

## THE EFFECT OF TRANSACTIONAL LEADERSHIP ON EMPLOYEES PERFORMANCE – CASE STUDY OF 5 ALGERIAN BANKING INSTITUTIONS

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### ABSTRACT

*The objective of this study was to determine what managers thought about the organizational results performed by utilizing different leadership styles in a part of the banking sector in Algeria. A quantitative survey instrument was designed to analyze their opinions. Quantitative survey instrument design was adopted as the most cost efficient for this research. Convenience sampling method was utilized. As far as the research time frame was concerned, it was performed in a cross-sectional manner, in the summer of 2014. Out of 174 sent out surveys, the responses were collected from 132 surveyed individuals. The survey was the main instrument for data collection and it was designed in a “5 - point Likert’s scale”, in addition to descriptive statistics questions. The collected data were analyzed with descriptive statistics. The analysis of variance (ANOVA) was utilized as the tool of inferential statistics in order to determine differences in leadership between multiple groups of respondents, by age groups and employment within the organization. The research was conducted to see how efficiently and effectively managers used available human and other material and financial resources to satisfy customers and achieve organizational goals. The paper investigated the impact of transactional leadership style on employees’ performance in Algerian banks. The objectives of the study were to determine the relationship between transactional leadership style and employees performance, The recommendation was made that managers adopt leadership*

*style(s), such as transformational and Level 5 leadership that will enable them to successfully integrate and maximize available resources within the internal and external environment for attainment of organizational goals.*

**Keywords:** Leadership, Transactional Leadership, Organizations, Performance.

**JEL:** M54

### 1 INTRODUCTION

The concept and definition of leadership and style may differ from one person, or situation, to the other. The word “leadership” has been used in various aspects of human endeavor, such as: politics, businesses, academia, social works, etc. Previous views about leadership show it as one example of the personal ability. Leadership style in an organization is one of the factors that play a significant role in enhancing or retarding the interest and commitment of the individuals in the organization. An individual will support an organization if he/she believes that through it his/her personal objectives and goals could be met; if not, the person’s interest will decline.

### 2 LITERATURE REVIEW

#### 2.1 Definitions of leadership

Leadership can be defined in different ways; thus, it is difficult to come up with a single working definition. In spite of all the research and theorizing, the concept of leadership is problematic. As Meindl & Ehrlich (1987) commented: “It has become apparent that,

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after years of trying, we have been unable to generate an understanding of leadership that is both intellectually compelling and emotionally satisfying. The concept of leadership remains elusive and enigmatic. Leadership is a process in which leader is indulged in various activities to achieve any goal". It may be for one's own goals or for the goals of others and these goals may or may not be congruent with organizational goals (Hersey, Blanchard & Dewey 2008). Other definitions (out of many) include:

- Daft (2014): Leadership is 'the process of influencing people to enable the achievement of relevant goals';
- Goleman (2000): 'A leader's singular job is to get results';
- House & Aditya (1997): 'Leadership is the ability to motivate, influence and enable individuals to contribute to the objectives of organizations of which they are members';
- Bass (1990): 'Leadership is an influencing process aimed at goal achievement';
- Armstrong (2009): Leadership is no more than exercising such an influence on others that they tend to act in concert towards the achievement of a goal that they might not have achieved so readily had they been left to their own devices'.

## 2.2 Theories of Leadership

Various perspectives have developed over time and leadership theories have developed within these perspectives. The following discussion contains a number of popular and recent theories pertaining to the concept of leadership. "The Trait Approach" that endured up to the late 1940s claimed that leadership ability is inborn. In the late 1940s to the late 1960s, "the Behavioral Approach" became dominant; advocating that effectiveness in leadership has to do with how the leader behaves. In the late 1960s to the early 1980s, "the Contingency Approach" became popular suggesting that effective leadership is

dependent upon the situation (Jones & George 2009). Recent approaches to leadership focus on vision and charisma, as such of Max Weber, John Kennedy, Martin Luther King Jr. and Steve Jobs, the co-founder of Apple Inc (Robbins & Judge 2012). Later, a stream of research has focused on differentiating transformational from transactional leaders such as the Ohio State studies, Fiedler's model and path-goal.

### 2.2.1 Trait Theories of Leadership

The Trait Approach arose from the "Great Man" theory as a way of identifying the key characteristics of successful leaders. Also, this approach includes the models that attempt to explain leadership effectiveness by articulation of physical, psychological and social characteristics (McKee 2012).

This approach was performed focusing on isolating leader's traits, by providing characteristics, intelligence, charisma, decidedness, enthusiasm, strength, bravery, integrity and self-confidence.

The belief that leaders are born rather than made dominated much of the late 19th century and the early 20th century. Also, it tried to define any distinguishing physical or psychological characteristics of the individual that explains the behavior of leaders (Nahavandi 2009).

However, after several years of such research, some shortcomings of this approach were identified. Firstly, it is not clarified which of the traits are most important and which are not. Secondly, some traits overlap. For example, tact, judgment, and common sense are listed as separate traits but the last one covers the preceding ones. Thirdly, trait studies do not distinguish between traits helping to become a leader and those enabling it to be maintained. Fourthly, most trait studies are descriptive. There is an assumption that the leader's traits existed prior to leadership and most of them have

failed to approach the study of personality as an organized whole (Derel 2003).

## 2.2.2 Behavioral theories of leadership

The trait approach did not yield the expected results. As the need for identifying and training leaders came to the forefront during the World War II, the previous results led researches turn to behaviors, rather than traits as a resource of leadership effectiveness (Nahavandi 2009).

### 2.2.2.1 The Iowa studies

The University of Iowa studies conducted in the United States, explored three leadership styles to find which was most effective and to determine their effect on the attitudes and productivity of the subordinates (Derel, 2003). They identified the Authoritarian, Democratic and Laissez Faire Leadership styles. These leadership styles exist on a continuum from autocratic to laissez-faire.

Authoritarian style is characterized by a leader who makes all the decisions and passes the directives to subordinates who are expected to carry these out under very close supervision. It is assumed that the leader knows everything and knows what is best for the organization and that the leader has unlimited authority (Derel 2003).

Democratic style is characterized by a structured but cooperative approach to decision making. It focuses on group relationships and sensitivity to the people in the organization. This style fosters to improve professional competence and lead them to work as team. It is well suited to the environments where people have a very high level of expertise such as software engineers, lawyers, doctors, mature teachers, etc. The democratic leadership style promotes greater job satisfaction and improved morale (Marturano & Gosling 2008).

### 2.2.2.2 Laissez-faire style

This is quite the opposite of the Authoritarian style. There is the absence of any real leadership and everyone is free to do as they please. Usually, with no targets or direction, there is a state of confusion. As the result of it, productivity is usually very low (Marturano & Gosling 2008).

As the leadership studies that were aimed at identifying the appropriate traits did not yield any conclusive results, a group of people from the Ohio State University developed in the 1940s and the 1950s a list of 150 statements from their generated responses that included 1,800 statements. The list was designed to measure nine different behavioral leadership dimensions. The resulting questionnaire is now well-known as the LBDQ or the Leaders Behavior Description Questionnaire. As part of the study, the LBDQ was administered to various groups of individuals ranging from college students and their administrators, private companies including military personnel.

Those researches and studies in Ohio identify two basic kinds of leader behaviors that may be engaged to influence their subordinates, namely Consideration and Initiating structure.

*Consideration.* Leaders engage in consideration when they show their subordinates the trust, openness, and concern for employees' well being. Leaders who emphasize consideration would likely create trusting, supportive, and as a result, more productive work environment (Jones & George, 2009).

*Initiating Structure.* Leaders engage in initiating structure when they take steps to make sure that work gets done. It includes behaviors related to task and goal orientation, such as giving clear directions, monitoring employees' performance, and planning and setting work schedules and deadlines. Leaders who emphasize structure are likely to



### 2.3.2 Transformational leaders

As defined by Bass (1990), the purpose of transformational leaders is to empower their followers and encourage them to 'do more than they are originally expected to do'. Transformational leaders motivate followers to perform at higher levels, to exert greater effort, and to show more commitment. Bass identified three principal leadership processes for achieving various outcomes, such as: (1) heightening followers' awareness about the importance and value of designated goals and the means to achieve them; (2) inducing followers to transcend their self-interests for the good of the group and its goals; and (3) meeting followers' higher-order needs. Transformational leaders provide encouragement and support to followers; assist their development by promoting growth opportunities, and show trust and respect for them as individuals. They build self-confidence and heighten personal development.

### 2.3.3 Charismatic leaders

They have compelling personalities and the ability to rouse people to follow them through the sheer force of the impression they make. As originally described by Weber (1947), charismatic leaders are achievement orientated, calculated risk-takers and good communicators. They achieve motivational outcomes through four mechanisms: (1) changing follower perceptions of the nature of work itself; (2) offering an appealing future vision; (3) developing a deep collective identity among followers and (4) heightening both individual and collective self-efficacy (e.g. people's belief in themselves and what they can do) (Couto 2007).

## 2.4 Steps to measure organizational performance

The steps to measure organizational performance will assist directorates in selecting and designing appropriate

performance indicators to strengthen current program and strategy management. Those steps will outline a method for identifying outcomes and relevant outputs, developing appropriate performance indicators and strengthening performance reporting – leading to more effective and efficient programs and strategies. Those steps are structured as six steps (shown in Figure 3).

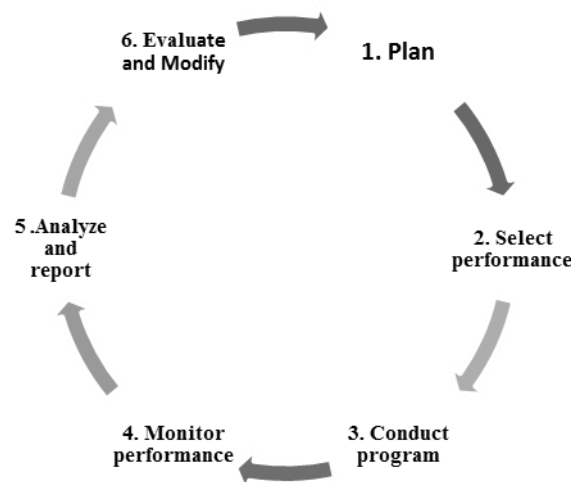


Figure 2.2. The steps in measuring performance  
(Source: *Organizational Performance measurement and reporting guide, 2013. p. 2*)

1. *Plan*: Good planning does not guarantee good performance, but it can assist in developing more robust performance measurement systems and finding a clearer course of action. A useful tool in planning is program logic, which involves aligning top level company outcomes, company priorities, directorate services and costs;
2. *Select performance indicators*: This section provides more information on selecting appropriate and measureable performance indicators. The performance of programs or strategies should be measured at each level of the logic model;

3. *Conduct program*: The project is delivered to effect change and should be implemented in line with the program implementation plan;
4. *Collect data and monitor performance*: Program planning, design and selection of indicators are key components of a performance measurement system. However, these steps are essentially meaningless if data is not collected against each of the indicators. Measuring performance requires the timely and relevant collation and analysis of data. Data must be gathered by set timeframes and must be accurate, comprehensive and comparable;
5. *Analyze and report*: The utility of performance information is limited if it is not communicated effectively and integrated back into the planning cycle;
6. *Evaluate and modify*: Once the data for the performance indicators are collected, analyzed and communicated, consider evaluating both the performance indicators selected and the program or strategy being measured. Evaluating the program or strategy can inform leaders' decisions about planning, capability and resource allocation (O.P. Measurement, 2013).

## 2.5 Link between transactional leadership and performance

Since transactional leadership is based on a system of rewards and penalties, it does not offer much in terms of inspiration, to motivate people to go beyond the basics. Given this fact, the followers of transactional leaders might get complacent and develop a tendency to achieve minimal expectations only that would help them avoid penalties (Bass 1990). Thus, the leader and the follower are in an agreement on what the follower would receive upon achieving the negotiated level of performance. The success of such leadership

depends on the level of satisfaction the leader and followers have in following this system of performance based appraisals. Thus, the expected causal chain where leadership style positively affects employee motivation, which translates into improved employee and organizational performance, does not seem to be applicable to transactional leadership. (Bass 1990) (see Figure 2.3.).

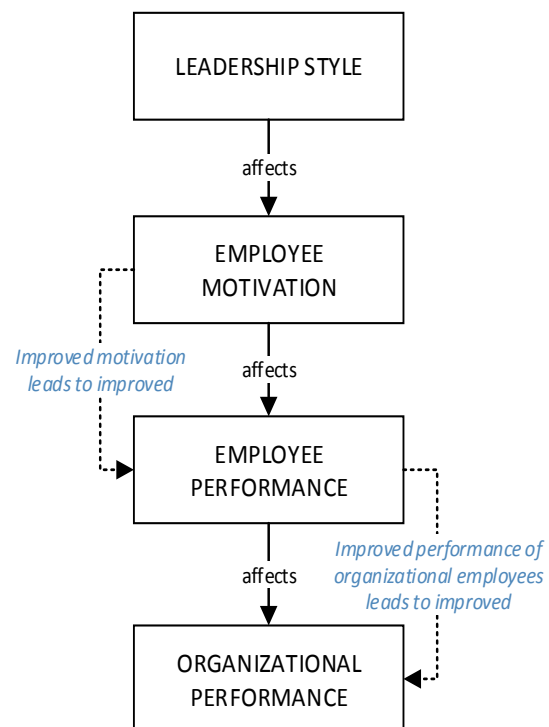


Figure 2.3. Ali Bousbia B. Master thesis, International University of Sarajevo (2015, p. 37)

As a matter of fact, a study conducted by Howell & Avolio (1993) confirms that contingent reward leadership has a negative impact on the followers' performance. Contingent reward is viewed as "an active and positive exchange between leaders and followers whereby followers are awarded for accomplishing agreed upon objective". If managers do not effectively follow-up on the contingent reward promises, thereby displaying behavioral inconsistency, they are viewed as ineffective leaders. Furthermore, Howell & Avolio (1993) suggest that the level

of contingent reward leadership is dependent on organizational context and settings. For example, an organization undergoing change might suffer from a transactional leadership style. The penalties, awarded in such a system of managing by exception, have a negative impact on performance and satisfaction. This stems from the fact the leader passively awaits problems before taking any action. By following this strategy, the leader ensures that corrective action is taken when required and in doing so he reinforces the roles and expectations for the followers. Hence, this behavior represents an important aspect of transactional leadership (Bass 1990).

Jayasingam, Ansari & Jantan (2009) discussed that the coercive power has been linked with ineffective leadership. Transactional leaders make use of reward and coercive power. Coercive power is based on "the target's perception that the agent has the ability to inflict various organizational punishments" and it appears that transactional leaders are more likely to adopt coercive power. Working in fear of losing one's job, or fear or demotion, only makes an employee ineffective and unproductive because the employee spends most of his/her time worrying about the consequences if the expectations of the leaders are not met.

As it can be observed, a transactional leader relies heavily on power and authority to lead his members. Power play and the use of a "reward and penalty" system thus play an integral role in such a leadership style. As discussed through various researches, transactional leadership measures are not so effective and in most cases can de-motivate employees. There are suggestions that effects of leadership styles on employee performance are dependent on the organizational context and settings. If, as Howell & Avolio (1993) argued, an organization undergoing change might suffer from a transactional leadership style, could the opposite be true? Specifically, if an organization has a long history and

operates under a more or less unchanged business model over a long period of time, could transactional leadership actually improve the organization's performance? More to the point, is it possible that Algerian banks' managers transactional leadership style (of course, if they indeed practice such style of leadership) have tangible effects on employee motivation?

## 2.6 The categories to measure performance

Firstly, we need to solve this question, why do we measure performance? We may say, to evaluate how well (i.e., how effectively, efficiently, and profitability) organizations are doing in achieving their goals in their mission statements.

Secondly, by which techniques or approaches can we measure performance? Many researchers argue that the characteristics for performance measurement would be different, depending on the different purposes of measuring performance.

### 2.6.1 Accounting measures

Accounting measures represent the most common and readily available means of measuring organizational performance; the validity of their use is found in the extensive evidence showing that accounting and economic returns are related. A summary of accounting measures is shown as follows:

- Cash flow from operations;
- Earnings before interest and taxes (EBIT);
- Earnings before interest, taxes, depreciation, and amortization (EBITDA);
- Market share;
- Net operating profits (also known as earnings);
- Net operating profit after tax [NOPAT];
- Profit margin;
- Return on assets (ROA);
- Return on book-valued assets;
- Return on capital employed (ROCE);

- Return on equity (ROE);
- Return on investment (ROI);
- Return on invested capital (ROIC);
- Variance in accounting profitability;
- Sales and Sales growth. (Carton & Hoffer 2006).

### 2.6.2 Financial market measures

A summary of financial market measures is shown as follows:

- Beta coefficient;
- Earnings-per-share (EPS);
- Jensen's alpha;
- Market value (or market capitalization) (numbers of shares x price per share);
- Price-to-earnings ratio (P/E ratio);
- Return on market-valued assets;
- Stock price;
- Total shareholders return (TSR) and Tracking stocks.

### 2.6.3 Mixed accounting / financial market measure.

An advantage of those measures is that they are better able to balance risk (largely ignored by accounting measures) against operational performance issues that are sometimes lost in market measures. According to Carton & Hoffer (2006) more recent studies have produced equivocal results, with accounting measures retaining incremental explanatory power. A summary of those measures is shown as follows:

- Balanced scorecard, Cash flow per share;
- Cash flow return on investment (CFROI), Cash value added (CVA);
- Discounted cash flows (DCF), Economic value added (EVA);
- Internal rate of return (IRR), Market-to-book value;
- Market value added (MVA), Net present value (NPV);
- Shareholder value analysis (SVA), Tobin's q,
- Total business return (TBR), Warranted equity value (WEV);

- Weighted average cost of capital (WACC) and Z-score (Pierre et al 2009).

### 2.6.4 Survival

Survival is a common dependent variable in management research, particularly in organizational sociology and entrepreneurship where increasing attention is given to ecological explanations of firm performance (DTI, n.d.) (Pierre et al 2009).

### 2.6.5 Profitability

Profitability is the primary goal of all business ventures. Without profitability the business will not survive in the long run. In addition, profitability is measured with income and expenses and it can be defined as either accounting profits or economic profits (Hofstrand 2009). The reasons for computing profitability are: firstly, to check the state of organization; secondly, increasing profitability is one of the most important tasks of the business managers, so managers constantly look for ways to change the business to improve profits (DTI, n.d.).

We can calculate productivity as outputs divided by inputs, which can be quoted as:

Expected productivity = [(expected output) / (resources expected to be consumed)] or

Actual productivity = [(actual output) / (resources actually consumed)] (DTI, n.d.), (Pierre et al 2009).

### 2.6.6 Efficiency

Efficiency is the measure of how well or how productively resources are used to achieve a goal. Efficiency can also be quoted as: Efficiency = [(Resource actually used x100%) / (Resources planned to be used)] (DTI, n.d.) (Jones & George 2009).



### 2.6.7 Effectiveness

Effectiveness is the measure of appropriateness of the goals that managers have selected for the organization to pursue and of the degree to which the organization achieves those goals. Effectiveness can also be quoted as:  $\text{Effectiveness} = \frac{[(\text{actual output} \times 100\%)]}{[\text{Expected output}]}$  (DTI, n.d.), (Jones & George 2009), (Pierre et al 2009).

## 3. METHODOLOGY

### 3.1 General approach

The data for the study were gathered from 132 surveyed employed in five banking institutions in Algeria. The study was carried out in the summer of 2014, in a cross-sectional time-line manner.

The survey instrument was then pre-tested. It was sent to ten national employees (irrespective of their organizational position) who were not subjects of the study. Based on their inputs, the questionnaire was slightly revised.

The survey was conducted over 67 days (from 28-07-2014 to 03-10-2014) by fielding a questionnaire on hard copies. The researcher checked for logic and consistency at the time of data entry and coding.

In order to increase the response rate, a reminder visit or telephone call was placed to all the participants, one week after the survey administration.

The researcher wrote an introductory note for the participants to explain the intent and purpose of the research and to solicit cooperation. They were advised that their participation in the research project was completely voluntary and they were under no obligation to participate; that all information would be used only for the purpose of the study; and that they could obtain findings upon request. It was made clear that this research was for the purposes of the

dissertation project and was in no way ordered or sponsored by their organizations or a third-party. The participants were advised to contact the researcher with any questions about the research and their participation in it.

### 3.2 Sampling

Selecting a sample is a fundamental element of a positivistic study. The researcher employed purposive sampling to select participants that are representative of the population. To do this, the researcher considered factors that might influence the population: general demographic characteristics (gender, age, and education), job description (manager/non-manager), and experience with organization (length of employment with organization), etc. Then the researcher purposefully selected a sample that adequately represented the target population on these variables.

This study lies with five institutions banking in Algeria; Bank of Agriculture and Rural Development, Loan Algerian People, Algerian's Exterior Bank, Albaraka Bank and Gulf Bank Algerian.

## 4 RESULTS

### 4.1 Data analysis

In total, 21 (95.5%) of the manager respondents were male and one (4.5%) was female.

Table 4.1. Respondents' Gender Frequency – Managers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	21	95.50	95.50	95.50
	Female	1	4.50	4.50	100.0
	Total	22	100.00	100.00	

Table 4.2. t-test for Equality of Means

t-test for Equality of Means							
Gender						95.00% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Transactional Ldrs Style Index	-0.94	20.00	0.35	-1.38	1.46	-4.43	1.67
Democratic Ldrs Style Index	0.21	20.00	0.83	0.71	3.38	-6.33	7.76

In terms of age, the majority of respondent managers (14, or 63.6% of the total) were 41-50 years of age. A small group of five respondents (22.7% of the total) were 31-40 years of age, (two or 9.1 percent of the total were 51-60 years of age, while only one (4.5% of the total) manager belonged to the 18-30 years age group.

The managers were asked the following questions, represented in a 5-point Likert's scale where each number was explained, as listed, below:

[[ (1) Strongly Disagree, (2) Disagree, (3) Neutral, (4) Agree, (5) Strongly Agree]].

In general, all these answers when considered as a whole reveal deeply dichotomous leadership traits of responding managers. On the one hand, they seem to prefer transactional leadership style, while on the other hand, it appears that they are not vested with a true decision-making powers (which is suggested by the answers provided to the related questions).

To explore relationships between demographic variables and the leadership style of the responding managers, the researcher constructed two index variables: transactional and democratic leadership style indices. No significant differences were observed between gender groups while conducting t-test (see table, below):

- On transactional style,  $t=-0.943$ ,  $p=0.357 > 0.05$ .
- On democratic style,  $t=-0.211$ ,  $p=0.835 > 0.05$ .

So, the researcher proceeded with testing, to establish whether there are underlying "true" differences in leadership style (as measured by composite index variable "Leadership style"- a composite of Authoritarian Leadership Style Index and Democratic Leadership Style Index).

The newly created variable is normally distributed, as confirmed by the normality tests (see table below). Kolmogorov-Smirnov results ( $t=0.163$ ,  $p=0.132 > 0.05$ ), confirm that the variable does not significantly depart from normality.

Table 4.3. Tests of Normality

	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Ldrs_index	0.16	22.00	0.13	0.88	22.00	0.01

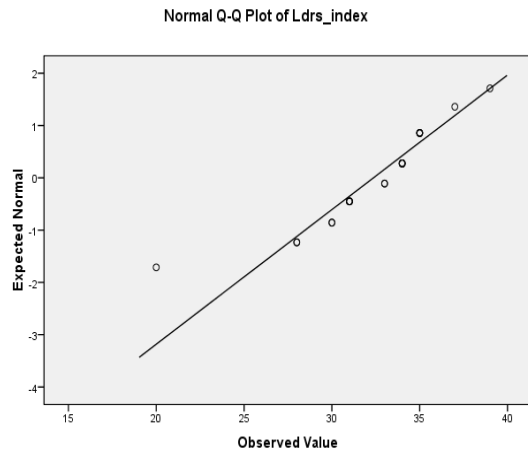


Figure 4.1. Normal Q-Q Plot LDrs index

This is also confirmed by visual inspection of normality plots (left), where observed vs. expected value plots are very close to normality line (with exception of a single outlier, which was subsequently cleaned).

The Analysis of Variance (ANOVA) was used to determine if there are any differences in leadership between multiple groups of respondents, by age group and length of employment with the organization.

The results suggest that the underlying source of variation in observed leadership styles inclination is the length of employment with the organization.

As we can see from the ANOVA output, differences between groups of respondents are not significant at a conventional level ( $F=3.034$ ,  $p=0.056 > 0.05$ ), but taken more liberally (at 10%), these differences become significant.

Table 4.4. ANOVA – Leadership Index

	Sum of Squares	df	Mean Square	F	Sig.
Between groups	106.50	3.00	35.50	3	0.05
Within groups	210.58	18.00	11.69	34	
Total	317.09	21.00			

Post-Hoc Tukey HSD reveals that the group of managers who had been with the bank less than 5 years are much more democratic than those who had been with the bank for 6-10 years.

Table 4.5. Multiple Comparisons Dependent Variable: Ldrs-index

	(I) Length of employment with organization	(J) Length of employment with organization	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Tukey HSD	0-5	6-10	7.72*	2.67	0.04	0.16	15.27
		11-15	-0.11	1.80	1.00	-5.20	4.98
		21 and over	0.82	1.90	0.97	-4.56	6.21
	6-10	0-5	-7.72*	2.67	0.04	-15.27	-0.16
		11-15	-7.83	2.79	0.05	-15.72	0.05
		21 and over	-6.90	2.86	0.11	-14.98	1.18
	11-15	0-5	0.11	1.80	1.00	-4.98	5.20
		6-10	7.83	2.79	0.05	-0.05	15.72
		21 and over	0.93	2.07	0.96	-4.92	6.78
	21 and over	0-5	-0.82	1.90	0.97	-6.21	4.56
		6-10	6.90	2.86	0.11	-1.18	14.98
		11-15	-0.93	2.07	0.96	-6.78	4.92

\*. The mean difference is significant at the 0.05 level.

This is an intriguing notion, especially since no significant differences had been established between junior managers (less than 5 years with the bank) and those with more than 10 years of experience. It appears that the attitudes of managers turn towards transactional leadership at mid-career level, to return to more moderate styles.

## 5. CONCLUSION

The data collected through survey instruments showed that employees working in the banking (private and government) sector perceive supervisors as more inclined towards exercising transactional leadership style as compared to transformational leadership style. They shared an exchange relationship with their employees. Rewards and punishments were the tools that were being utilized to positively and negatively influence the person.

The correlation results from five Algerian banks showed that there was not a significant statistical relationship between transactional leadership style and organizational performance. Another high correlation value between transactional leadership style and performance showed that when employees had a sense of emotional attachment with their organization, it was due to the achievements that they acquired during course of time. On the contrary, the literature review showed transactional leadership style is found to be generally, positively and significantly related to performance, which pertains to the provision of, either, positive rewards, in case of meeting established goals or negative rewards when the performer fails to achieve the desired objectives. This builds a strong relationship with job success.

Differences in leadership between multiple groups of respondents (i.e. stratified by age groups and length of employment with the organization) were analyzed and the results suggested that underlying source of

inclination towards a particular leadership style is the length of employment with the organization. Post-hoc testing revealed that the group of Algerian managers who had been less than 5 years with the bank were much more democratic than those who had been with the bank for 6-10 years.

Regression results indicate that transactional leadership, alone, affects Algerian banks employees' motivation more significantly, than the model tampered by the introduction of democratic leadership traits. This was confirmed by regression coefficients; however, the significance of these relationships did not come close to a statistically significant level.

ANOVA regression results indicate that in this model, transactional leadership alone affects employee motivation more significantly in the model tampered by democratic leadership. This is confirmed by regression coefficients where significance of transactional leadership is stronger than significance of democratic leadership ( $B=-0.147$ ;  $t=-1.693$ ,  $p=0.093>0.05$ ). However, the significance of these relationships (as one would expect based on regression R and  $r^2$  values) do not come close to statistically significant levels).

It would be advisable to recommend that further research in highly specific Algerian banking sector be conducted on some other types of leaderships (such as autocratic or transformational).

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