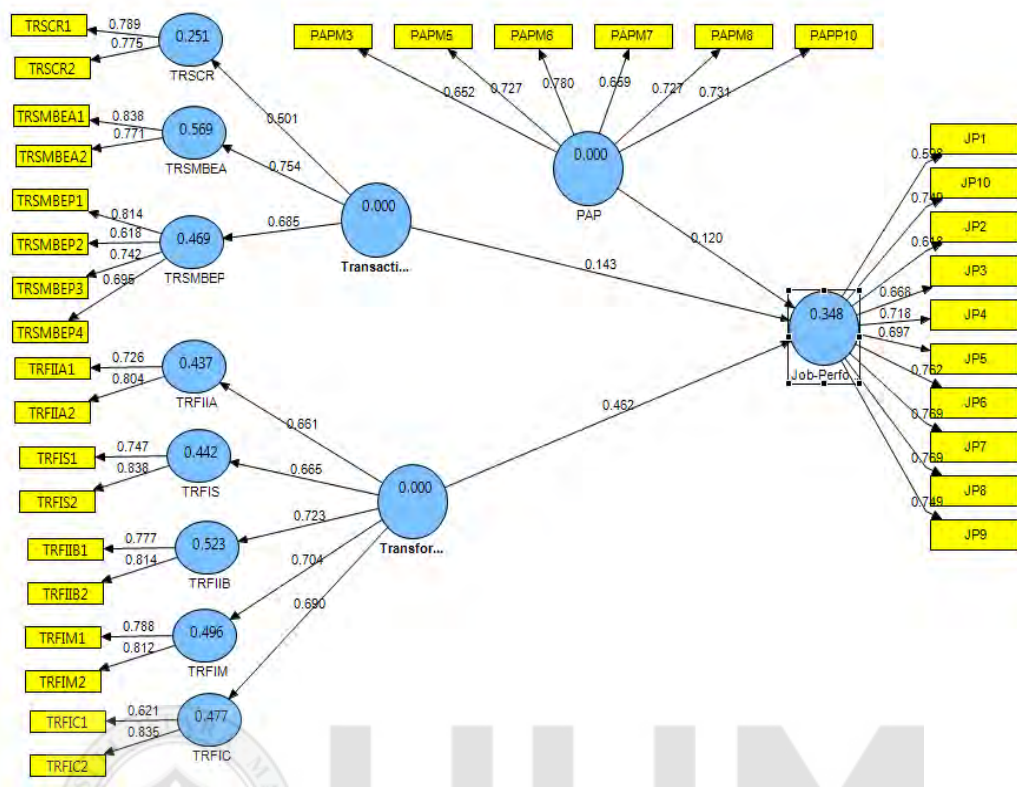


Figure 4.3. Measurement Model

#### 4.13.1 Individual Item Reliability

The outer loadings for each of the construct were examined in process of assessing individual item reliability following (Duarte & Raposo, 2010; Hair *et al.*, 2014; Hair *et al.*, 2012; Hulland, 1999). According to Hair *et al.* (2014) the loadings for the items should be retained between .400 and .700 and should be considered as rule of thumb. In the present model all those items were deleted which had loadings less than the suggested threshold. Consequently, in the present study the item loadings ranged between 0.610 and 0.840.

#### 4.13.2 Internal Consistency Reliability

Internal consistency reliability is defined as the degree to which a particular (sub) scale measures the same idea for all the items (Bijttebier, Delva, Vanoost, Bobbaers, Lauwers, & Vertommen, 2000; Sun, Chou, Stacy, Unger, & Gallaher, 2007). According to Bacon, Saur, and Young (1995), McCrae, Kurtz, Yamagata, and Terraciano (2011), and Peterson and Kim (2013) for estimating internal consistency reliability for any instrument in the organizational research two of the measures are very important; Cronbach's alpha coefficient or composite reliability coefficient (Henson, 2001). The present study chosen the composite reliability coefficient in order to determine the internal consistency reliability of the measures adapted.

There are two major reasons to justify the use of composite reliability coefficient. Firstly, the estimates provide much less biased estimates through composite reliability coefficient as compare to Cronbach's alpha coefficient, with the reason that all items later assuming equally contribute to the construct without bearing in mind the real input of the individual loadings (Barclay, Higgins, & Thomson, 1995; Gotz, Liehr-Gobbers, & Krafft, 2010).

Table 4.8

*Loadings, Composite Reliability and Average Variance Extracted*

Latent Variables	Loadings	CR	AVE
Contingent Reward		0.759	0.611
TRSCR1	0.785		
TRSCR2	0.780		
Management by Exception (Active)		0.786	0.648
TRSMBEA1	0.841		
TRSMBEA2	0.767		
Management by Exception (Passive)		0.810	0.519
TRSMBEP1	0.810		
TRSMBEP2	0.625		
TRSMBEP3	0.744		
TRSMBEP4	0.689		
Idealized Influence (Attributed)		0.739	0.586
TRFIIA1	0.722		
TRFIIA2	0.807		
Intellectual stimulation		0.772	0.630
TRFIS1	0.745		
TRFIS2	0.839		
Idealized Influence (Behavior)		0.775	0.633
TRFIIB1	0.775		
TRFIIB2	0.816		
Inspirational motivation		0.780	0.640
TRFIM1	0.788		

(table continues)

**Table 4.8 (continued)**

TRFIM2	0.812		
Individualized consideration		0.701	0.541
TRFIC1	0.619		
TRFIC2	0.836		
Performance Appraisal Politics		0.861	0.510
PAP1	0.652		
PAP2	0.727		
PAPM3	0.780		
PAP4	0.659		
PAP5	0.727		
PAP6	0.731		
Job Performance		0.911	0.507
JP1	0.598		
JP2	0.618		
JP3	0.668		
JP4	0.718		
JP5	0.697		
JP6	0.762		
JP7	0.769		
JP8	0.769		
JP9	0.749		
JP10	0.740		

Secondly, the reliability measured through Crobach's alpha may under estimate or over estimate the reliability of scale. The composite reliability considers that all the indicators have different loadings and the same can be interpreted same as in the Crobach's alpha  $\alpha$  (therefore, it is not so important to use a specific reliability

coefficient, the most important is that by any method internal consistency reliability value can be obtained .700 or above is considered as satisfactory measure and the value below .600 shows lack of reliability). On the other hand, the explanation to internal consistency reliability by using composite reliability coefficient is based on the rule of thumb which is .70 or above, as suggested by Bagozzi and Yi (1988), and Hair *et al.* (2011).

Table 4.8 presents composite reliability coefficients for the latent variables and it shows that all the latent construct's composite reliability coefficients were above .70 and it ranges from .701 to .910 for each latent construct. Therefore, this has achieved minimum acceptable level in the present study as suggested by Bagozzi and Yi (1988), and Hair *et al.* (2011).

#### **4.13.3 Convergent Validity**

Convergent validity is defined as the degree to which the items accurately represent the proposed latent construct and certainly correlate to the other measurements of the same latent construct (Hair *et al.*, 2006). By examining the average variance extracted (AVE), the convergent validity was evaluated, as recommended by Fornell and Larcker (1981). In order to obtain sufficient convergent validity it was recommended by Chin (1998) that AVE for each of the latent construct should be supposed to be .500 or above. To follow Chin (1998), the Table 4.8 displays the AVE

of the present study which is above .500 on their relevant constructs, which specifies satisfactory convergent validity.

#### **4.13.4 Discriminant Validity**

Discriminant validity is defined as the degree to which a particular latent construct is dissimilar with other latent variables (Duarte & Raposo, 2010). The discriminant validity for the present study was determined by using AVE as recommended by Fornell and Larcker (1981). It was obtained by comparing the correlations among all the latent constructs with the square roots of the average variance extracted (Fornell & Larcker, 1981). In addition, in order to determine discriminant validity the present study followed Chin (1998) criterion by comparing the indicator loadings in the cross loadings table with other reflective indicators. Initially, Fornell and Larcker (1981) suggested the use of AVE with .500 or above scores should be considered as rule of thumb in order to assess discriminant validity. Further, Fornell and Larcker (1981) suggest that to obtain adequate discriminant validity, the square root of the AVE should be higher than the correlations among the latent constructs.

Table 4.8 shows the values of AVE ranging in between .507 to .648, which is suggested as the acceptable level of values. Table 4.9, compares the correlations among the latent constructs with the square root of the average variance extracted (the values shown in bold face). Further, Table 4.9 has suggested adequate discriminant validity in the present study by showing that the square roots of the average variances



extracted were all higher than the correlations among latent constructs (Fornell & Larcker, 1981).

Table 4.9

*Latent Variable Correlations and Square Root of Average Variance Extracted*

	1	2	3	4	5	6	7	8	9	10
JP	<b>0.71</b>									
PAP	0.23	<b>0.71</b>								
TRFIC	0.32	0.17	<b>0.73</b>							
TRFIA	0.37	0.13	0.32	<b>0.76</b>						
TRFIIB	0.40	0.12	0.42	0.35	<b>0.79</b>					
TRFIM	0.41	-0.01	0.36	0.41	0.50	<b>0.80</b>				
TRFIS	0.30	-0.00	0.47	0.32	0.38	0.30	<b>0.79</b>			
TRSCR	0.27	0.10	0.36	0.26	0.43	0.30	0.39	<b>0.78</b>		
TRSMBEA	0.43	0.15	0.26	0.33	0.21	0.27	0.28	0.26	<b>0.80</b>	
TRSMBEP	0.14	0.44	0.17	0.06	0.04	0.11	0.04	-0.01	0.26	<b>0.70</b>

Note: entries in the bold face represent the square root of average variance extracted.

In addition to this, the discriminant validity can also be determined by comparing the indicator loadings with cross loadings (Chin, 1998). In order to achieve sufficient value of discriminant validity it is suggested by Chin (1998) that all the indicator loadings should be greater than cross loadings. Further, Table 4.10 shows the comparison of the indicator loadings with other reflective indicators. From this, the values in the present study are indicating that all loadings are higher than the cross loadings which suggests the adequate amount of discriminant validity.

Table 4.10

*Cross Loadings*

	Job- Performance	PAP	TRFIC	TRFIIA	TRFIIB	TRFIM	TRFIS	TRSCR	TRSMBEA	TRSMBEP
JP1	<b>0.598</b>	0.185	0.195	0.273	0.316	0.279	0.203	0.270	0.380	0.072
JP10	<b>0.749</b>	0.214	0.133	0.193	0.236	0.238	0.124	0.087	0.240	0.177
JP2	<b>0.618</b>	0.205	0.214	0.259	0.315	0.363	0.221	0.229	0.335	0.176
JP3	<b>0.668</b>	0.164	0.196	0.290	0.244	0.274	0.242	0.174	0.272	-0.005
JP4	<b>0.718</b>	0.165	0.246	0.240	0.241	0.293	0.185	0.173	0.296	0.098
JP5	<b>0.697</b>	0.149	0.280	0.330	0.358	0.335	0.282	0.251	0.247	0.065
JP6	<b>0.762</b>	0.175	0.224	0.267	0.294	0.238	0.253	0.230	0.345	0.152
JP7	<b>0.769</b>	0.109	0.317	0.276	0.295	0.327	0.245	0.197	0.332	0.062
JP8	<b>0.769</b>	0.109	0.317	0.276	0.295	0.327	0.245	0.197	0.332	0.062
JP9	<b>0.749</b>	0.214	0.133	0.193	0.236	0.238	0.124	0.087	0.240	0.177
PAP1	0.114	<b>0.652</b>	-0.014	0.036	0.021	-0.076	-0.036	0.115	0.084	0.194
PAP2	0.100	<b>0.727</b>	0.084	-0.026	0.038	-0.034	0.051	0.056	0.122	0.441
PAP3	0.241	<b>0.780</b>	0.172	0.103	0.085	-0.021	-0.031	0.072	0.161	0.298
PAP4	0.099	<b>0.659</b>	0.163	0.087	0.063	-0.062	0.124	0.064	0.070	0.295
PAP5	0.189	<b>0.727</b>	0.155	0.152	0.129	0.020	-0.016	0.116	0.056	0.264
PAP6	0.171	<b>0.731</b>	0.130	0.153	0.139	0.055	-0.034	0.028	0.153	0.471
TRFIC1	0.277	0.247	<b>0.621</b>	0.294	0.149	0.209	0.236	0.170	0.301	0.308

(table continues)

**Table 4.10 (continued)**

TRFIC2	0.218	0.049	<b>0.835</b>	0.202	0.440	0.312	0.437	0.351	0.125	0.001
TRFIA1	0.328	0.144	0.232	<b>0.726</b>	0.275	0.307	0.233	0.247	0.237	0.108
TRFIA2	0.248	0.070	0.260	<b>0.804</b>	0.276	0.325	0.257	0.163	0.275	-0.007
TRFIIB1	0.283	0.046	0.235	0.349	<b>0.777</b>	0.472	0.245	0.242	0.161	0.062
TRFIIB2	0.357	0.145	0.440	0.228	<b>0.814</b>	0.337	0.367	0.440	0.182	0.011
TRFIM1	0.341	-0.103	0.235	0.302	0.448	<b>0.788</b>	0.228	0.284	0.124	-0.044
TRFIM2	0.325	0.073	0.339	0.356	0.362	<b>0.812</b>	0.255	0.207	0.316	0.217
TRFIS1	0.161	-0.040	0.316	0.234	0.202	0.266	<b>0.747</b>	0.294	0.235	0.020
TRFIS2	0.312	0.026	0.428	0.274	0.397	0.220	<b>0.838</b>	0.327	0.220	0.045
TRSCR1	0.167	0.051	0.230	0.217	0.341	0.289	0.250	<b>0.789</b>	0.190	0.018
TRSCR2	0.264	0.113	0.351	0.194	0.337	0.187	0.365	<b>0.775</b>	0.228	-0.039
TRSMBEA1	0.431	0.168	0.281	0.347	0.244	0.288	0.203	0.289	<b>0.838</b>	0.221
TRSMBEA2	0.249	0.080	0.136	0.182	0.092	0.151	0.260	0.129	<b>0.771</b>	0.212
TRSMBEP1	0.142	0.407	0.131	0.087	0.037	0.131	-0.012	-0.036	0.201	<b>0.814</b>
TRSMBEP2	0.130	0.246	0.143	0.070	0.089	0.068	0.051	0.085	0.149	<b>0.618</b>
TRSMBEP3	0.080	0.327	0.207	0.010	0.057	0.084	0.075	-0.007	0.267	<b>0.742</b>
TRSMBEP4	0.056	0.304	-0.013	0.002	-0.068	0.028	0.005	-0.082	0.140	<b>0.695</b>

#### 4.14 Assessment of Significance of the Structural Model

After ascertaining measurement model in the present study, in the next part; structural model was assessed. In doing so, the standard bootstrapping procedure was run on the 266 cases with 5000 bootstrapping resamples in order determine the significance of the path coefficients (Hair *et al.*, 2014; Hair *et al.*, 2011; Hair *et al.*, 2012; Henseler *et al.*, 2009). In order to test the two direct relationships, H1 and H2, the structural model was first run without including the moderator, as demonstrated in Figure 4.4 and Figure 4.5. Then the full structural model with moderator was run in the second step to assess the moderation effect as shown in Figure 4.6. The results for above procedures were reported in Table 4.11.



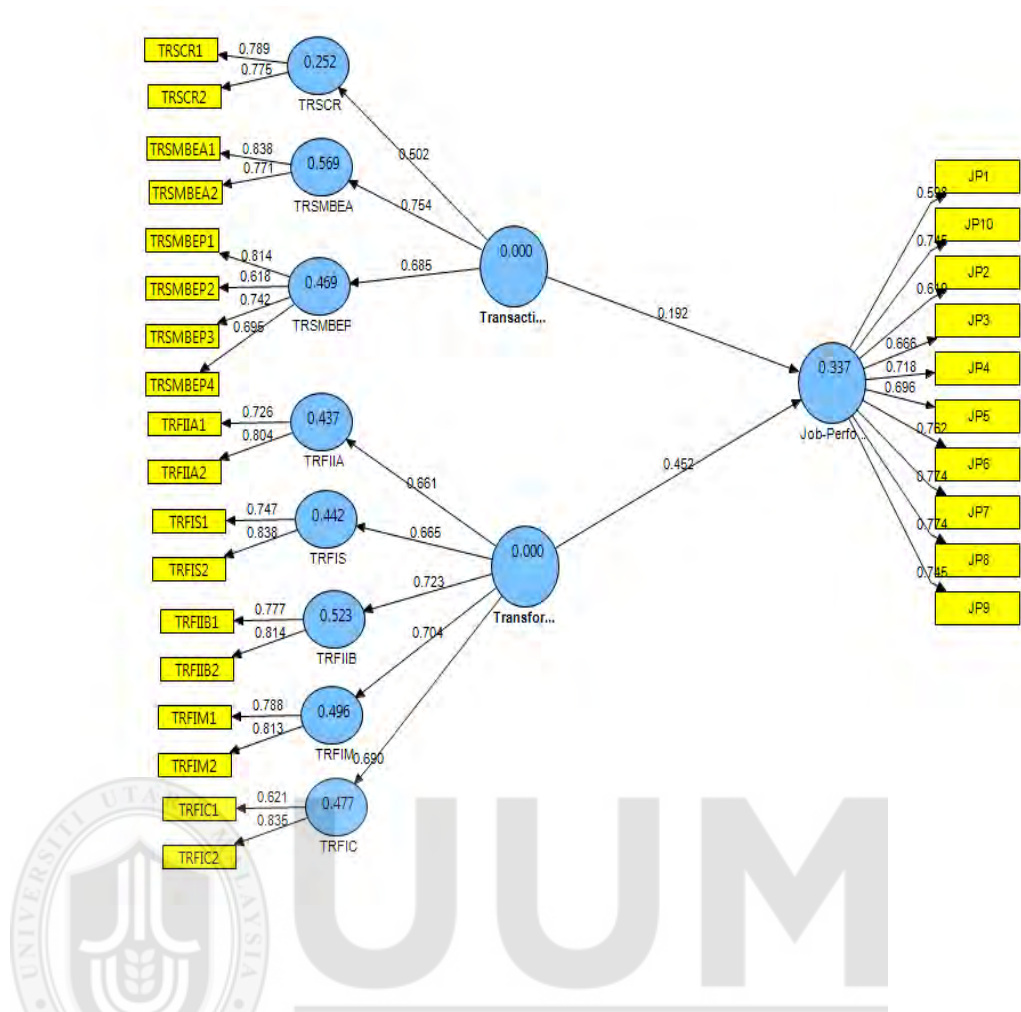


Figure 4.4. PLS Algorithm Diagram of the Relationship between Transactional, Transformational and Job Performance

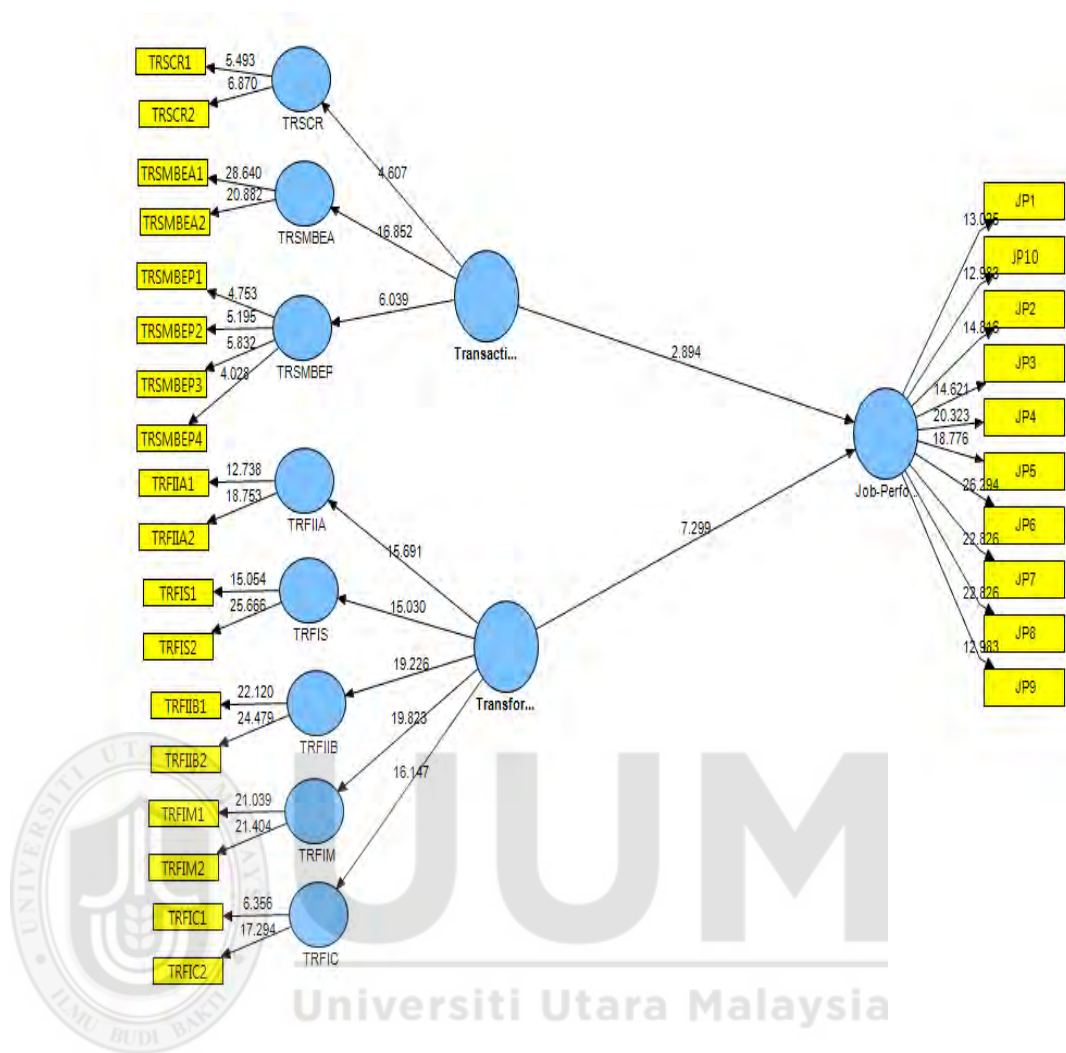


Figure 4.5. PLS Bootstrapping Diagram of the Relationship between Transactional, Transformational and Job Performance

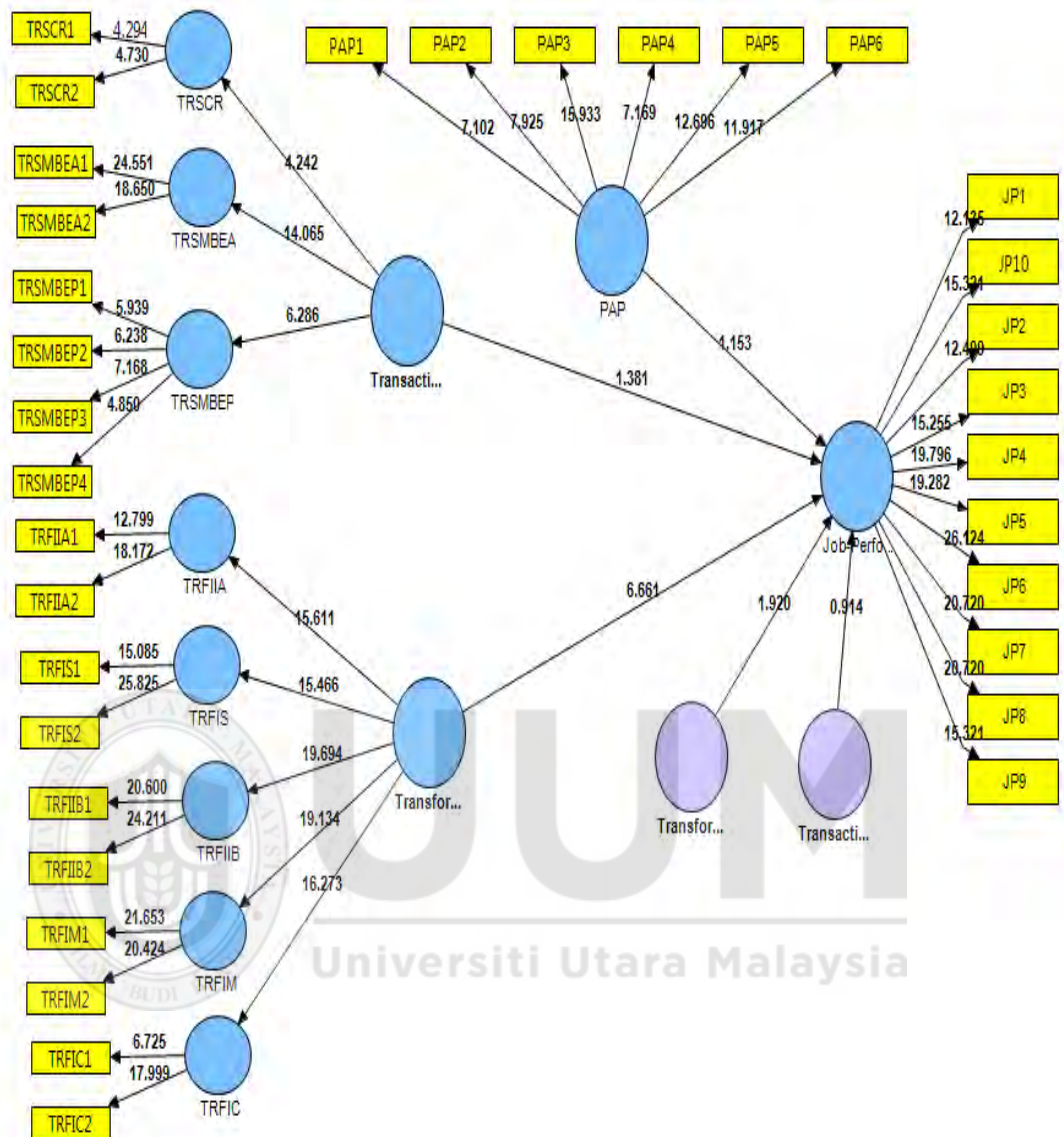


Figure 4.6. Structure Model Results (Full Model)

Table 4.11

*Structural Model Assessment with Moderator*

	Relationship	Beta	SE	t-value	p-value	significant level	Decision
H1	Transactional → Job Performance	0.192	0.0664	2.893	0.002	p<0.01	Supported
H2	Transformational → Job Performance	0.451	0.0619	7.298	0.000	p<0.00	Supported
H3	Transactional*PAP → Job Performance	0.136	0.0712	0.913	0.181	p>0.10	No Moderation
H4	Transformational*PAP → Job Performance	0.137	0.090	1.919	0.028	p<0.05	Weak Moderation

It could be recalled that hypothesis 1 predicted that the transactional leadership will be positively related with job performance. The results revealed that the relationship between transactional leadership and job performance was significant at the level of  $p<0.01$  ( $\beta=0.192$ ,  $t=2.893$ ). The details are provided in Table 4.11 and Figure 4.6.

Similarly, hypothesis 2 stated that transformational leadership would be positively associated with job performance. The bootstrapping results have also provided empirical support for this hypotheses ( $\beta=0.451$ ,  $t=7.298$ ,  $p<0.001$ ).

In addition to these results, the present study also tested performance appraisal politics as a moderating variable on both the relationship between transactional leadership and job performance, as well as relationship between transformation and job performance. The results did not provide support for hypothesis 3, suggesting that the performance appraisal politics did not moderate the relationship between transactional leadership and job performance ( $\beta=0.136$ ,  $t=0.913$ ,  $p=0.181$ ). On the contrary, the results provided support for hypothesis 4, suggesting that the



performance appraisal politics has weak moderation between transformational leadership and job performance ( $\beta=0.137$ ,  $t=1.919$ ,  $p<0.05$ ). According to Hair *et al.* (2014) the threshold for support of hypotheses should be minimum t-value 1.465.

#### 4.14.1 Assessment of Variance Explained in the Endogenous Latent Variables

The R-squared value is another main measure to evaluate the structural model in PLS-SEM, and this value of R-squared is identified as the coefficient of determination (Hair *et al.*, 2011; Hair *et al.*, 2012; Henseler *et al.*, 2009). The value of R-squared presents the variation in proportion to the dependent variable (s), which can be clarified by a single or more predictor variable (Elliot & Woodward, 2007; Hair *et al.*, 2010; Hair *et al.*, 2006). But again the adequate level of R<sup>2</sup> value is based on the context related to that particular research (Hair *et al.*, 2010). According to the recommendation of Falak and Miller (1992) the R-squared value of 0.100 should be considered as substantial, the value of 0.67 should be considered as moderate and 0.190 value to be considered as weak in PLS-SEM. The Table 4.12 represents the R-squared values of endogenous latent variable.

Table 4.12

##### *Variance Explained in the Endogenous Latent Variables*

Latent Variables	Variance Explained (R <sup>2</sup> )
Job Performance	39%

The Table 4.12 indicates that the research model explained 39% of the total variance in the job performance. This puts forward that all three sets of exogenous latent variables (transactional leadership, transformational leadership, and performance appraisal politics), collectively explained 39% of the variance in the job performance, respectively. Hence, following the criterion of Falk and Miller's (1992) and Chin's (1998) the endogenous latent variable suggested acceptable level of R-squared value.

#### 4.14.2 Assessment of Effect Size ( $f^2$ )

The effect size points out the relative effect on endogenous latent variable (s) by a particular exogenous latent variable through the changes in the R-squared (Chin, 1998). This is determined by the increase in R-squared of the latent variable with which path is linked, in relation to latent variable's proportion of unexplained variance (Chin, 1998). Therefore, the effect size can be expressed with the use of following formula (Cohen, 1988; Selya, Rose, Dierker, Hedeker, & Mermelstien, 2012; Wilson, Challaghan, Ringle, & Henseler, 2007).

$$\text{Effect size: } f^2 = \frac{R^2_{Included} - R^2_{Excluded}}{1 - R^2_{Included}}$$

Cohen (1988) expressed that  $f^2$  of 0.020 is considered as weak, value of 0.150 is considered as moderate and value of 0.350 is considered as strong effect. Table 4.13 illustrates the relevant effect sizes related to the latent variables.

Table 4.13

*Effect Sizes of the Latent Variables on Cohen's (1988) Recommendation*

R-Squared	Included	Excluded	f-squared	Effect Size
Transactional Leadership	0.440	0.426	0.021	Weak
Transformational Leadership	0.440	0.281	0.221	Moderate

The Table 4.13 indicates that effect size for transactional leadership (0.021) on job performance was weak. And, the effect size for transformational leadership (0.221) was also found moderate. Therefore, following on the guidelines provided by Cohen (1988), it could be concluded that the effect size of the modeled variables on job performance could be considered as weak for transactional and moderate for transformational leadership.

#### **4.14.3 Assessment of Predictive Relevance**

The Stone-Geisser test of predictive relevance was applied in the present study for the research model with use of blindfolding procedures (Geisser, 1974; Stone, 1974). Thus, the Stone-Geisser test of predictive relevance is frequently used as a supplementary assessment in partial least squares structural equation modeling for the goodness of fit (Duarte & Raposo, 2010). Although, the present study used blindfolding to determine the predictive relevance of the research model, this is important to notify that according to Sattler, Volckner, Riediger, and Ringle (2010)

“blindfolding procedure is only applied to endogenous latent variables that have a reflective measurement model operationalization” (p.320). The reflective measurement model, “specifies that a latent or unobservable concept causes variation in a set of observable indicators” (McMillan & Conner, 2003, p.1). The blindfolding procedure was used mainly to these endogenous latent variables with the reason that all endogenous latent variables were reflective in nature.

Table 4.14

*Construct Cross-Validated Redundancy*

Total	SSO	SSE	$Q^2 = 1 - SSE/SSO$
Job Performance	2660	2257.166	0.151441

In order to assess predictive relevance of the research model particularly, a cross validated redundancy measure ( $Q^2$ ) was used in this model (Chin, 2010; Geisser, 1974; Hair *et al.*, 2013; Ringle, Sarstedt, & Straub, 2012; Stone, 1974). This  $Q^2$  is a criterion to determine that how well a model predicts the data for the omitted cases (Chin, 1998; Hair *et al.*, 2014). A research model  $Q^2$  statistic(s) above the zero point is regarded as to have predictive relevance as stated by (Henseler *et al.*, 2009). Moreover, with higher positive  $Q^2$  values, a research model suggests more predictive relevance. The Table 4.14 represents the results of cross-validated redundancy  $Q^2$  test.

Table 4.14 shows that cross validation redundancy measure  $Q^2$  were greater than zero for all endogenous latent variables (Chin, 1998; Henseler *et al.*, 2009). Therefore, this suggested predictive relevance for the model of the present study.

#### **4.15 Testing Hypotheses for Dimensions of Transactional and Transformational Leadership**

The present study further analyzed the dimensions of independent variables: transactional leadership and transformational leadership with dependent variable job performance. In order to achieve the research objective two and four, two research questions were asked about the relationship of all the eight dimensions of transactional and transformational leadership. Three dimensions were related to transactional leadership and five dimensions were pertaining to transformational leadership.

In the process of analyzing the direct relationship of three dimensions of transactional leadership with job performance, three sub-hypotheses (H1a, H1b, and H1c) were tested to answer the research question two. And to analyze five dimensions of transformational leadership, five sub-hypotheses (H2a, H2b, H2c, H2d, and H2e) were tested to answer the research question 4.

#### **4.15.1 Testing Sub-hypotheses on the Dimensions of Transactional Leadership: H1a, H1b, and H1c**

To test sub-hypotheses H1a, H1b, and H1c PLS algorithm and bootstrapping were run. Referring back to Hypothesis H1a predicted that contingent reward is positively related to job performance. The results revealed that the relationship between contingent reward and job performance was significant at the level of  $p < 0.001$  ( $\beta = 0.182$ ,  $t = 2.898$ ).

Similarly, in hypothesis H1b it was predicted that management by exception (active) will be positively associated with job performance. The bootstrapping results have also provided empirical support for this hypotheses and found significant at the level of  $p < 0.001$  ( $\beta = 0.384$ ,  $t = 6.227$ ). Referring to hypothesis H1c, it was predicted that management by exception (passive) is positively related to job performance. The results revealed that the relationship between contingent reward (passive) and job performance was not supported  $p > 0.100$  ( $\beta = 0.087$ ,  $t = 0.975$ ).

Demonstrated in Figure 4.7 and 4.8 are the PLS algorithm and bootstrapping diagram of the direct relationships between three dimensions of transactional leadership and job performance. Their corresponding results are tabulated in Table 4.15.

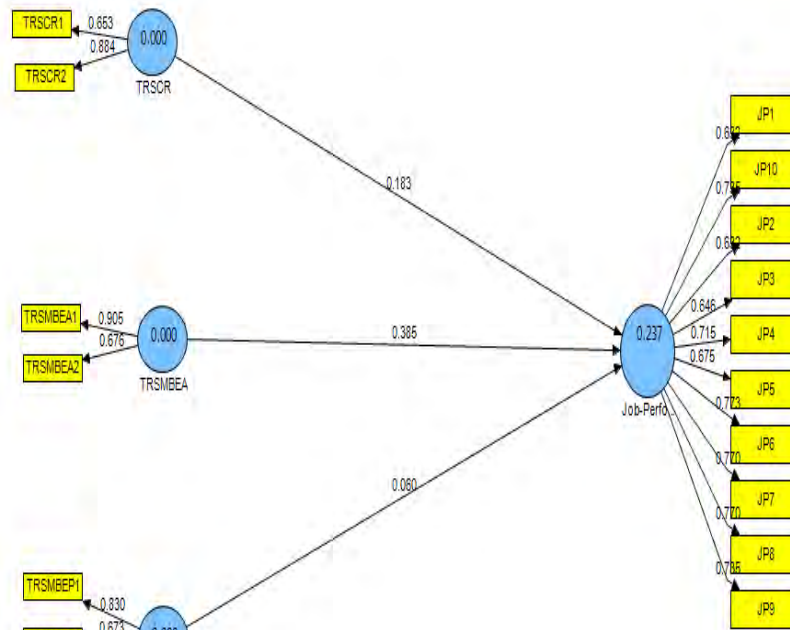


Figure 4.7. PLS Algorithm Diagram of Dimensions of Transactional Leadership

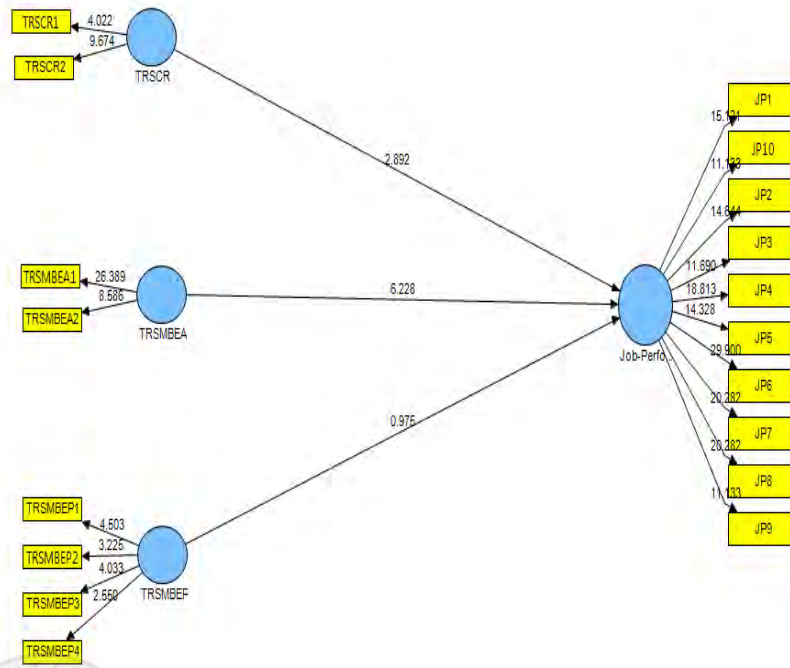


Figure 4.8. Bootstrapping Diagram of Dimensions of Transactional Leadership

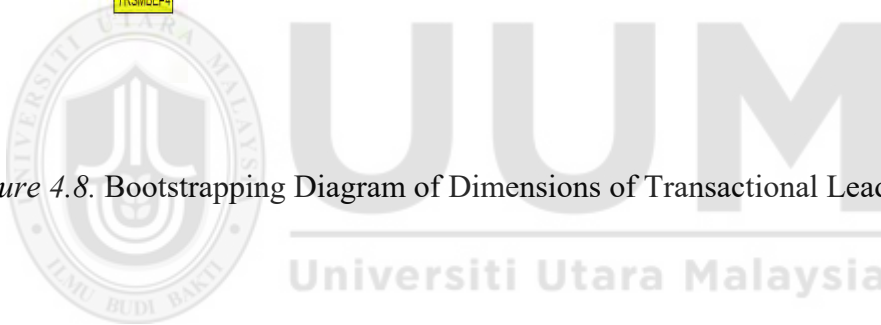




Table 4.15

*Results of Testing Hypotheses H1a, H1b, and H1c*

Hypotheses	Beta	SE	t -value	p value	Significance level	Decision
Contingent reward → Job Performance (H1a)	0.182	0.063	2.891	0.000	p< 0.001	Supported
Management by Exception(Active) → JobPerformance (H1b)	0.384	0.061	6.2279	0.000	p< 0.001	Supported
Management by Exception(Passive) → Job Performance (H1c)	0.060	0.061	0.975	0.17	p>0.100	Not supported

**4.15.2 Testing Sub-hypotheses on the Dimensions of Transformational Leadership: H2a, H2b, H2c, H2d, and H2e**

To test sub-hypotheses H2a, H2b, H2c, H2d, and H2e, PLS algorithm and bootstrapping were run to produce results. The results revealed positive relationship of four sub-hypotheses and one sub-hypothesis was not supported.

Referring back to sub-hypothesis H2a it was predicted that idealized influence (attributed) has positive relationship with job performance. The relationship between idealized influence (attributed) and job performance was significant at the level of  $p<0.010$  ( $\beta=0.176$ ,  $t=2.681$ ). The second sub-hypothesis was predicted that idealized influence (behavior) has positive relationship with job performance. The results revealed that the relationship between idealized influence (behavior) and job performance was significant at the level of  $p<0.010$  ( $\beta=0.167$ ,  $t=2.211$ ). Followed with the third sub-hypothesis was predicted that there is positive relationship between

inspirational motivation with job performance. The results for this hypothesis were found positive at a significance level of  $p < 0.010$  ( $\beta = 0.199$ ,  $t = 3.577$ ).

Similarly, the fourth sub-hypothesis was predicted that intellectual stimulation has positive relationship with job performance. Corresponding results revealed that the relationship between intellectual stimulation and job performance was insignificant at level of  $p > 0.100$  ( $\beta = 0.092$ ,  $t = 1.342$ ).

Finally, the last fifth sub-hypothesis was predicted that individualized consideration has positive relationship with job performance. The results revealed that there was positive relationship between individualized consideration and job performance at the significance level of  $p > 0.050$  ( $\beta = 0.110$ ,  $t = 1.537$ ).

Demonstrated in Figure 4.9 and Figure 4.10 are the PLS algorithm and bootstrapping diagram of the direct relationships between five dimensions of transformational leadership and job performance. Their corresponding results are tabulated in Table 4.16.

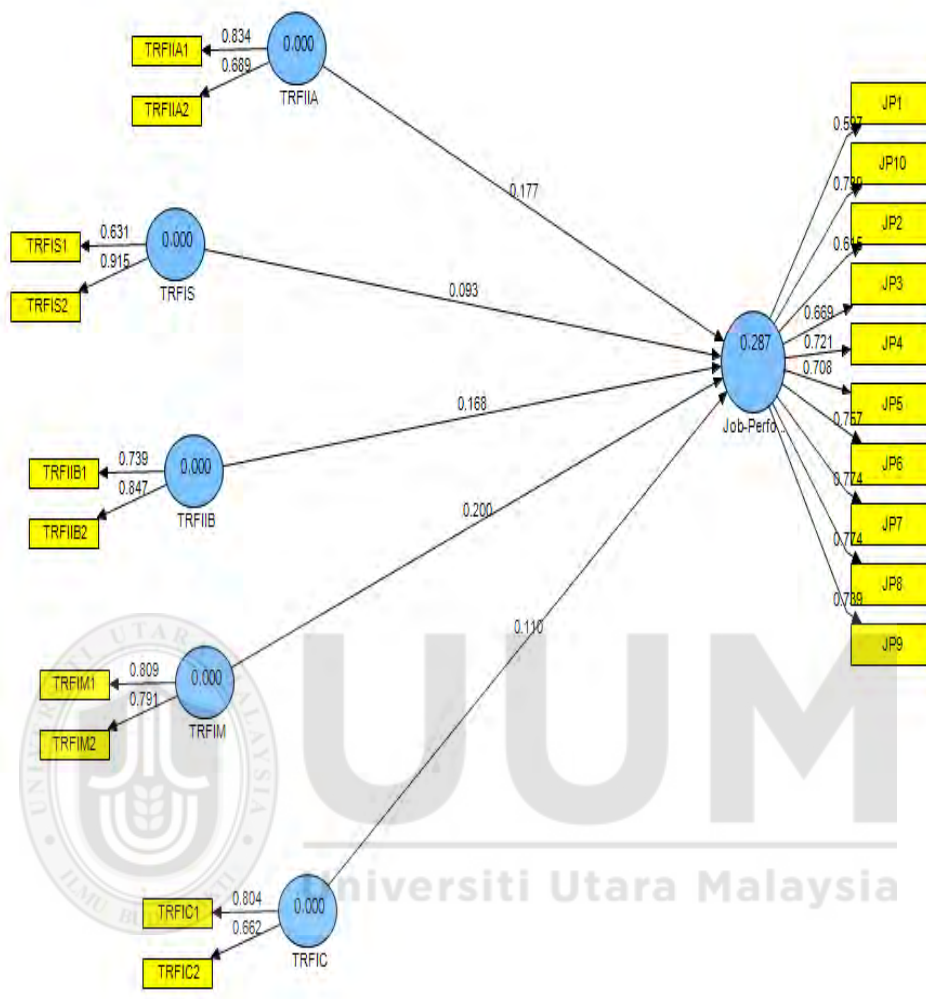


Figure 4.9. PLS Algorithm Diagram of Dimensions of Transformational Leadership

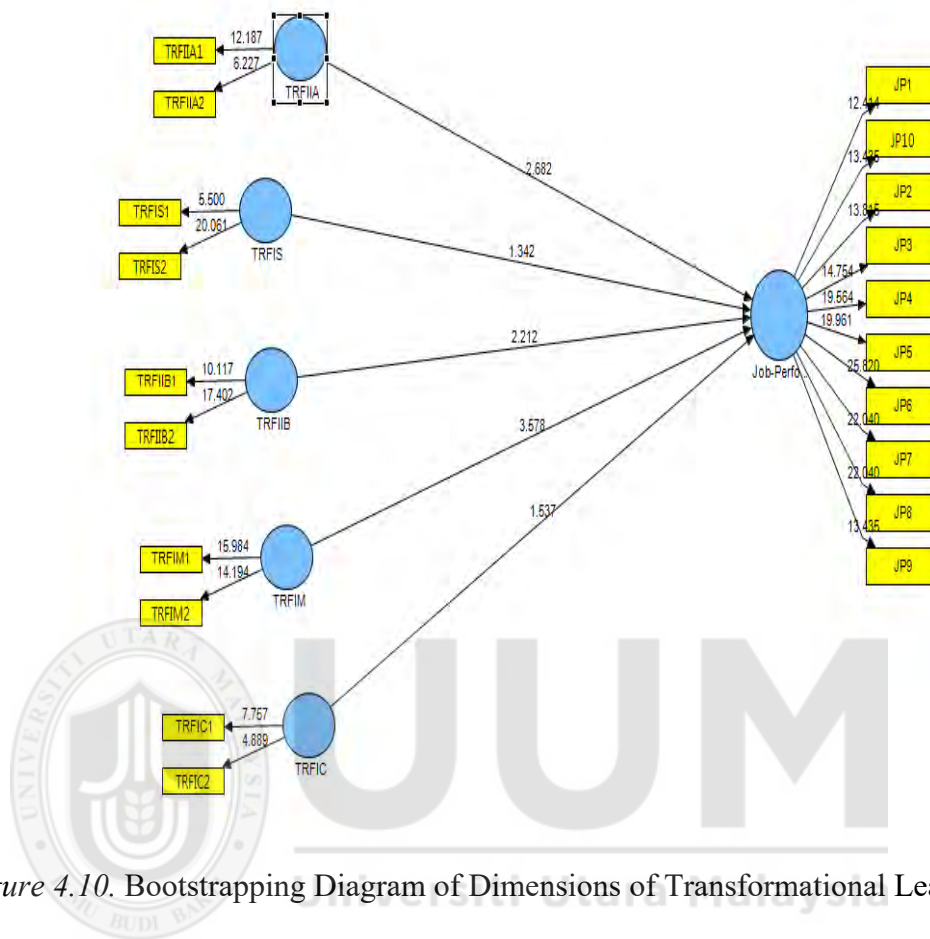


Figure 4.10. Bootstrapping Diagram of Dimensions of Transformational Leadership

Table 4.16

*Results of Testing Hypotheses H2a, H2b, H2c, H2d, and H2e*

Hypotheses	Beta	SE	t-value	p-value	Significance level	Decision
Idealized Influence (Attributed) → Job Performance (H2a)	0.176	0.065	2.681	0.004	p<0.01	Supported
Idealized Influence (Behavior) → Job Performance (H2b)	0.167	0.075	2.211	0.0014	p< 0.01	Supported
Inspirational Motivation → Job-Performance (H2c)	0.199	0.055	3.577	0.000	p<0.01	Supported
Intellectual Stimulation → Job Performance (H2d)	0.092	0.068	1.342	0.090	p>0.10	Not Supported
Individualized Consideration → Job Performance (H2e)	0.110	0.071	1.537	0.0063	p<0.05	Supported

**4.16 Testing Moderating Effect**

In order to identify and estimate the potential influence of the moderator effect of performance appraisal politics on the relationship between transactional leadership, transformational leadership and job performance the present study applied a product indicator approach using PLS-SEM (Chin *et al.*, 2003; Helm, Eggert, & Garnefeld, 2010; Henseler & Fassot, 2010). The present study found product approach more appropriate, with the reason that moderating variable is continuous (Rigdon, Schumacker, & Wothke, 1998). According to Hensler and Fassott (2010) “given that the results of the product term approach are usually equal or superior to those of the group comparison approach, we recommend always using the product term approach” (p.721). Therefore, to test the moderating effect of performance appraisal politics on relationship between transactional leadership, transformational leadership and job performance the product indicator approach was applied. By doing so, the

product terms in between the indicators of latent independent variable and the indicators of latent moderator variable were needed to create, consequently, these product terms in the structural model would be applied as the indicators for the interaction term (Kenny & Judd, 1984). Moreover, the present study applies Cohen's (1988) recommendations to determine the effect size. The Figure 4.11 and Table 4.11 present the estimates after using the applied product indicator approach for examining the moderating effect of performance appraisal politics relationship between exogenous and endogenous latent variable.

In this connection, hypothesis 3 proposed that performance appraisal politics will moderate the relationship between transactional leadership and job performance. On the contrary, the statistical results of the present study did not moderate for this hypothesis ( $\beta=0.07$ ,  $t=1.00$ ). On the positive side, the empirical results have provided weak moderation for hypotheses 4 ( $\beta=0.17$ ,  $t=1.81$ ) where it was proposed that performance appraisal politics will moderate the relationship between transformational leadership and job performance. Further to this, information obtained from path coefficients was employed for plotting the moderating effect of performance appraisal politics on the transformational leadership and job performance relationship. This was performed with the help of the procedure introduced by Aiken and West (1991); and Dawson (Marcus *et al.*, 2002). Figure 4.11 represents the moderating effect of performance appraisal politics on transformational leadership and job performance relationship.

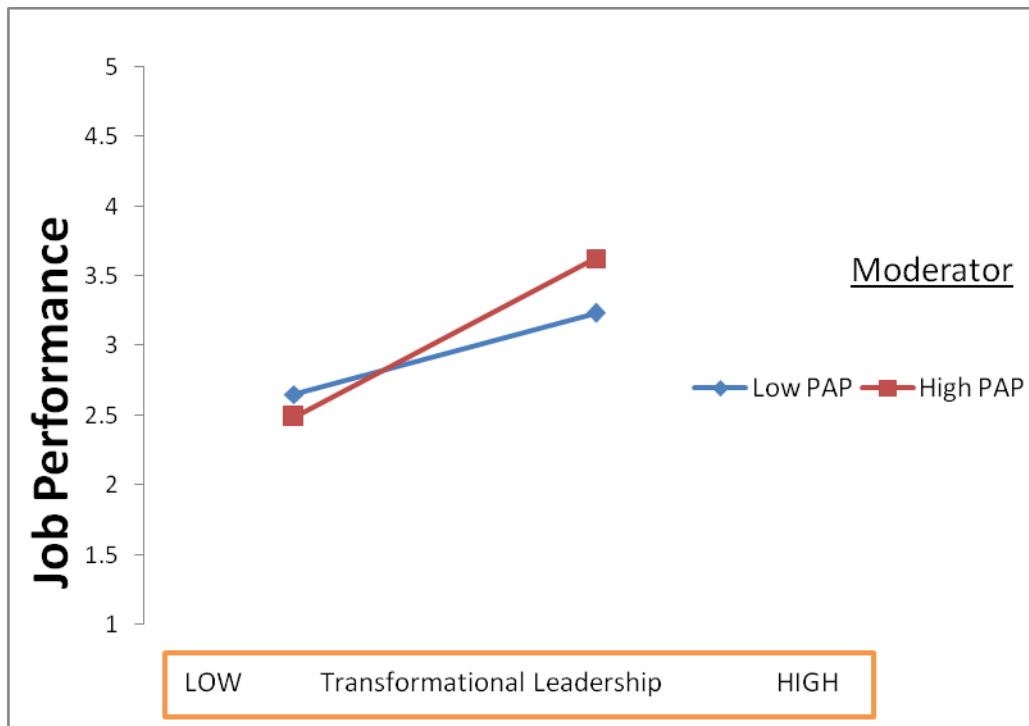


Figure 4.11. Interaction Effect of Transformational Leadership and Performance Appraisal Politics on Job Performance

#### 4.16.1 Determining the Strength of the Moderating Effect

To measure the strength of moderating effect of performance appraisal politics on the relationship between transactional leadership, transformational leadership and job performance, the effect sizes were computed (Cohen, 1988). In addition, the strength of the effects of moderating variable can be evaluated by comparing the coefficient of determination (R-squared value) for main effect model to R-squared value for full model which incorporates exogenous latent variables and moderating variables both (Henseler & Fassott, 2010; Wilden, Gudergan, Nielsen, & Lings, 2013). Therefore, the strength of the moderating effects can be computed with the use of the following formula (Cohen, 1988; Henseler & Fassott, 2010):

$$\text{Effect size: } (f^2) = \frac{R^2_{\text{model with moderator}} - R^2_{\text{model without moderator}}}{1 - R^2_{\text{model with moderator}}}$$

The values for moderating effect sizes ( $f^2$ ) explain the values of 0.020, the values of 0.150, and the values of 0.350 may be considered as weak, moderate and as strong respectively (Cohen, 1988; Henseler & Fassott, 2010). On the other hand, it is not necessary that the low effect size shows that underlying moderating effect is not significant. “Even a small interaction effect can be meaningful under extreme moderating conditions, if the resulting beta changes are meaningful, then it is important to take these conditions into account” (Chin *et al.*, 2003 p.211). Table 4.17 illustrates the result of the strength of moderating effects of performance appraisal politics following Henseler and Fassott’s (2010) and Cohen’s (1988) the rule of thumb to determine the strength of moderating effects.

Drawing upon Henseler and Fassott’s (2010) and Cohen’s (1988) rule of thumb to determine the strength of the moderating effect, Table 4.17 illustrates that the effect size for job performance was .020; this suggests that the moderating effect of performance appraisal politics on the transformational leadership and job performance relationship was weak (Henseler, Wilson, Gotz, & Hautvast, 2007; Wilden *et al.*, 2013).



Table 4.17

*Strength of the Moderating Effect based on Cohen's (1988) and Henseler and Fassott's (2010) Guidelines*

Endogenous Latent Variable	R-Squared		F-squared	Effect Size
	Included	Excluded		
Job Performance	0.383	0.336	0.076	Weak Moderating Effect

#### 4.17 Summary of Findings

After providing all the results of the direct relationships and moderating effects, Table 4.18 presents a summary of the results related after testing all the hypotheses.

Table 4.18

Summary of Results on Testing all Hypotheses and Sub-Hypotheses

Hypotheses	Statements	Finding
H1	Transactional leadership has positive relationship with job performance in six large banks of Pakistan.	Supported
H1a	Contingent reward has positive relationship with job performance in six large banks of Pakistan.	Supported
H1b	Management by Exception (Active) has positive relationship with job performance in six large banks of Pakistan.	Supported
H1c	Management by Exception (Passive) has negative relationship with job performance in six large banks of Pakistan.	Not Supported
H2	Transformational leadership has positive relationship with job performance in six large banks of Pakistan.	Supported
H2a	Idealized influence (attributed) has positive relationship with job performance in six large banks of Pakistan.	Supported
H2b	Idealized influence (behavior) has positive relationship with job performance in six large banks of Pakistan.	Supported
H2c	Inspirational motivation has positive relationship with job performance in six large banks of Pakistan.	Supported

(table continues)

**Table 4.18 (continued)**

H2d	Intellectual stimulation has positive relationship with job performance in six large banks of Pakistan	Not Supported
H2e	Individualized consideration has positive relationship with job performance in six large banks of Pakistan.	Supported
H3	Performance appraisal politics moderates the relationship between transactional leadership style and job performance in six large banks of Pakistan.	No Moderation
H4	Performance appraisal politics moderates the relationship between transformational leadership style and job performance in six large banks of Pakistan.	Weak Moderation

#### **4.18 Summary**

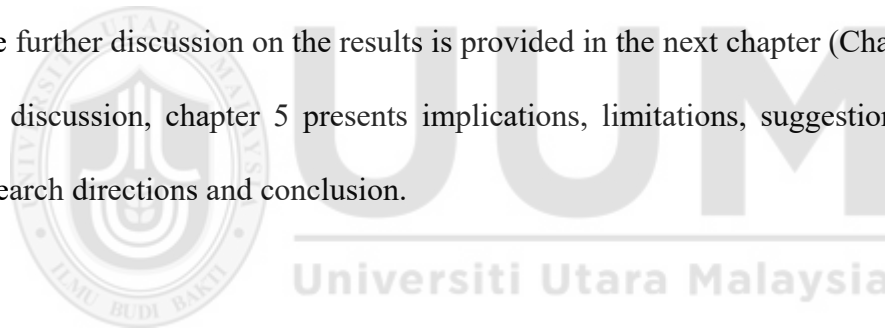
This chapter discussed and presented the justification of using PLS path modeling to test the conceptual model. After this, following the assessment of significance of the path coefficients, key findings of the study were presented. In general, self report techniques have presented considerable support as far as the moderating effect of performance appraisal politics is concerned with relationship to transactional leadership, transformational leadership and job performance.

In particular, the bootstrapping results suggested that the relationship between transactional leadership and job performance was significant. Hence, hypothesis 1 was supported. Three sub-hypotheses on the dimensions of transactional leadership were also tested; the results revealed that H1a and H1b were significant, whereas, H1c was insignificant. In addition to this, the results supported hypotheses 2 by providing empirical evidence regarding the relationship between transformational leadership and job performance. Following to H2, five sub-hypotheses on

dimensions of transformational leadership H2a, H2b, H2c, H2d, and H2e were tested, four of the sub-hypotheses were significant and one sub-hypothesis was found insignificant.

With regards to the moderating effect, the present study found no moderation of performance appraisal politics on the relationship between transactional leadership and job performance. On the contrary, the results for hypotheses 4 provided that performance appraisal politics has weak moderation effect on the relationship between transformational leadership and job performance.

The further discussion on the results is provided in the next chapter (Chapter 5); after the discussion, chapter 5 presents implications, limitations, suggestions for future research directions and conclusion.



## **CHAPTER FIVE**

### **DISCUSSION AND CONCLUSION**

#### **5.1 Introduction**

This chapter is based on the discussion of main research findings related to all variables and their dimensions used in the study. The discussion is based on the findings in the last chapter and linking it to the theoretical perspective and in view of past studies conducted. The organization of the chapter is presented in different sections i.e., section one started with recapitulation of the research findings of the study; section two follows with discussion of main findings of the study in relation with underpinning theories and findings of the past studies. Next, section three follows with discussion on study in view of theoretical, methodological and practical implications therein. The section four discusses and put forward the limitations of the study and making suggestions based on the limitations of the study reported, for the directions of future research. Lastly, in the section five, conclusions are drawn based on the discussion and findings of the study.

#### **5.2 Recapitulation of the Study's Findings**

The present study is primarily concerned with measuring the relationship between leadership styles and job performance; transactional leadership and transformational leadership and their dimensions as independent variables and job performance as dependent variable. In addition, the main objective of the present study was to assess

and examine the moderating effect of performance appraisal politics on the relationship between transactional leadership, transformational leadership and job performance among bank managers of six large banks of Pakistan. The study is succeeded to advance the understanding of key determinants by providing answers to the research questions asked in the current study. The research questions of the study were follows:

- i. Does transactional leadership style have positive relationship with job performance in six large banks of Pakistan?
- ii. Do contingent reward, management by exception (active), and management by exception (passive) have positive relationship with job performance in six large banks of Pakistan?
- iii. Does transformational leadership style have positive relationship with job performance in six large banks of Pakistan?
- iv. Do idealized influence (attributed); idealized influence (behavior), inspirational motivation, intellectual stimulation, and individualized consideration have positive relationship with job performance in six large banks of Pakistan?
- v. Does performance appraisal politics moderate the relationship between transactional leadership and job performance in six large banks of Pakistan?
- vi. Does performance appraisal politics moderate the relationship between transformational leadership and job performance in six large banks of Pakistan?

The present study tested four main hypotheses and eight sub-hypotheses out which, three main and six sub-hypotheses were found empirically supported. However, the current study found no statistical support one of its main hypotheses and two sub-hypotheses. In particular, PLS path model indicated that the first hypothesis was tested on direct relationship between transactional leadership and job performance. The results of the first hypothesis (H1) indicated that transactional leadership style was positively related to job performance. Under this construct three sub-hypothesis were also tested to measure the relationship among the dimensions of transactional leadership and job performance on individual basis. Among these three sub-hypotheses, two of them were supported.

The second hypothesis (H2) was tested on the relationship between transformational leadership and job performance. The results of the second hypothesis indicated that transformational leadership was positively related with job performance. Under this construct, five other sub-hypotheses were also tested to examine the relationship among the dimensions of transformational leadership and job performance on individual basis. For this construct, all the sub-hypotheses were supported.

In addition, the remaining two hypotheses (H3 and H4) were pertaining to the moderating effect of performance appraisal politics. The moderating effect of performance appraisal politics was tested on the relationship between transactional leadership and job performance, as well as the relationship between transformational leadership and job performance. Particularly, third hypothesis (H3) tested the

moderating effect of performance appraisal politics on transactional leadership and job performance relationship. However, hypothesis 3 could not find any empirical support. The fourth hypothesis (H4) was tested to determine the moderating effect of performance appraisal politics on the relationship between transformational leadership and job performance. The results of this hypothesis indicated that performance appraisal politics moderated the relationship between transformational leadership and job performance. Thus, hypothesis four (H4) was supported.

### **5.3 Discussion**

The section explains findings of the study in light of the underpinning theories and past studies. The discussion section is structured on the basis of research questions of the study.

#### **5.3.1 Influence of Transactional Leadership Style on Job Performance**

The first research question of the present study was “Does transactional leadership style have positive relationship with job performance in six large banks of Pakistan?” In line with this research question the first research objective of the study was “To investigate the positive relationship between transactional leadership style and job performance in six large banks of Pakistan”. In order to achieve the first research objective, hypothesis H1 was formulated on the relationship between transactional leadership and job performance.

Looking at the past research, transactional leadership recognizes the needs of followers, and clarifies the ways that these needs to be satisfied upon the performance of the followers at the optimal level of efforts towards the attainment of desired objective (Bass & Avolio, 1995; Vigoda-Gadot, 2007). Taryl (2002) stated that transactional leaders influence followers by setting goals, establishing desired outcomes and exchanging rewards for accomplishments. Further, Bass and Avolio (1996) stated that there are three dimensions of transactional leadership; contingent reward, management-by exception (active), and management-by exception (passive). The former is associated with leadership behaviors such as providing regular, strong and direct constructive feedback (Pawar & Eastman, 1997).

In the last decade, many scholars have attempted to investigate the relative influence of different leadership styles at the beginning of the researches have inferred that only transformational leadership and transactional leadership are the noticeable at most (Whetstone, 2002; Ehrhart, 2004; Dvir, Eden, Avolio, & Shamir, 2002; Avolio & Bass, 2004). According to Gardner and Stough (2002) transactional leadership is one of the effective leadership styles among other leadership styles. Lowe *et al.* (1996) argued that these two leadership styles; transformational and transactional cannot be termed as the contradictory leadership styles. One leader may act both as a transformational and transactional in style.



Hypothesis H1 was formulated that there is positive relationship between transactional leadership style and job performance. The results revealed that there is positive relationship between transactional leadership and job performance. This suggested that when transactional leadership type of behavior is properly exercised with the employees, they are likely to perform better in their jobs in six large banks of Pakistan. One of the assertions to support the positive relationship between transactional leadership and job performance could be based on the explanations drawn by Bass and Avolio (1993), and Dvir *et al.* (2002).

These grounded reasons are also based on the assertion of leader member exchange (LMX) theory and equity, fairness and justice theory (Wang *et al.*, 2005; Graen, 1976; Deluga, 1994; DelVecchio & Wagner, 2011; Adams, 1965; Kacmar & Ferris, 1991; Ferris & Kacmar, 1992). Furthermore, this finding is congruent with the studies that were conducted in the past on investigating the direct relationship between transactional leadership and job performance (Rad & Yarmohammadian, 2006; Voon *et al.*, 2011; Chookruvong, 2000; Dolatabadi & Safa, 2010)

The second research question of the study was “Do contingent reward, management by exception (active), and management by exception (passive) has positive relationship with job performance in six large banks of Pakistan?” In line with this research question, the second research objective of the study was “To investigate the positive relationship between contingent reward, management by exception (active), and management by exception (passive) with job performance in six large banks of

Pakistan”. In order to achieve the second research objective three sub-hypotheses (H1a, H1b, and H1c) were formulated on the dimensions of transactional leadership with relation to job performance. Hypotheses H1a and H1b were found significant, whereas hypothesis H1c was not significant.

H1a was hypothesized that contingent reward has positive relationship with job performance. The results revealed that there was positive relationship between contingent reward and job performance. This support suggested that the bank managers in the six large banks of Pakistan do follow on influencing followers by setting achievable goals, establishing desired outcomes and providing rewards in exchange to their efforts for improving job performance (Dvir *et al.*, 2002; Tarly, 2002; Avolio & Bass, 2004). Leaders identified with this sub-style establish clear expectations for outcomes and rewards (Lowe *et al.*, 1996). They exchange rewards and recognition for accomplishments (Bass & Avolio, 1996).

H1b was hypothesized that management by exception (active) has positive relationship with job performance. The results revealed that there was positive relationship between management by exception (active) and job performance. This support has pointed out that bank managers in the six large banks of Pakistan did practice management by exception (active) behaviors hence ultimately seeked better employee job performance outcomes. This connects with the idea that the managers` of six large banks focus on keeping the track record of problems and failures and concentration on such happenings can significantly help boost job performance. This

can also be tracked and matched with demographic profile of the respondents, as majority of them were young professionals with high energy and willingness to strive for the best. Furthermore, this support also suggested that the bank managers in six large banks of Pakistan did establish clear expectations for outcomes (Lowe *et al.*, 1996).

H1c was hypothesized that management by exception (passive) has negative relationship with job performance. This lack of support has pointed out that bank managers in the six large banks of Pakistan might have practiced neglecting or laid back attitudes particularly in situations when the goals were not met hence, ultimately resulted in lower job performance.

Furthermore, this lack of support also suggested that the bank managers in six large banks of Pakistan did not establish clear expectations for outcomes. The leaders with management-by-exception-passive are known to be reactive, intervening only when problems occur, performance is low, or standards not being met. This is parallel to the assertions of Howell and Avolio (1993) that outlined that individual practicing management by exception (passive) are merely reactive in nature and only involve into a situation when something reaches to a critical stage. Additionally, since majority of the respondents were young management professionals who prefer being noticed and highlighted. Thus, in situations when they encounter ignorance, they tend to perform lower than expected.

Studies have shown where intervention from those who exhibit a management by exception-passive leadership style could impose criticism, negative feedback, and punishment (Bass & Avolio, 1994). In some cases, if there are no issues to address, management-by-exception-passive leaders may ignore their subordinates altogether. This finding is congruent with the past studies and have shown where subordinates react negatively to this particular leadership style, performance goes low (Howell & Avolio, 1993; Bass & Yammarino, 1991).

These above reasons are also consistent with the assertion of leader member exchange (LMX) theory and equity, fairness and justice theory (Wang *et al.*, 2005; Graen, 1976; Deluga, 1994; DelVecchio & Wagner, 2011; Adams, 1965; Kacmar & Ferris, 1991; Ferris & Kacmar, 1992).

### **5.3.2 Influence of Transformational Leadership and Job Performance**

The third research question of the study was “Does transformational leadership style has positive relationship with job performance in six large banks of Pakistan?” In connection to this research question the research objective of the study was “To investigate the positive relationship between transformational leadership style and job performance in six large banks of Pakistan”. In order to achieve the third research objective, one hypothesis was formulated for the relationship between transformational leadership and job performance.

This leadership style is the one that seeks to uplift the wishes of the individual follower for their desired achievements and also for self-development, on the other hand it promotes development for the group as well as the organization (Bass & Avolio, 1990) and motivating the followers to produce the output more than it is desired originally expected (Bass, 1985). Individualized consideration leaders, inspirational motivation leaders, intellectual stimulation leaders and idealized influence leaders are considered transformational leaders (Bass & Avolio, 1993). Transformational leadership is one of the major leadership styles that have been empirically supported by several studies having significant relationship on job performance (Rad & Yarmohammadian, 2006; Voon, *et al.*, 2011; Dolatabadi & Safa, 2010; Lowe, *et al.*, 1996; Bass, *et al.*, 2003; Dvir *et al.*, 2002).

Hypothesis 2 was hypothesized that there is positive relationship between transformational leadership style and job performance. The results revealed that there was positive relationship between transformational leadership and job performance. This suggested that when transformational leadership style of behavior is properly exercised with the employees, they are likely to perform better in their jobs in six large banks of Pakistan. The finding underline that similar to other occupational settings, visionary and motivating characteristics of managers can also play a crucial role for boosting employees' job performance. This significant positive relationship between transformational leadership and job performance can be seen in agreement with the explanations of Rad and Yarmohammadian (2006), Voon *et al.* (2011), Dolatabadi and Safa (2010), Lowe *et al.* (1996), Bass *et al.* (2003), and Dvir

*et al.* (2002), who outlined that inspiring, encouraging and visionary leaders in the position of managers and supervisors can be of great value for businesses to improve employees' performance at work.

This positive relationship of transformational leadership with job performance is in line with past research that pointed out the positive influence of transformational leadership over job performance (Vigoda-Gatod, 2007; Bono & Judge, 2003; Bass *et al.*, 2003; Dvir *et al.*, 2002; Hurley & Hult, 1998; Bass & Avolio, 1997; Colquit *et al.*, 2010; Podsakoff *et al.*, 1996; Herman & Chiu, 2014). The empirical support for transformational leadership and job performance relationship also pointed out that the bank managers in six large banks of Pakistan are concerned about the desires and expectations of the followers and they also indicate a concern for their development (Bass & Avolio, 1990). Therefore, it could be concluded that the employees who serve in the banking sector of Pakistan accept transformational leaders influence that results in improvement in their performance at workplace (Geyer & Steyrer, 1998; Ghalib, Swasto, & Hamid, 2014; Low *et al.*, 1996). The above discussion is also consistent with leader member exchange theory (Blau, 1964; Graen, 1976; Wang *et al.*, 2005; Vigoda-Gatod, 2007).

The fourth research question of the study was “Do idealized influence (attributed), idealized influence (behavior), inspirational motivation, intellectual stimulation, and individualized consideration has positive relationship with job performance in six large banks of Pakistan?” In line with this research question, the fourth research

objective of the study was “To investigate the positive relationship between idealized influence (attributed), idealized influence (behavior), inspirational motivation, intellectual stimulation, and individualized consideration with job performance in six large banks of Pakistan”. In order to achieve the fourth research objective, five sub-hypotheses (H2a, H2b, H2c, H2d, and H2e) were formulated on the dimensions of transformational leadership with relation to job performance. The results revealed that four of the sub-hypotheses were found significant except the one concerning to intellectual stimulation.

H2a was hypothesized that idealized influence (attributed) has positive relationship with job performance in six large banks of Pakistan. The results revealed that there was positive relationship between idealized influence (attributed) with job performance. The past literature explained the idealized influence leaders ‘walk the walk’, exhibit great commitment and persistence in pursuing objectives, demonstrate an embracing vision, and foster trust and confidence among employees (Bass & Avolio, 1996). Leaders with idealized influence may influence the outcomes of innovation through two related and complementary mechanisms: internalization and personal identification. Internalization refers to a process in which followers accept the leader’s values as their own, whereas, personal identification occurs when followers seek to emulate a leader’s behavior (Yukl, 2002).

This support suggested that the bank managers in the six large banks of Pakistan do influence their followers by setting the role as idealized influence (attributed) in

establishing values, vision, and creating the environment for the purpose to complete the objectives. In addition, bank managers in six large banks with idealized influence (attributed) can be respected and trusted by followers to build innovative decisions in favor of the organization (Elenkov & Manev, 2005; Bass & Avolio, 1993; Bass & Avolio, 1994). The above reasons are also consistent and in line with leader member exchange theory (Blau, 1964; Graen, 1976; Wang *et al.*, 2005; Vigoda-Gatot, 2007).

H2b was hypothesized that idealized influence (behavior) has positive relationship with job performance in six large banks of Pakistan. The results revealed that there was positive relationship between idealized influence (behavior) and job performance. The literature explained that idealized influence (behavior) describes the leader's charismatic actions that convey a sense of values and mission, inspirational motivation, and intellectual stimulation (Elenkov & Manev, 2005; Bass & Avolio, 1994).

This support was indicative of the fact that, bank managers in the six large banks of Pakistan were practicing charismatic actions that convey a sense of values and mission, inspirational motivation, and intellectual stimulation behaviors that ultimately seek better employee job performance outcomes. Furthermore, this support also suggested that the bank managers with idealized influence in six large banks of Pakistan produced, respected and, trusted their followers in doing the right things than to make sure they do it right.



H2c was hypothesized that inspirational motivation has positive relationship with job performance in six large banks of Pakistan. The results revealed that there was positive relationship between inspirational motivation and job performance. The past literature on inspirational motivation explained that the leaders with inspirational motivation through challenging followers to do their best work (Avolio, 1999; Bass, 1998). Inspirational motivation leaders who are committed to inspiring motivation "raise the bar" for their employees by cheering them to reach performance level ahead of their own outlook (Bass & Avolio, 1997). Inspirational motivation leaders help employees to understand the vision of the organization (Bono & Judge, 2003). They align individual and organizational needs, help employees exceed expectations (Chen & Kilmoski, 2003) and create a strong sense of purpose among employees (Bass & Avolio, 1996).

This support of literature has reflected that the bank managers of six large banks were committed to inspiring motivation for their employees by cheering them to reach performance level ahead of their own outlook. Managers were found a source of motivation to encourage team spirit to achieve the objectives of increasing revenues and market growth for the organization. This was consistent with the view of Bass and Avolio (1997), Bono and Judge (2003), and Elenkov and Manev (2005).

H2d was hypothesized that intellectual stimulation has positive relationship with job performance in six large banks of Pakistan. The results revealed that there was an insignificant relationship between intellectual stimulation and job performance. The

past literature has explained that intellectual stimulation leaders encourage creativity and challenge traditional ways of thinking (Bass & Avolio, 1993). Based on this definition the results of the present study have revealed that the managers in the six large banks of Pakistan seem to have failed to foster intellectual resources amongst at the workplace. This may be due to several reasons such as busy working schedules, workload and time constraints. Accordingly, intellectual stimulation leaders engaging in challenge current thinking and assumptions about the old problems in order to resolve in new ways in new ways. Since banking sector follows highly structured procedures, this may be another reason why this approach has failed to make any significant impact towards enhancing their performance. According to Avolio (1999), leaders are no much focused on facilitating the intellectual stimulation and thus are more inclined towards resolving incurring problems only (Avolio, 1999). This may be one of the potential reasons why intellectual stimulation resulted to be insignificant for bank managers in Pakistan.

H2e was hypothesized that individualized consideration has positive relationship with job performance in six large banks of Pakistan. The results revealed that there was positive relationship between individualized consideration and job performance. The past literature on individualized consideration has reported that this type of leaders deals with treating employees as individuals, being apprehensive positive reception and respond to their needs and to recognize and celebrate their achievements (Hinkin & Tracey, 1999; Seibert, Wang, & Courtright, 2011; Elenkov & Manev, 2005). The great leader must not only inspire potential subordinate to

improve efficiency, but also meets their needs in the process of achieving organizational goals (Judge & Piccolo, 2004). Additionally, individualized consideration leaders focus on individual employee needs, they are usually perceived as connecting with employees, being genuine and caring and showing compassion (Bass & Avolio, 1993). They are especially recognized as managers who encourage employee development (Bass, Avolio, & Atwater, 1996).

The above support of literature showed that managers of six large banks of Pakistan have succeeded to deal the employees individually, responded to their individual needs and have recognized and celebrated their achievements. Further, managers of six large banks were found with the abilities to connect employees, being genuine and caring and encouraging employee development, which ultimately increased the performance for the organization. Additionally, the managers of six large banks have succeeded in creating positive influence on organizational outcomes, such as employee satisfaction, subjective and objective performance indicators. The above perspective is in line with the view of Judge and Piccolo (2004).

Taking altogether, all the above dimensions and the sub-hypotheses tested above are in line with the past literature. The above reasons are also consistent with the assertion of leader member exchange (LMX) theory and equity, fairness and justice theory (Vigoda-Gadot, 2007; Bass & Avolio, 1993; Wang *et al.*, 2005; Graen, 1976; Deluga, 1994; DelVecchio & Wagner, 2011; Adams, 1965; Kacmar & Ferris, 1991; Ferris & Kacmar, 1992), suggesting that leaders and people in authority showcasing

visionary, inspiring and motivating characteristics can make a considerable impact on employees' in connection to their job performance. Such individual (managers) can make a notable stride in helping their employees to strive for the best with responsive skills and competencies which the current study also proved correct in connection to the six large banks of Pakistan.

### **5.3.3 Moderating Effect of Performance Appraisal Politics**

Performance appraisal politics is referred as motivational motive and punishment motive, to gain their personal benefits by using political tactics, political managers usually rate their subordinates with some formal instrument once a year or twice a year to determine the performance of employees (Longenecker & Ludwig, 1990; Tizner *et al.*, 1996; Poon, 2004). The present study tested performance appraisal politics as a moderating variable on transactional leadership, transformational leadership and job performance relationships. Performance appraisal politics was studied by many researchers in the context of measuring direct relationship with job satisfaction, turnover intentions, loyalty to supervisors, organizational commitment (Longenecker *et al.*, 1987; Tizner *et al.*, 1996; Poon, 2004; Sogra *et al.*, 2009; Spence *et al.*, 2011; Arshad *et al.*, 2013; Ahmad & Lamba., 2010; Rahman, 2012; Aziz *et al.*, 2013). The study conducted by Dhiman and Maheshwari (2013) suggested that performance appraisal politics is the subset of organizational politics.

Further, in a study “Fostering good citizenship through ethical leadership” the organizational politics was used as moderating variable (Kacmar *et al.*, 2011). In other studies political skill at work place was used as moderator variable (Bing *et al.*, 2011; Brouer *et al.*, 2011). The results of these studies showed that political skill has positive relationship with job performance, task performance across many occupations. Most recently, a few studies have investigated the direct relationship of leadership styles and performance appraisal (Abbas & Yaqoob, 2009; Arshad *et al.*, 2013). In addition to this, these studies have suggested the future investigation of this relationship in the banking sector. Besides that the investigation of these proposed studies in the Pakistani context has also been very limited. Apart from that, to the best of researchers’ knowledge, no single study has used performance appraisal politics as a moderating variable between leadership styles and job performance.

In addition to, equity, fairness and justice theory (Adams, 1965; Kacmar & Ferris, 1991; Ferris & Kacmar, 1992; Vigoda-Gadot, 2003; Arshad *et al.*, 2013; Dhiman & Maheshwari, 2013) highlighted on perceived strength of this reciprocity moderates the psychological contract created between employee and supervisor this, in turn, influences political perceptions. Equity, fairness and justice theory states that people can better be motivated when they are equitably treated and they become demotivated when there is unfair treatment with them, this can also affect their performance (Byrne, 2005; Kacmar & Ferris, 1991; Ferris & Kacmar, 1992; Vigoda-Gadot, 2003).

### **5.3.3.1 Moderating Effect of Performance Appraisal Politics on the Relationship between Transactional Leadership and Job Performance**

The fifth research question of the study was “Does performance appraisal politics moderate the relationship between transaction leadership and job performance in six large banks of Pakistan?” In connection to this research question the research objective of the study was “To examine the moderating effect of performance appraisal politics between transactional leadership and job performance in six large banks of Pakistan”.

To answer the fifth research question, hypothesis H3 was formulated and tested using PLS path modeling. To recall, it was hypothesized that “Performance appraisal politics moderates the relationship between transactional leadership style and job performance in six large banks of Pakistan”. The result of the hypothesis H3 found no moderation effect.

Accordingly, equity, fairness and justice theory (Adams, 1965; Byrne, 2005; Kacmar & Ferris, 1991; Ferris & Kacmar, 1992; Vigoda-Gadot, 2003) provides sufficient grounds for justifications. Additionally, Abbas and Yaqoob (2009) and Arshad *et al.* (2013) have also provided possible justifications to test performance appraisal politics as a moderating variable. The results in connection to moderating effect of performance appraisal politics failed to pose buffering influence on the relationship between transactional leadership and job performance.

One possible reason for the lack of support for the moderating effect of performance appraisal politics on the relationship between transactional leadership could be the self-reporting. Since respondents participated in the study by filling out the questionnaires in person, there is a likely possibility that they may have avoided unveiling any such information. Another potential reason could be drawn from the equity, fairness, and justice theory. As per the theory, people can be better motivated when they are equitably treated, and they become de-motivated when there is unfair treatment and in turn affects their performance (Byrne, 2005; Longenecker *et al.*, 1987; Tizner *et al.*, 1996; Poon, 2004; Sogra *et al.*, 2009; Spence *et al.*, 2011; Arshad *et al.*, 2013; Ahmad & Lamba, 2010; Rahman, 2012; Abbas & Raja, 2014). This has suggested that bank managers in six large banks in Pakistan did not practice reciprocity in their behavior, particularly, while dealing with employees thus, negatively affecting their performance.

Secondly, the lack of support on moderation of performance appraisal politics on the relationship between transactional leadership and job performance could be explained by looking into the simplest nature of the operationalized definition of the performance appraisal politics in the present study. In the current study, performance appraisal politics was used in the context of motivational motive and punishment motives to gain personal benefits for themselves through using political tactics. In doing so, political managers usually rate their subordinates with some formal instrument once a year or twice to assess the performance of employees with

political motives. Based on this, it can be asserted that the managers exercising political tactics in performance appraisals were not much of help and facilitation when it came to help employees improve their performance in the six large banks of Pakistan. Similar views and explanations have also been forwarded by Longenecker and Ludwig (1990), Tizner *et al.* (1996), and Poon (2004).

One of the possible assertions from the above conceptualization of the performance appraisal politics could be that the employees in the six large banks of Pakistan did not feel a right match between the way they are being rated and the behavior practiced by the leadership, which in this case is against the basic premise of transactional leadership. Moreover, since the participants of the study responded through self-reporting questionnaires, the managers may have attempted to hide any such information. Therefore, the employees did not support the moderated notion of performance appraisal politics on the relationship between transactional leadership and job performance in the six large banks of Pakistan.

Taken altogether, the results for hypothesis H3 did not provide empirical support to the literature that recommended the further investigation of transactional leadership and job performance in the presence of performance appraisal politics as a moderating variable (Bing *et al.*, 2011; Brouer *et al.*, 2011; Kapoutsis, Papalexandris, Nikolopoulos, Hochwarter, & Ferris, 2011; Breaux, *et al.*, 2009; Kacmar *et al.*, 2011).



### **5.3.3.2 Moderating Effect of Performance Appraisal Politics on the Relationship of Transformational Leadership and Job Performance**

The sixth research question of the present study was “Does performance appraisal politics moderate the relationship between transformational leadership and job performance in six large banks of Pakistan?” In line with this research question, the research objective of the study was “To examine the moderating effect of performance appraisal politics between transformational leadership and job performance in six large banks of Pakistan”.

To answer the sixth research question, hypothesis H4 was developed and tested using PLS path modeling. Recalling hypothesis H4, it was stated that “performance appraisal politics has weak moderating effect between transformational leadership style and job performance in six large banks of Pakistan”. The result of hypothesis H4 showed weak moderation on the transformational leadership-job performance relationship.

The present study has provided the main contribution of the research with possible explanation of the moderating effect of performance appraisal politics from the theoretical perspective. The transformational leadership is assumed to uplift followers by encouraging them to seek their desired fulfillment (Bass & Avolio, 1990). Accordingly, one of the positive sides the role of transformational leadership is encouraging and promoting self-development of individual employees for the

betterment of groups and organizations (Bass & Avolio, 1990). Therefore, this notion of leadership has found more empirical support when compared with transactional leadership style or even others.

One of the possible assertions from the findings of the present study could be that of the encouraging nature of this leadership style, due to which this leadership style did not violate the employee performance appraisals. As a result, the followers became more motivated. As this style of leadership emphasizes on self-development of employees, the employees therefore did not encounter performance appraisal politics issues. This assertion also helped in clarifying that the transformational leaders used performance appraisal politics within the context of motivational motive, rather than emphasizing on punishment motive (Longenecker & Ludwig, 1990; Tizner *et al.*, 1996; Poon, 2004; Longenecker *et al.*, 1987; Tizner *et al.*, 1996; Poon, 2004; Sogra *et al.*, 2009; Spence *et al.*, 2011; Arshad *et al.*, 2013; Ahmad & Lemba, 2010; Rahman, 2012; Abbas & Raja, 2014). One could also understand the above discussion in the sense that, the leaders who adopt transformational leadership behavior are less likely concerned with gaining personal benefits by using political tactics.

The present study has empirically added in the body of knowledge by addressing the unresolved dilemma of leadership and performance appraisal politics influencing job performance. Therefore, the present study was able to conclude that transformational leadership is less likely to involve in performance appraisal politics rather than

transactional leadership. Additionally, the present study has empirically justified that transformational leadership is perceived better when compared to transactional leadership style in influencing job performance in the six large banks of Pakistan with regards to performance appraisal politics.

Taken altogether, the results for hypothesis H4 has provided empirical support for the literature that recommended for further investigation of transformational leadership and job performance in the presence of performance appraisal politics as a moderating variable (Bing *et al.*, 2011; Brouer *et al.*, 2011; Kapoutsis *et al.*, 2011; Breaux *et al.*, 2009; Bachrach, Harris, & Zivnuska, 2011). Breaux *et al.* (2009) in their study of “politics as a moderator of the accountability-job satisfaction relationship: Evidence across three studies”, concluded that performance appraisal politics could potentially influence the transformational leadership and job performance relationship. The finding has concluded that performance appraisal politics can play a crucial role when it comes to transformational leadership style and its job performance. Managerial political tactics in performance appraisal can engage them to make better use of their transformational leadership style and characteristics to develop such behaviors that are necessary to boost job performance particularly in the six large banks of Pakistan. Decisively, for these banks in Pakistan, performance appraisal politics can play a noteworthy role especially in understanding the connection between transformational leadership style and job performance.

#### 5.4 Theoretical Implications

The conceptual framework of the present study was carried out keeping in view of empirical evidences of the past studies and the theoretical gaps found in the literature. The study used two underpinning theories; leader member exchange theory and equity, fairness and justice theory, based on political notion (Graen, 1976; Wang *et al.*, 2005; Blau, 1964; Deluga, 1994; Illies, Nahrgang, & Morgeson, 2007; Gerstner & Day, 1997; Byrne, 2005; Kacmar & Ferris, 1991; Ferris & Kacmar, 1992; Vigoda-Gadot, 2003; Arshad *et al.*, 2013; Dhiman & Maheshwari, 2013; DelVecchio & Wagner, 2011).

In order to better understand and explain the relationship between transactional leadership, transformational leadership, and job performance, the present study incorporated performance appraisal politics as moderating variable. The findings and discussions of the present study have brought in some theoretical insights into the body of knowledge of transactional leadership, transformational leadership, and job performance, with additional attention given to the moderating effect of performance appraisal politics on the relationships. Particularly, the managers with transformational leadership style in six large banks of Pakistan showed moderation effect on the relationship with job performance, even it was weak moderation.

#### **5.4.1 Additional Empirical Evidence in the Domain of Leaders Member Exchange Theory**

The present study has contributed the theoretical implications by adding supplementary empirical evidence in the area of leader member exchange theory. This theory posits that leaders express pose anticipations to their subordinates and provide them tangible and intangible benefits to the followers those who please these anticipations. Similarly, followers seize role anticipation of their leaders, with regard to how they should be treated and the rewards they receive to meet the expectations of leaders. Followers "role recipients" is not passive; they refuse to embrace, or can renegotiate the roles prescribed by leaders either. Role negotiation leader-member exchange that defines quality and maturity occurs over time, and leaders to develop quality relationships with different followers of changing times (Graen, 1976; Graen & Uhl-Bien, 1995).

Accordingly, the job performance between leaders and followers in social provision and the means to fulfill their obligations for money is a form of reciprocity. In particular, positive, respect, loyalty effects, and high-quality LMX necessity felt feature, Liden and Maslyn (1998) the construction of a positive result treatment by the leader and instead expressed with high job performance reciprocity expectations. Gerstner and Day (1997) reported meta analytically resulting correlation of 0.31 linking LMX and supervisory ratings of performance and of 0.110 linking LMX and object measures of employee performance.

High-quality LMX associations, obligations are repeatedly spread and not mentioned, and no value or standard against which favors, gifts, or contributions can be calculated is at hand (Blau, 1964). A constructive relationship connecting LMX and job performance is anticipated since job performance helps accomplish the reciprocity obligations of supporters, and represent an exchange currency that is disperse, not mentioned, and imperceptibly time-bound.

In addition, in high-quality exchange, leaders demand to higher-order social desires of the supporters by receiving them to set communal benefit over the short-term individual satisfaction (Graen & Uhl-Bien, 1995). An individual's to be "good citizen" promotes wellbeing of the bigger communal. Therefore, LMX is estimated to show a relationship definitely with job performance hold up for this connection was provided by Hackett *et al.* (2003), he reported a meta-analytic mean relationship of linking LMX and on the whole job performance, leading them to wrap up that job performance acting an important role in the give-and-take social exchange procedure of LMX.

The present study has used performance appraisal politics as moderating variable to test between transactional leadership, transformational leadership and job performance. A large number of studies have been carried in the past to measure the relationship between leadership styles and job performance, the empirical evidences shown mix of the relationships (Rad & Yarmohammadian, 2006; Voon *et al.*, 2011;

Dolatabadi & Safa, 2010; Bass & Avolio, 1993; Sheridan & Vredenburg, 1978; Geyer & Steyrer, 1998; MacKenzie *et al.*, 2001; Parry & Thomson, 2002; O'Reilly & Roberts, 1978). Therefore, the results from these studies suggested strongly the need for incorporating moderator variable to readdress this relationship. Baron and Kenny (1986), suggested that “moderator variables are typically introduced when there is an unexpectedly weak or inconsistent relation between a predictor and a criterion variable” (p.1178).

The present study has concentrated on research gap by incorporating performance appraisal politics as a moderating variable to extend the understanding on the leadership styles i.e., transactional leadership, transformational leadership and job performance in the banking sector particularly the six large banks of Sindh province of Pakistan. Therefore, based on the results of the study it can be concluded that transformational leadership style has provided significant influence and role in explaining job performance.

As a whole, it is evident from the present study that both leadership styles; transactional and transformational are important to explain job performance in the six large banks of Pakistan located in Sindh province. The present study has presented a theoretical implication by providing supplementary empirical evidence in the domain of leader member exchange theory. The theory put forward that job performance of employees is based on the leadership styles at the work place. In many respects, the LMX theory (Wang *et al.*, 2005) is in line with Vroom's

expectancy theory (1964) and exchange theory (Blau's, 1964; Vigoda-Gadot, 2007) which calls a strong sense of balance for managers and subordinates. These theories explain that optimum level of performance can only be achieved in case when a realistic level of anticipation is believed and secondly the social exchange between leaders and followers is based on fairness and equitable. Wang *et al.* (2005) has suggested that overall expectations are based reciprocal exchange of fairness and equity, which grows by the time passes.

The key assertion of leader member exchange theory (LMX) is based on the reason that performance should be obtained by the mean of fair and equitable social exchange. This assertion of LMX is in line with the conceptualization of transactional leadership that also believes on recognizing follower's needs and clarifying ways to satisfy those needs for meeting expected performance. However, the empirical results for the hypothesis 1 did not support this notion. Arguably the lack of support for the relationship between transactional leadership and job performance has further suggested that the bank employees in the six large banks of Pakistan believe that the leader member exchange has not been based on fairness and equity. Further, suggesting that leaders need to further harvest trust by fairly awarding exchange for members (employees) to inspire better job performance.

In addition to hypothesis 1, the empirical results provided support for transformational leadership and job performance relationship (hypothesis 2). One of the possible theoretical reasoning for this significant relationship from LMX theory



could be the basic match between conceptualization of transformational leadership and LMX theory. Accordingly, the transformational leaders seek to uplift desires of individual followers, in doing so the transformational leader turns towards success by enhancing employee's job performance and also by meeting employee's desires for their self-development (Bass & Avolio, 1990). Similarly, the LMX provides that in doing so, the transformational leadership is providing a strong sense of balance between management and their sub-ordinates (Blau's, 1964; Vigoda-Gadot, 2007).

The present study has extended leader member exchange theory by assessing transactional leadership and transformational leadership relationship on job performance. After testing leader member exchange theory the findings of the present study reported that transformational leadership style and job performance relationship was supported. The results also revealed positive relationship between transactional leadership and job performance. The following possible justification could be drawn with regards to the findings of the present study while testing transactional and transformational leadership styles with job performance.

Therefore, the LMX theory has added empirical support evidence support for the present study. Thus, keeping in view the results and discussions on the present study it can be concluded that transformational leadership was positively supported the relationship with job performance among the bank managers and employees in the six large banks of Pakistan. Therefore, it seems that there is need to pay further attention on such factors in order to ensure the positive working relations to increase

the output at work place. Particularly, there is need for building positive relationships between bank managers and subordinates in the six large banks of Sindh, Pakistan.

#### **5.4.2 Additional Empirical Evidence in the Domain of Equity, Fairness and Justice Theory**

The present study has contributed the theoretical implications by adding supplementary empirical evidence in the area of equity, fairness and justice theory. Interestingly, the present study attempted to answer the underlying phenomena of equity, fairness and justice theory (Adams, 1965; Kacmar & Ferris, 1991; Ferris & Kacmar, 1992; Vigoda-Gadot, 2003) which posited that perceptions of politics influence perceptions of equity, fairness and justice in the organizations. Hence, present study incorporated performance appraisal politics as a moderating variable to test the moderating effect between leadership styles and job performance relationship.

The equity, fairness and theory deals with the way the people perceive about the treatment with them and how they are compared with other people. To be treated fairly, fairly compared to the other groups of people or another appropriate person to be treated. Theory includes own perceptions and feelings and it is a considered as method for comparison with others. It is not synonymous with equality, i.e, all treated the same as it would be unfair if they deserve to be treated differently. Equity, fairness and justice (Adams, 1965; Kacmar & Ferris, 1991; Ferris & Kacmar, 1992; Vigoda-Gadot, 2003) state that people can better be motivated, when they are

equitably treated and they become de-motivated, when there is unfair treatment with them, this can also affect their performance (Byrne, 2005; Kacmar & Ferris, 1991; Ferris & Kacmar, 1992; Vigoda-Gadot, 2007). This explains the motivation, satisfaction, and performance processes, it can also be important towards morality.

Equity, fairness and justice have two forms of justice; distributive justice and procedural justice. Distributive justice is based on rewards with fairness as people have their perceptions in connection to their performance and contributions in comparison to others. However, procedural justice is the perception of people again with fairness in the processes and system of business organizations, specially fairness in performance appraisal, justice in promotions and to maintain better discipline. Equity, fairness and justice theory states that employees are more motivated when they are treated fairly and less motivated if conditions of unfairness are apparent (Adams, 1965). Thus, when an employee perceives that his or her level of input and rewards, as compared to the level of input and rewards of a coworker, are not fair or equitable, tensions could rise, and the employee could attempt to find balance by requesting and receiving an increase in compensation, pay, or rewards.

However, if the increase in salary or rewards is not perceived as equitable by the employee, there will be no motivation effect, and the employee may decrease his or her level of effort towards work or pursuing the organization's goals and objectives (DelVecchio & Wagner, 2011). According to Ahmad's study (2010) this effect could happen more often in large groups in which all the members are paid equally apart

from of individual performance because social loafing occurs at larger side in the large groups as compare to smaller groups. The equity, fairness and justice theory gives managers insight into an important motivation principle based on an ethical and moral level (Mount & Johnson, 2006). In a study conducted by Al-Omari (2007) he found that chairperson faculty interaction has largest direct, indirect and total effect in participation towards making decisions among the various variables investigated as per reporting made by faculty.

From the findings of Mount and Johnson (2006), it seems that chairpersons (heads) are not only shaping departments dynamics indirectly but they have direct influence on subordinates behaviors on the outcomes such as to stay, perform or leave through their relationships build with them within or outside the department. Politics and leadership are further linked by the notion of fairness, which is the subject of equity, fairness and justice theory. For Porter and Lawler (1968), an employee's expectation of receiving reasonable rewards for hard work was based on a sense of fair play. For Organ (1977), equity, fairness and justice theory illuminated the underlying concepts of fairness and predictability in which social reciprocity occurs between the employee and supervisor. The perceived strength of this reciprocity mediates the psychological contract created between employee and supervisor and this, in turn, influences political perceptions.

Based on the results and discussion equity, fairness and justice has provided support in measuring relationship between transformational leadership and job performance.

Whereas, the relationship between transactional leadership and job performance was found insignificant, in the context of six large banks of Pakistan. This theory was mainly supported to test the moderator variable, performance appraisal politics. Transformational leadership was positively associated with job performance with the moderating effect of performance appraisal politics. Whereas, transactional leadership and job performance with moderating effect of performance appraisal politics, was not supported in the context of six large banks of Pakistan.

Arguably, the present study attempted to address the employee perceptions pertaining to performance appraisal politics and its effect over leadership and job performance relationship. The reason behind this investigation was the argument forwarded by (Drory, 1993; Cropanzano *et al.*, 1997) that the perceptions of equity, fairness and justice reflect the atmosphere of politics within work environment. Adding further, these researchers have argued that the political perception of employee will affect the job performance in both formal and informal manners. As Lewin (1936) has forwarded that, “people respond to their perceptions of reality, not the reality itself”. Therefore, it was essential to inquire about status of bank manager’s perception pertaining to the influence of performance appraisal politics over leadership-job performance relationship.

Secondly, the present study has added in the body of knowledge by investigating the status of performance appraisal politics pertaining to bank managers’ perceptions in the six large banks of Pakistan. Specifically, the mean value for performance

appraisal politics in the present study was 3.125 along with standard deviation of .601. This suggested that the bank managers in the six large banks of Pakistan tend to have moderate level of perception pertaining to performance appraisal politics. These findings provide answer to the argument forwarded by the prominent scholars in the area of organizational politics (c.f Kacmar & Ferris, 1991 pp.193-194; Ferris & Kacmar, 1992, p.93) who have stated that “the higher the perceptions of politics are in the eyes of an organization member, the lower in that person’s eyes is the level of equity, fairness and justice”.

Taken altogether, the present study has provided empirical evidence in support of equity, fairness and justice by examining the transactional and transformational leadership styles with job performance with the moderating effect of performance appraisal politics. In the context of testing equity, fairness and justice theory the results reported that transformational leadership and job performance relationships did moderate in presence of performance appraisal politics as moderating variable.

### **5.5 Reasoning for the Moderating Role of Performance Appraisal Politics**

Performance appraisal politics as a moderator between the leadership styles and job performance relationships has presented with reasoning. In the past, most of the studies conducted have focused on the direct relationships of performance appraisal politics with job satisfaction, loyalty to supervisors, organizational commitment and turnover intentions (Longenecker *et al.*, 1987; Tizner *et al.*, 1996; Poon, 2004; Sogra

*et al.*, 2009; Spence *et al.*, 2011; Arshad *et al.*, 2013; Ahmad & Lemba, 2010; Rahman, 2012; Aziz *et al.*, 2013). This study incorporated performance appraisal politics as a moderating variable on the relationship between leadership styles and job performance for the reasons discussed below:

Firstly, the study conducted by Dhiman and Maheshwari (2013) pointed out that performance appraisal politics is the sub set of organizational politics. In other studies, political skill at work place is used as moderator variable (Bing *et al.*, 2011; Brouer *et al.*, 2011). The results showed that political skill has positive relationship with job performance, task performance across many occupations. In a study on “Fostering Good Citizenship through Ethical Leadership”, organizational politics is used as moderating variable (Kacmar *et al.*, 2011). Therefore, incorporating performance appraisal politics as moderator on the relationship between leadership styles and job performance relationship constitutes a research gap.

Secondly, by incorporating performance appraisal politics, the present study has exposed the causes associated with job performance at workplace, and attempted to overcome deviations from job performance arising from politics in performance appraisal.

Thirdly, the performance appraisal politics was expected to moderate the relationship between leadership styles and job performance. A few studies have been conducted on the relationship between leadership styles and performance appraisal (Abbas &

Yaqoob, 2009; Arshad *et al.*, 2013). The current study was conducted for further investigation of this relationship, particularly in the banking sector, with other employee outcomes such as job performance. With these research directions, the current study has attempted to fill this research gap, by incorporating performance appraisal politics as a moderating variable into the literature of areas pertinent to leadership and job performance.

## **5.6 Practical Implications**

The present study has added several practical implications based on the research findings. These implications are particularly in relation to human resource management practices in the context of six large banks of Pakistan. The results firstly suggest that transformational leadership style is much important consideration in dealing with the subordinates at work place. Banks can make considerable efforts in building the positive and result oriented relations between managers and subordinates. The observation suggests the utilization of a measure of effect of transformational leadership and leadership mentoring/ coaching, other than the specifically difficult measurable of organizational effectiveness. It is revealed that there is well-built effect of extraordinary leaders in the banking sector can fostering the recognition of goals, explaining a vision, defining individual's roles and support and setting behavioral tasks aligned with articulated image, ensuring the intellectual reflect on setting high performance (Podsakoff *et al.*, 1996; Burns, 1978; Bennis & Nanus, 1985; Trice & Beyer, 1991; Sashkin, 1988).



Secondly, the findings of the present study suggested that transactional leadership has no significant relationship with job performance. The transactional style leaders with contingent reward, management by exception active and passive has not proven to increase job performance of subordinates at workplace. These results are in line with the studies (Sheridan & Vredenburgh, 1978; O'Reilly & Roberts, 1978) conducted, the researchers stated that there is no relationship between leadership styles and job performance. Some studies have shown negative relationship between transactional leadership and job performance (Sheridan & Vredenburgh, 1978; Geyer & Steyrer, 1998; MacKenzie *et al.*, 2001; Parry & Thomson, 2002). Other studies Motowidlo (2003), Gomez-Mejia *et al.* (2007), Wall *et al.* (2004), Jex and Britt (2008, 2014) highlighted on the importance of job performance in organizations and motivated to further investigate the issue.

Thus, management of the banks could look into the matter to minimize to exercise contingent rewards and management by exceptions in transactional leadership. The management of the banks in banking sector of Pakistan should train their middle level managers to better understand the subordinates to improve job performance. For example the top management of banking sector in Pakistan establish peer mentoring between top and middle level managers, to increase discussions through official meetings, seminars and departmental and informal gatherings.

Finally, the present study suggested besides transactional leadership, transformational leadership and job performance and role of moderating variable; performance appraisal politics. The results showed support with relationship between transformational leadership and job performance. Before this majority of the studies (Avolio *et al.*, 2004; Bodla & Hussein, 2009; Kark, *et al.*, 2003; Wofford *et al.*, 2001; Geyer & Steyrer, 1998; Bass, 1985) were conducted by measuring direct relationship of leadership and job performance. Other studies were conducted to see the relationship of performance appraisal politics and job satisfaction, turnover intentions and organizational commitment (Longenecker *et al.*, 1987; Tizner *et al.*, 1996; Poon, 2004; Sogra *et al.*, 2009; Spence *et al.*, 2011; Arshad *et al.*, 2013; Ahmad & Lamba, 2010; Rahman, 2012; Aziz *et al.*, 2013). Therefore, the present study has contributed by incorporating performance appraisal politics as moderator variable between leadership styles and job performance on the recommendations by Abbas and Yaqoob (2009), Arshad *et al.* (2013).

The results showed no moderation effect between transactional leadership and job performance. Performance appraisal politics exists in the banking sector of Pakistan and particularly the results were found with weak moderation between transformational leadership and job performance. Thus, the human resource managers in the banking sector of Pakistan should consider the factor of politics in performance appraisal in order to reduce such acts of punishment motives and motivational motives on political grounds; it is in line with Tizner *et al.* (1996), (Poon (2004), Sogra *et al.* (2009) Spence *et al.*, (2011), Arshad *et al.* (2013). To

eliminate this negative impact of politics towards job performance, human resource managers should make aware to middle level managers of such politics in performance appraisals to achieve their personal political objectives. The managers should be impartial and keep in mind the equity fairness and justice as stated in the studies conducted Vigoda (2007), Byrne (2005), and Vigoda (2003).

### **5.7 Methodological Implications**

The methodological contribution lies in assessing the criterion variables using situation specific measure. The use of path modeling to assess the psychometric properties of each of the latent variable is an example of a methodological contribution of the present study. Particularly, this study has succeeded to assess psychometric properties of each latent variable by examining convergent reliability and discriminant validity of the managers of six large banks of Pakistan. Individual item reliability, average variance explained (AVE) and composite reliability for the each latent variable were examined through psychometric properties. By examining the value of AVE convergent reliability was assessed for each of the latent variable. Additionally, discriminant validity was determined by comparing correlations among latent variables with the square roots of AVE. In order to find support for discriminant validity in the conceptual model, the results of cross loadings matrix were examined. As a consequence, the present study has handled to use one PLS path modeling approach as one of the robust approach to assess the psychometric properties for each of the latent variable demonstrated in the conceptual model.

## 5.8 Limitations and Future Research Directions

Although, the present study has provided support for a number of hypothesized relationships between exogenous and endogenous variables, the findings have to be interpreted with consideration of the study's limitations. First of all, the study adopted a cross sectional design which does not permit causal inferences to be made from the whole population. For that reason, a longitudinal design may be considered for the future studies to evaluate the theoretical constructs at different periods of time.

Secondly, the present study adopted probability sampling under which the stratified sampling method was chosen. As the respondents were from six large banks of Sindh, Pakistan and the number of respondents varies from bank to bank keeping in view number of bank branches and the bank managers. In this case stratified sampling will be most suitable method to represent the data from each bank, as stratified method ensures the homogeneity within group i.e. bank managers in different bank branches (Cavana *et al.*, 2001; Hair *et al.*, 2007). Thus, it is suggested for the future research that researchers should go beyond the use of stratified sampling by using other techniques of random sampling within the entire banking sector in Pakistan for better comparative analysis and more generalizable results.

Thirdly, the variables in the present study were assessed using self-reported measures. On the other hand, the use of self reports is allied with common method

variance (Podsakoff *et al.*, 2003) and social desirability bias (Dodaj, 2012; Podsakoff & Organ, 1986; Randall & Fernandes, 1991). Though the present study attempts to decrease these problems by ensuring anonymity and improving scale items (Podsakoff *et al.*, 2003; Podsakoff *et al.*, 2012), there is possibility in the present study that the participants might have misreported their performance while replying the survey questionnaire. For this reason, researchers may employ alternate strategies in future to assess job performance. To be more specific, supervisor ratings of job performance and peer reporting of job performance should be used to control for common method variance and desirability bias.

Fourthly, it is also important to note that the present study reported job performance data on subjective basis. Nevertheless, subjective measure is susceptible to many types of judgmental biases (Dunlop & Lee, 2004). Even if it was not easy, to get objective data (Detert, Trevino, Burris, & Andiappan 2007), the results would have clearly strengthened with the use of objective measures. Therefore, it is suggested that future research is needed to replicate the findings of current study with the use of objective measures of job performance.

Fifthly, the current study provided with limited generalizability as this study has mainly focused on the bank managers of six large banks of Sindh, Pakistan. Accordingly, this work needed to be expanded on all the banks of Pakistan in order to generalize the findings. Further, banks should be studied and compared with other banks and specially private and public banks.

Sixthly, the model of the present study was able to explain 39% of the total variance in job performance, meaning that there are other latent variables which could significantly explain the variance in job performance. In other words it shows that the remaining 61% of the variance for job performance could be explained by other factors. Therefore, it is suggested that the future research is needed to consider other relevant possible factors such as individual characteristics, human resource practices and work environment to improve job performance.

Finally, performance appraisal politics was found partially moderation in the model. While, measuring the relationship between transactional leadership and job performance the moderating effect of performance appraisal politics was not found. Whereas, it was found that transformational leadership and job performance have positive relationship at one side and performance appraisal politics was also found with weak moderating effect on these latent variables at other side. Future research may look into other industries to test performance appraisal politics as moderator variable with all other leadership styles and job performance. Then, in the case that performance appraisal politics does not show any moderation, consider testing it as mediating variable.

## 5.9 Conclusion

Altogether, the current study has offered support to the body of knowledge in testing performance appraisal politics as a moderator on the relationship between transactional, transformational leadership and job performance. The results of the present study provided support to the key propositions. Particularly, it has successfully provided the answers to the research questions and the objectives set initially for the study regardless of several limitations of the present study.

The results of study indicated that there was no and weak moderation effect of performance appraisal politics on the relationship between transactional, transformational leadership styles and job performance, respectively. The theoretical research framework of the present study has contributed in the theoretical domain of leader member exchange theory and equity, fairness and justice theory. The theories examined the influence of performance appraisal politics on transactional leadership, transformational leadership and job performance. In addition to such theoretical contributions, the present study also highlighted some practical implications in the domain of banking sector in Pakistan. Moreover, keeping in view the limitations of the study, several directions for future research were drawn. In conclusion, the present study has added and contributed valuable theoretical, practical and methodological implications to the existing body of knowledge in leadership, organizational behavior, industrial and organizational psychology and in human resource management.

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## Appendix A

### Survey Questionnaire

**Note: Questionnaire to be filled by Bank Manager**

**Please Tick mark in the relevant box.**

#### Part-A (Demographics)

1. Gender: Male  Female
2. Age in years:  
 20 to 30     31 to 40     41 to 50     51 and Above
3. Position Held: \_\_\_\_\_ 4. Bank: NBP /HBL /MCB /ABL /UBL /BAF \_\_\_\_\_
5. Experience in years: \_\_\_\_\_ 6. Highest Qualification: \_\_\_\_\_
7. Monthly Income Rupees:  
 40,000 or less     41000 to 50,000  
 51,000 to 60,000     61,000 to 70,000  
 71,000 to 80,000     81,000 and above
8. Marital status:  
 Married     Unmarried

#### Part-B

##### Section-1 Leadership Styles

Given below are 32 self rating items related to your leadership style. Encircle the appropriate answer from the given Choices:

S.No	Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1.	I provide others with assistance in exchange for their efforts.	1	2	3	4	5
2.	I re-examine critical assumptions to question whether they are appropriate.	1	2	3	4	5
3.	I fail to interfere until problems become serious.	1	2	3	4	5
4.	I focus attention on irregularities, mistakes, exceptions and deviations from standards.	1	2	3	4	5

5.	I talk about my important values and beliefs.	1	2	3	4	5
6.	I seek different perspectives when solving problems.	1	2	3	4	5
7.	I talk optimistically about the future.	1	2	3	4	5
8.	I instill pride in others for being associated with me.	1	2	3	4	5
9.	I discuss in specific terms who is responsible for achieving performance targets.	1	2	3	4	5
10.	I wait for things to go wrong before taking action.	1	2	3	4	5
11.	I talk enthusiastically about what needs to be accomplished.	1	2	3	4	5
12.	I specify the importance of having strong sense of purpose.	1	2	3	4	5
13.	I spend time in teaching and coaching.	1	2	3	4	5
14.	I make clear what one can expect to receive when performance goals are achieved.	1	2	3	4	5
15.	I show that I am firm believer in "if it ain't broke do not fix it".	1	2	3	4	5
16.	I go beyond self interest for the good of group.	1	2	3	4	5
17.	I treat others as individuals rather than just as a member of a group.	1	2	3	4	5
18.	Demonstrate that problems must become chronic before I take action.	1	2	3	4	5

19.	I act in ways that build others' respect for me.	1	2	3	4	5
20.	I concentrate full attention on dealing with mistakes, complaints and failures.	1	2	3	4	5
21.	I consider the moral and ethical consequences of decisions.	1	2	3	4	5
22.	I keep track of all mistakes.	1	2	3	4	5
23.	I display a sense of power and confidence.	1	2	3	4	5
24.	I articulate a compelling vision of the future.	1	2	3	4	5
25.	I direct my attention towards failure to meet standards.	1	2	3	4	5
26.	I consider as an individual as having different needs, abilities and aspirations from others.	1	2	3	4	5
27.	I get others to look at problems from many different angles.	1	2	3	4	5
28.	I help others to develop their strengths.	1	2	3	4	5
29.	I suggest new ways of looking at how to complete assignments.	1	2	3	4	5
30.	I specify the importance of having strong sense of mission.	1	2	3	4	5
31.	I express satisfaction when others meet expectation.	1	2	3	4	5
32.	I express confidence that goals will be achieved.	1	2	3	4	5

### Section-II Performance Appraisal Politics

Given below are 15 self rating items related to performance appraisal politics. Encircle the appropriate answer from the given choices:

S.No	Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1.	I avoid ratings that have negative consequences for employees.	1	2	3	4	5
2.	I inflate ratings to maximize rewards to employees.	1	2	3	4	5
3.	I avoid low ratings to avoid written record of poor performance.	1	2	3	4	5
4.	I give equivalent ratings to avoid resentment and rivalries.	1	2	3	4	5
5.	I give inflated ratings to avoid uncomfortable confrontation.	1	2	3	4	5
6.	I avoid low ratings to that may antagonize (upset) employees.	1	2	3	4	5
7.	I give high ratings to gain employee support/ cooperation.	1	2	3	4	5
8.	I conform to the norm to avoid disapproval from peers.	1	2	3	4	5
9.	Ratings in part reflect personal liking or disliking of employees.	1	2	3	4	5
10.	I inflate ratings to gain special services or favors from employees.	1	2	3	4	5
11.	Quality of personal relationship affects rating.	1	2	3	4	5
12.	I give low ratings to teach rebellious					

	employees a lesson.	1	2	3	4	5
13.	I give low ratings to encourage employee an employee to leave.	1	2	3	4	5
14.	I give higher ratings than deserve to repay favors to employees.	1	2	3	4	5
15.	I give accurate ratings only to the extent that they perceive they may be rewarded for doing so or penalized for failing to do so.	1	2	3	4	5

### Section-III Job Performance

Given below are 37 items self rating related to job performance. Encircle the appropriate answer from the given Choices:

S.No	Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1.	I fulfill the responsibilities stated in job description.	1	2	3	4	5
2.	I perform tasks that are expected.	1	2	3	4	5
3.	I meet formal requirements of the job.	1	2	3	4	5
4.	I involve in the activities that are relevant to yearly performance assessment.	1	2	3	4	5
5.	I neglect the aspects of the job that is obliged to perform.	1	2	3	4	5
6.	I fail to perform essential duties.	1	2	3	4	5
7.	I adequately complete assigned duties.	1	2	3	4	5
8.	I always complaint about the things that are not important.	1	2	3	4	5

9.	I always make a big issue out of small issues.	1	2	3	4	5
10.	I always find fault with what the organization is doing.	1	2	3	4	5
11.	I always pay attention to matters that are negative rather than on matters that are positive.	1	2	3	4	5
12.	I am always complaining about work.	1	2	3	4	5
13.	I help new workers to adapt even though it is not required to do so.	1	2	3	4	5
14.	I willingly help others who have problems with their work.	1	2	3	4	5
15.	I help others who have heavy workload.	1	2	3	4	5
16.	I always ready to offer help of those around.	1	2	3	4	5
17.	I help to do work of those coworkers who have not been able to come to work.	1	2	3	4	5
18.	I try to prevent from creating problems for coworkers.	1	2	3	4	5
19.	I do not abuse the rights of others.	1	2	3	4	5
20.	I always consider the impact of actions on coworkers.	1	2	3	4	5
21.	I take steps to avoid problems with other coworkers.	1	2	3	4	5
22.	I am aware of how behavior affects other people's job.	1	2	3	4	5
23.	I read and follow all announcements, memos, and others given out by organization.	1	2	3	4	5
24.	I keep up to date with changes in the	1	2	3	4	5



	organization.					
25.	I am confident that if do job honestly will be rewarded accordingly.	1	2	3	4	5
26.	I attend meetings that are not compulsory, but are considered important.	1	2	3	4	5
27.	I attend functions that help improve company's image even though attendance is not compulsory.	1	2	3	4	5
28.	I follow the rules and regulations of company even when no one is watching.	1	2	3	4	5
29.	I do not take extra time for break.	1	2	3	4	5
30.	I often work beyond office hours even though not being asked.	1	2	3	4	5
31.	I am one of the organization's most honest employees.	1	2	3	4	5
32.	I make innovative suggestions to improve this department.	1	2	3	4	5
33.	I try to adopt improved procedures for this department.	1	2	3	4	5
34.	I try to institute new more effective work methods for this department.	1	2	3	4	5
35.	I provide constructive suggestions to improve how things operate in this department.	1	2	3	4	5
36.	I make recommendations on issues that affect the department.	1	2	3	4	5
37.	I speak up with ideas for new changes in procedures	1	2	3	4	5


## Appendix B

### Literature Matrix

S.No	Author	Variable			Findings
		Independent	Dependent	Mediator/ Moderator	
1	Abbas and Yaqoob (2009)	Leadership development	Employee performance	-	Positive relationship between leadership development and employee performance
2	Emu and Umeh (2014)	Leadership Practices	Job satisfaction		Positive relationship between leadership practices and job satisfaction
3	Vigoda (2007)	Transformational leadership  Transactional leadership	In-role performance &  OCB	Organizational politics (med)	Positive relationship between transformational leadership and in-role performance.  Positive relationship between transactional leadership and In-role performance  Partial mediation

					between transformational leadership, transactional relationship in their relationship with in-role performance and OCB
4	Want et al., (2011)	Transformational leadership	Performance		Positive relationship between transformational leadership and performance.
5	Eagly, A. H., Johannesen-Schmidt, M. C., & Van Engen, M. L. (2003)	Transformational leadership Transactional leadership	Satisfaction effectiveness		<p>Positive relationship between transformational leadership and satisfaction.</p> <p>Positive relationship between transactional leadership and satisfaction effectiveness.</p> <p>Relationship varied across the gender (male v/s female)</p>

6	Erhart (2004)	Leadership Procedural justice	OCB		Positive relationship between Procedural justice and OCB.
7	Avolio, Zhu, &Koh (2004)	Transformational leadership	Organizational commitment	Psychological empowerment	Positive relationship between transformational leadership and organizational commitment.  Significant mediation of psychological empowerment between transformational leadership and OC.
8	Bodla& Hussain (2009)	Transformational Leadership	Job satisfaction		Positive relationship between transformational leadership and job satisfaction.
9	Kark& Shamir (2003)	Transformational Leadership	Self efficacy Self esteem Collective efficacy	Social identification	Positive relationship between transformational leadership and self-efficacy.  Positive with self-

					<p>esteem</p> <p>Positive with collective efficacy.</p> <p>Partial mediation between self-efficacy, collective efficacy and self-esteem in their relationship with transformational leadership.</p>
10	 <p>Wofford, Whittington, Goodwin, (2001)</p>	Transformational leadership	Leadership effectiveness	Follower motives	<p>Positive relationship between transformational leadership and leadership effectiveness.</p> <p>Follower motives moderated the relationship between transformational leadership and leadership effectiveness.</p>
11	Ali & Rad (2006)	Participative leadership style	Job satisfaction	Job	Positive relationship between participative leadership and job

			performance		satisfaction.  Positive relationship between participative leadership and job performance.
12	Voon, Ngui, & Ayob (2011)	Leadership styles	Job satisfaction		Positive relationship between transformational leadership and job satisfaction (more significant).  Positive relationship between transactional leadership and job satisfaction.
13	Chookruvong (2000)	Directive Leadership styles  Supportive leadership	Job performance		Weak relationship between directive leadership and job performance  Moderate positive relationship between supportive leadership

					and job performance.
14	Shah & Hamid (2015)	Transformational leadership	Job performance		Positive relationship between transformational leadership and job performance
15	Shah et al., (2016)	Transformational leadership	OCB		Positive relationship between transformational leadership and OCB
16	Dolatabadi&Safa (2010)	Directive leadership	Service quality	Role clarity and share customer values (med)	Positive relationship between directive leadership and service quality. Negative relationship between directive leadership and shared values and positive relationship with role clarity.
17	Bass &Avolio (1993)	Transformational leadership	Organizational culture		Positive relationship betweenTransformational leadership and Organizational culture
18	Sheridan &Vredenburgh	Transactional	Job		No relationship between transactional

	(1978)	leadership	performance		leadership and job performance
19	Geyer, & Steyrer, 1998	Transactional leadership	Job performance		Insignificant relationship between transactional leadership and job performance.
20	MacKenzie, Podssakoff, & Rich, 2001	Transformational leadership Transaction leadership	Job performance		Positive Transformational relationship with job performance Transactional negative relationship with job performance.
	Parry & Thomson 2002	Transactional leadership	Organizational effectiveness Job performance		Positive relationship with organizational effectiveness Insignificant relationship with job performance.
21	O'Reilly & Roberts, 1978	Directive leadership styles	Performance		Insignificant relationship with performance
22	Dhiman & Maheshwari (2013)	Appraiser-apraisee relationship	Performance appraisal politics		Negative relationship between appraiser-apraisee relationship and performance



		Downward communication			appraisal politics  Negative relationship between downward communication and appraisal politics
23	Longnecker et al., (1987)	Performance appraisal politics	Performance		Negative relationship between appraisal politics and performance
24	Tizner et al., (1996)	Performance appraisal politics	Performance		Significant negative relationship between appraisal politics and performance.
25	Poon (2004)	Performance appraisal politics	Job satisfaction  Turnover intention		Negative relationship between appraisal politics and job satisfaction  Significant positive relationship between appraisal politics and turnover intention.
26	Sogra&Shahid (2009)	Performance appraisal politics	Job satisfaction		Negative relationship between appraisal politics and job satisfaction.

27	Arshad et al., (2013)	Performance appraisal politics	Job satisfaction and Turnover		Negative with job satisfaction  Significant positive relationship with turnover.
28	Ammad&Lemba (2010)	Performance appraisal politics	Employee turnover		Significant positive relationship between appraisal politics and employee turnover.
29	Abbas and Raja (2014)	Performance Appraisal Politics	Innovative performance		Negative relationship between appraisal politics and innovative performance.
30	Bing et al., (2011)	Organizational politics	Job Performance	Political skill (Mod)	Negative relationship between organizational politics and job performance.  Political skill moderated the relationship between organizational politics and job performance
31	Brouer et al., (2011)	Organizational politics	Job Performance	Political skill (mod)	Negative relationship between organizational politics and performance.

					Moderation of political skill between organizational politics and performance relationship.
32	Kacmar et al., (2011)	Ethical Leadership	OCB	Organizational politics (Mod)	Positive relationship between Ethical Leadership and OCB.
33	Rahman, Hussain & Haque (2011)	Organizational politics	Performance		Negative relationship between organizational politics and performance
34	Aziz et al., (2013)	Performance appraisal politics	Organizational commitment, turnover intention		Negative relationship with organizational commitment Positive relationship with employee turnover intention
35	Bhatti & Qureshi (2007)	Employee participation	Job satisfaction		Positive relationship between employee participation and job satisfaction
36	Van Knippenberg (2000)	Work motivation	Job performance		Positive relationship between work motivation and job performance

37	Halbesleben & Bowler, (2007)	Work motivation	Job performance		Positive relationship between work motivation and job performance
38	Lemieux, Macleod, & Parent, 2009	Salary	Job performance		Positive relationship between salary and job performance
39	Hourani, Williams, & Kress, 2006	Work stress	Job performance		Negative relationship between work stress and job performance
40	Boyett (2006)	Job satisfaction and Recognition	Job performance		Positive relationship between job satisfaction and job performance.  Positive relationship between recognition and job performance.
41	Zhu, Avolio, and Walumbwa (2009)	Transformational leadership	Work engagement	Follower characteristics (mod)	Positive relationship between transformational leadership and work engagement.  Follower moderated the relationship between transformational and

					work engagement.
42	Tsai, Chen, & Liu, 2007	Transformational leadership	Success	Positive mood (med)	Positive relationship between transformational leadership and success.
43	Charbonneau, Barling, & Kelloway, 2001	Transformational leadership	Job performance	Self efficacy (med)	Positive relationship between transformational leadership and job performance.  Self efficacy mediated the relationship between transformational leadership and job performance.
44	Ilies, Judge, & Wagner; 2006	Transformational leadership  Charismatic leadership	Follower Motivation		Transformational leadership positive  Charismatic leadership more significant in relationship with follower (employee) motivation.
45	Liao and Chuang	Transformation	Performance		Positive relationship between

	(2007	al leadership			transformational leadership and performance.
46	Walumbwa, Wang, Lawler, and Shi (2004	Transformational leadership	Job performance		Positive relationship between transformational leadership and job performance.
47	Seltzer & Bass, 1990	Transformational leadership	High level effort		Positive relationship between transformational leadership and high level effort
48	Bass's (1985)	Transactional leadership	empowerment		Positive relationship with empowerment
49	Geyer & Steyrer, 1998	Transactional leadership	Performance		Negative relationship between transformational leadership and performance
50	MacKenzie <i>et al.</i> , 2001	Transactional leadership	Performance		Insignificant relationship between transformational leadership and performance
51	Lowe <i>et al.</i> , 1996	Transactional leadership	Performance		Negative relationship between transformational leadership and

					performance
52	Parry & Thomson, 2002	Transactional leadership	Performance		Negative relationship between transformational leadership and performance.
53	Moger (2006)	Transformational leadership Transactional leadership	OCB		Positive relationship between transformational leadership and OCB.  Positive relationship between transactional leadership and OCB.
54	Gardner and Stough (2002)	Transformational leadership Transactional leadership	Job Performance		More Significant positive relationship between transformational leadership and job performance.  Significant relationship between transactional leadership and job performance
55	Dviret <i>al.</i> , 2002	Transformational leadership	Job Performance		More Significant positive relationship between transformation

					al leadership and job performance  Significant relationship between transactional leadership and job performance
56	MacKenzie <i>et al.</i> , 2001	Transformational Leadership  Transactional leadership	Job performance	Organizational politics (mod)	More Significant positive relationship between transformational leadership and job performance  Significant relationship between transactional leadership and job performance
57	Breaux, Munyon, Hochwarter, & Ferris (2009)	Consciousness	Job performance	Organizational politics (mod)	Significant positive relationship between consciousness and job performance  Significant moderation of organizational politics on the relationship.
58	Spence & Keeping, 2011	Performance appraisal	Job Satisfaction		Negative relationship between appraisal politics and job



		politics			satisfaction
59	Drory (1993)	Organizational politics	Job attitudes		Negative relationship between organizational politics and job attitudes.



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