The Effect of Leadership Style on the Perceived Job Stress

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ABSTRACT

The purpose of this paper is to examine the effect of leadership style on the job stress. A cross-sectional research on 44 software companies in Bangalore is conducted through a questionnaire. The population of the study consists of the IT employees those who are working in the organization from the last 5 years. Responses are analysed using regression analyses. Leadership was assessed with instrument developed by Donmez & Toker. Perceived job stress of the participants was assessed by questionnaire developed by Jamal and Baba. The result indicates the positive relation between transformational leadership and transactional leadership style with job stress. Managers should stop endorsing or valorizing behaviour which grind down psychological well-being of employees. Provide proper training to managers, which include mental health component so that managers not only recognize the stressed employee, but also reduce the chances of job stress.

Keywords: Perceived job stress, transformational leadership, transactional leadership and IT employees.

1. Introduction

Stress becomes one of the buzzword of to days society. A growing stream of research claimed work stress is the most considerable issue for an organization. It is detrimental for health and contentment of employees, likewise negatively impact employee productivity and engagement. According to the Bhattacharyya & Basu article (2018) the survey conducted by Optum and 1to1help.net claims, nearly half the employees in India suffer from some kind of stress. Furthermore, the survey result shows that work, money and family are the most common sources of stress. A study led by the business body ASSOCHAM (Associated Chambers of Commerce and Industry of India) of the year 2018 reported that “56% of corporate employees sleep less than 6 hours in a day due to high stressed levels that arise out of tough targets set for themselves by employers and cause diseases like hypertension, sugar etc”. As claimed by Psychologists workplace stress is a silent killer which can be toxic to your body as smoking or alcoholism. The negative effect of workplace or job stress is not limited to the depress earnings of an organizations, but there is a huge increase in health cost, which organizations has to bear due to stressed employee. The core manager employee relationship makes a huge impact on job stress. Teper (2000) assets mangers through their behaviour towards the employees can either induce or prevent stress. Copious literature is available on the role of leadership in job stress in developed nations, which strives author to replicate the study in Indian context, as culture plays an important role in leadership behaviours (Jing & Avery, 2008). This study focus on the impact of leadership style on employees perceived job stress. The purpose of choosing IT sector for research, study, as it offers good salary packages, foreign trips, yearly salary hike, still the employees suffered from high level stress. William Cross, chief information officer at Seminole Electric Cooperative Inc. has stated that the amount of stress experienced by IT workers is similar to what emergency first-response personnel face (Thibodeau, 2006).

Research Objective: To investigate the effect of leadership styles (Transformational & transactional leadership style) on job stress among IT employees.
2. Literature Review

The Literature Review for the study contains three phases. In the first phase, review of job stress followed by transformational and transactional leadership style in the second phase. In the last phase, the author explained the relation between leadership style and job stress.

2.1 Job Stress

In 1936, Selye introduced the notion of stress-related illness in terms of the general adaptation syndrome (GAS) (Cooper, Dewe, & O’Driscoll, 2001). Stress is defined as the physical, mental and emotional wear and tear due to tough demands of jobs (Akinboye, Akinboye, & Adeyemo, 2002). Many theories and several different disciplines such as psychology, social psychology, management, nursing and medicine have contributed to the research on stress (Cooper, 1998; Daenzer, 2009; Lyon, 2012). One of the most common sources of stress stem from our jobs (Macdonald, 2007). Employees spend most of their daily time at the workplace; making the workplace a potential source of stress (Erkutlu & Chafra, 2006). Topper (2007) defined job stress as the perception of a discrepancy between environmental demands and employee capacities to accomplish these demands. Sources of stress within the workplace may stem from several different reasons such as the accelerated work pace because of advancement in technology or job insecurity due to constant restructuring of the workforce (Farrell and Geist-Martin, 2005). Literature reveals the factors such as work environment, work overload, non-achievement work target, inadequate salary, risky job, technological problems at work, job security and poor co-worker relations (Obikoya, 2008; Babak, Hussain, & Niaz, 2010; Khattak, Khan, Haq, Arif, & Minhas, 2011; Muhammad, Khalid, Nadeem, & Muhammad, 2011; Shukla & Garg, 2013). Stress is considered as one of the contributing factors that influenced the efficiency, absenteeism, increase in health care costs and other unfavourable results that associated with specific situations, characteristics of the work environment, and individual perceptions and reactions in the context of the workplace (Stacciarini and Troccoli, 2003). By some estimates, work-related stress costs the national economy a staggering amount in sick pay, lost productivity, health care, and litigation costs (Palmer et al., 2004). Schultz and Edington (2007) reported that job stress is the second highest cost for employers after payroll (Schultz & Edington, 2007). Hence, job stress does not only result in employees taking time off, questing for compensation, and taking early retirement on medical grounds (Kinman & Jones, 2001), but also leading to decreased employee organisational commitment (Schaufeli & Bakker, 2004), job dissatisfaction (Jayashree, 2010), low employee performance (Elovainio, Kivimaki, & Vahtera, 2002) which accordingly affect productivity (Vokic & Bogdanic, 2007), and even death (ILO, 2005). However, there is dearth of knowledge about the consequences of leader behaviours on followers work stress, although recent studies have revealed the relevance of leadership for employee health (Donaldson-Feilder, Munir, & Lewis, 2013; Skakon, Nielsen, Borg, & Guzman, 2010).

2.2 Transformational and Transactional Leadership

Downton (1973) first proposed transformational leadership, transactional leadership and laissez faire leadership, leadership theory was quickly developed and widely applied (Burns, 1978; Pillai et al., 1999; Judge and Piccolo, 2004). Bass transformational and transactional leadership is the most widely recognized theory (Bass, 1996). According to Yao (2014) transactional leadership is based on “individual” self-interest philosophy. Managers and employees are considered to be individuals who are rational in pursuit of individual interests. Transactional leaders are those who lead through social exchange” (Bass & Riggio,
2006, ). It is just a pure trading relationship between them (Bass, 1996; Sergiovanni, 1990). Transactional leadership, which is result-oriented, is only concerned about the short-term goals of the organization. Transactional leaders regard employees as “economic men” who have low quality and demand, work hard to obtain remuneration and care about the clarification of tasks and roles (Burns, 1978; Zhao, 2003). Transactional leadership emphasizes traditional instrumental exchange, which means providing employee salary and position according to their contribution and performance. Transactional leadership is divided into contingent reward, active management-by-exception and passive management-by-exception (Bass, 1985; Bass and Avolio, 1995). Transformational leaders regard employees as “social men” who have loyalty, independence, self-confidence and potential desire to change and realize themselves (Yahoo et al, 2014). Transformational leadership, which is process-oriented, improves employees’ development, commitment through constructing vision, trust, expectation and suggestion (Bass, 1996). Transformational leadership is characterized by four elements: inspirational motivation (the ability to naturally motivate and appeal to others' emotions), idealized influence (the ability to elicit respect from others), individualized support (the ability to support subordinates' unique developmental needs), and intellectual stimulation (the ability to stimulate subordinates' desire to learn and develop) (Bass, 1998).

2.3 Empirical Review on Transformational and Transactional Leadership and Job Stress

Research abounds on the relationship between transformational and transactional leadership behaviours and employee job stress. Gill et al. (2010) found that the customer contact service employees (CCSEs) satisfy regularly different needs and expectations of multiple parties, thus causing job stress, can be reduced if managers use transformational leadership style. Hence, the researchers found a negative relationship between transformational leadership and job stress of CCSEs in the Indian hospitality industry. Sosik and Godshalk (2000) studied the relationships between the leadership behaviours exhibited by mentors, and their protégés' experiences of job related stress. They found that mentor's transformational behaviours was connected with lower levels of protégé stress. But, no significant relationship was found between transactional or laissez faire mentor behaviours and protégés' job stress. Rowold and Schlotz (2009) investigated the relationship between transformational and transactional leadership and followers' chronic stress. The findings indicated that individualized consideration was negatively related to chronic stress because of the protective effects of individualized consideration on dissatisfaction with work and social recognition. However, the study revealed no significant relationship of transactional leadership behaviours with chronic stress. A health-promoting effect of transformational leadership has not only been found in cross-sectional studies (Arnold et al., 2007) but also longitudinally (Nielsen et al., 2008). Previous studies show a relationship between transactional leadership style and high levels of stress compared with transformational leadership (Lyons & Schneider, 2009). The Skakon et al. (2010) study shows similar results.

2.4 Hypothesis Development

Based on the above analysis, hypotheses formulated for the study is

H1: There is no significant impact of transformational leadership style on perceived job stress.

H2: There is no significant impact of transactional leadership style on perceived job stress.
3. Research Methodology

The aim of this empirical study is to ascertain the relationship between the perceived leadership style of manager and perceived stress of IT employees. Moreover, it is more focused to determine what type of leadership style should be embraced to decrease the negative effects of stress on individuals and at organization level.

3.1 Research approach

This study follows a quantitative research approach. This approach is conducted by means of questionnaires to measure leadership style and perceived job stress.

3.2 Sample and Data Collection

A total of 450 employees working in different IT companies were approached to take part in the study. Only those employees were considered which had a daily direct interaction with the managers and working from last 5 years in an organization. The reason behind choosing those employees were, as they had more knowledge about the leadership style of their managers in comparison to those who joined organizations recently. A structured questionnaire was used for the survey, and data were collected by personally administering this questionnaire. From these 450 distributed questionnaires, 385 were returned. Of these 385 questionnaires 32 were not used for further study because of missing or invalid responses. The remaining 353 questionnaires were complete in all aspects and hence used for further analysis. This study was conducted in Bangalore, as it is considered as IT hub of India.

3.3 Measure

Leadership Styles were measured using the scale developed by Donmez and Toker(2017). It consists of 35 items to measure the transformational and transactional leadership style. Participants are asked to respond to 37 items, using a 5-point scale (“Strongly Disagree=1 to Strongly Agree=5”). The questionnaire requested respondents to indicate how they perceived their manager (leader) often use each of the two leadership styles – transformational and transactional in their day-to-day activities. Job stress was measured using the short version questionnaire developed by Jamal and Baba (1992) and respondent were asked to indicate the stress they feel in their work-related activities. It consists of two dimensions, i.e. time stress and anxiety. The scale is a Likert -5-point scale ranging from 'strongly disagree' (one point) to 'strongly agree' (five points). A high score indicates a high degree of job stress.

4. Results and Discussion

4.1a Validity and Reliability

To check the construct validity of the questionnaire author used factor analysis. Factor analysis was performed on 37 items of leadership and 9 items of job stress. The principal component method is used to extract factors with an initial setting for eigenvalues greater than 1.0 (Field, 2005). Orthogonal rotation (Varimax) is applied to reduce potential multi-collinearity among the items. According to Hair et.al.1995 and Tabachnick & Fidell, 1989 criterion the variables having a loading greater than the predetermined cut-off value/loading >0.3 and eigenvalue>1) were retained in factor solution. The item 2 (Knows about our competencies, work-related personal concerns) and 3
(Makes the workplace feel like a family environment are deleted) because of factor loading less than 0.3 and hence not used in further analysis.

4.1b Reliability

To establish internal consistency, Cronbach's a value for reliability was calculated. All values were above 0.70, which may be considered as reliable and hence used for the study. A cronbach's value of 0.70 is an indication of scale reliability (Nunnally (1978)). Value of cronbach's alpha is shown in Table I.

### Table I: Reliability Test (Cronbach Alpha)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach’s alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>TLS-TF</td>
<td>0.86</td>
</tr>
<tr>
<td>TLS-TS</td>
<td>0.76</td>
</tr>
<tr>
<td>Perceived Job Stress</td>
<td>0.82</td>
</tr>
</tbody>
</table>

4.2 Control Variables

The demographic variables were controlled in the model so that they cannot influence the outcome of a research. Previous research evidence that demographic variables such as age, gender and the level of education significantly influence job stress. (Aminabhavi & Triveni, 2000; Agagiotou, 2011; Bano & Jha, 2012).

4.3 Descriptive Statistics.

Descriptive statistics of the leadership, job stress and variables are shown in Table IV. The means range from 1.15 to 2.98. The result of descriptive statistics indicate (mean) that the IT employees perceived, their managers were using transformational leadership style more frequently in comparison to transactional leadership style in their day to day activities. The mean score of job stress (3.19) indicates that employees perceived high level of stress while working with their managers.

### Table II: Descriptive Statistics and Correlation Matrix

<table>
<thead>
<tr>
<th>Item</th>
<th>Mean</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>2.57</td>
<td>.64</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gender</td>
<td>1.42</td>
<td>.49</td>
<td>.36</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education Level</td>
<td>2.05</td>
<td>.51</td>
<td>.22*</td>
<td>.42</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job Tenure</td>
<td>3.07</td>
<td>.57</td>
<td>-.17*</td>
<td>.30</td>
<td>.11</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perceived Job-Stress</td>
<td>3.19</td>
<td>.48</td>
<td>-.37</td>
<td>.73</td>
<td>.29</td>
<td>.18</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TLS-TF</td>
<td>2.32</td>
<td>.74</td>
<td>-.19</td>
<td>.87</td>
<td>-.37</td>
<td>.54</td>
<td>.38*</td>
<td></td>
</tr>
<tr>
<td>TLS-TS</td>
<td>2.09</td>
<td>.86</td>
<td>-1.02</td>
<td>1.25</td>
<td>-.44</td>
<td>-0.32</td>
<td>.51**</td>
<td>.19**</td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2 tailed).  
*Correlation is significant at the 0.05 level (2 tailed)

4.4 Hierarchical Regression

In this study, hierarchical regression analyse was conducted to test the hypotheses and to define the direction of the relation between leadership style and perceived job stress. Analysis is performed considering leadership style as a predictor (independent) variables and perceived job stress as a criterion (dependent)
variable. A two-step approach was used, where the controlled variables were entered in step 1 and the independent variables were entered in step 2. Table III shows the regression analysis of transactional and transformational leadership and perceived job stress.

The R² of 0.016 in step 1 signifies 1% of the variance in perceived job stress explained by control variable (age, gender, education level, and job tenure). Moreover, the R² result of step 2 also indicates that 5% of the observed variance in perceived job stress is explained by combination of control and leadership styles (age, gender, educational level, job tenure, transactional and transformational leadership styles). But, the ΔR² result of 0.248 in step 2 indicates that 24.8% of the variance in perceived job stress is explained by transactional and transformational leadership when the effect of controlled variables were controlled.

The control variable age (β = 0.198, p < 0.05) and job tenure (β = -0.147, p < 0.01) have a significant effect on job stress. It can be concluded; on the basis of result that older employees are more stressed in comparison to younger employees. Furthermore, the employees working more than 10 years in an organization are less stressed than those who are comparatively new on job. Based on the results of the regression analysis, transformational leadership style (β = 0.222, p < 0.01) shows significant and positive influence on perceived job stress. The findings are contradictory to the previous findings, which claims the negative impact of transformational leadership on perceived job stress (Sosik & Godshalk, 2000; and Gill, Flaschner, & Bhutani, 2010). Hence the author rejected the hypothesis 1 which states transformational leadership does not have any significant impact on perceived job stress. Also, Hypothesis 2, which states that transactional leadership style does not have any significant impact on perceived job stress, was not supported because the statistical result shows a positive relationship between the constructs (β = 0.401, p < 0.01), which is consistent with previous literature (Erkutlu & Chafra, 2006).

### Table III: Results of Hierarchical Regression Analysis between Leadership Style & Perceived Job Stress

<table>
<thead>
<tr>
<th>Item</th>
<th>Step 1</th>
<th>Step 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>.008</td>
<td>.020</td>
</tr>
<tr>
<td>Gender</td>
<td>.195</td>
<td>.198*</td>
</tr>
<tr>
<td>Education level</td>
<td>-.094</td>
<td>.069</td>
</tr>
<tr>
<td>Job Tenure</td>
<td>.118**</td>
<td>.147**</td>
</tr>
<tr>
<td>TLS-TF</td>
<td>.</td>
<td>.222*</td>
</tr>
<tr>
<td>TLS-TS</td>
<td>.</td>
<td>.401**</td>
</tr>
<tr>
<td>R2</td>
<td>.011</td>
<td>0.057</td>
</tr>
<tr>
<td>Adjusted R2</td>
<td>.005</td>
<td>.032</td>
</tr>
<tr>
<td>F</td>
<td>3.889**</td>
<td>13.719**</td>
</tr>
<tr>
<td>R2 change</td>
<td>.011</td>
<td>.248**</td>
</tr>
</tbody>
</table>

** p < .01; * p < .05.

5. Conclusion

It is arguably evident that in a contemporary business environment the intellectual capital and leadership are the critical resources of an organization which generates sustained competitive advantage for businesses. The effective leaders will eventually inspire and excite their employees to take a new challenge and achieve outstanding business results (Singh, 2016). Though IT industry manifest itself, gleaming and promising, but have a darker side. Here human resource are at continuous pressure to meet the expectation of their managers and their personal needs. The reason why stress gets often misconstrued by leaders, because it is either
assumed as bad mood or mood swings and hence both the leadership style creates a stress in employees with different proportion. Transformational leadership raise the higher needs of employees (self esteem or recognition) thereby employees working for extended hours, perceived as a symbol of giving respect to their managers, which get reciprocate by praise or success in career. Employees don’t have any fix log out time, sometimes they sacrifice their personal life to meet the expectations of their managers. As IT sectors are client centric, the promises of early deliverables by managers, compels employees to burn midnight oil, which affect their physical and mental health. The boundaries between work and personal life get dismissed when employees have to attend late night meetings with clients and manager on a weekly or daily basis. As IT sectors change rapidly, so leaders have high demands from employees, which impel them to frequently learn and update their skills, which cause an additional source of stress.

Although IT industry is a big attraction as it offers good salary packages, air-conditioned five-star office spaces, good food, transportation and so forth. However, transactional leaders fail to provide good job security, good work environment, or meaningful work for employees. The situations become worse when these leader link perquisites solely with the performance (visible outcomes) of the employees and, if fail use layoffs techniques. Transactional leaders more focus on an outcome rather than the personal needs of followers.

6. **Recommendations**

In last the study recommends some of the methods which managers should use to reduce job stress level of employees:

- Managers should avoid endorsing or valorizing behaviours that grind down psychological wellbeing of employees, by making jobs more important than anything else.
- Managers should provide healthy PTO policy (personal time off) which employees can use for relaxing and refreshing after a hard work.
- Managers should take any new project and promise deadlines for the completion of the project on the basis of staffing. If staffing is inadequate, they should not consider on taking the new project or promising an early deliverable which makes employees more stressed.
- Managers should not tie perquisites only on the basis of visible outcomes, as IT sectors require employees to frequently update their skills.
- Managers should take proper training, which include a mental health component so managers not only recognize the stressed employee, but also reduce the chances of job stress.

7. **Limitations**

The study is subject to some limitations, which can be address in future research. First, the study is industry specific (IT), future researcher can replicate the study in other sectors also with large sample size. Future research can provide great insight if impact of other leadership styles, i.e authentic, ethical and servant leadership explore on job stress.

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