

# The Role of Pay and Leadership in Developing Organizational Commitment<sup>†</sup>

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*Organizations implement various strategies to secure their employees' commitment. Broadly, these can be classified into transactional strategies involving monetary inducements and transformational strategies involving exemplary leadership. In this paper, we study the relative impact of pay satisfaction and transformational leadership on organizational commitment. We collected data from 240 respondents in two Indian organizations. Analysis of our findings showed that transformational leadership and pay satisfaction had an almost equal impact on affective as well as normative commitment. Continuance commitment was affected by neither pay satisfaction nor transformational leadership, but by the years of experience of the employee.*

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## INTRODUCTION

There is a war for talent in today's world of globalization and expansion. Firms today are facing labor shortages due to demographic changes in the workforce. Therefore, retaining employees is becoming a key focus area as employee turnover can badly affect an organization due to high cost associated with the turnover (Hay, 2002). In order to retain employees, organizations are pursuing two kinds of strategies. First, organizations are focusing on transactional strategies and attempting to induce employees by material rewards. Spiraling salaries are evidence of the fact that companies are trying to outdo each other in enticing employees through generous paychecks. Second, organizations are focusing on transformational strategies, such as developing a positive culture through exemplary leadership. Companies following this strategy

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often invest large sums of money in leadership development, training, and cultural transformation.

While organizations may pursue one or the other, or a mix of both strategies, there are no clear measurable guidelines as to which strategy is more suitable to enhance organizational commitment and retention. In this paper, we attempt to study the relative impact of pay satisfaction and transformational leadership on the employees' organizational commitment.

### **ENHANCING ORGANIZATIONAL COMMITMENT – A RETENTION STRATEGY**

Organizational commitment is a three-dimensional construct. The affective component of organizational commitment refers to the emotional attachment to, identification with, and involvement of the employee in the organization. The continuance component refers to commitment based on the costs that the employee associates with leaving the organization. The normative component refers to the employee's feelings of obligation to remain with the organization (Allen and Meyer, 1990). Once the employees gain organizational commitment, they are motivated to remain with the organization, as commitment is a strong force in enhancing motivation and job satisfaction (Pool and Pool, 2007). Organizational commitment leads to reduction in intention to quit and hence reduces turnover (Labatmediene *et al.*, 2007).

Organization climate, which comprises of aspects such as motivation practices and decision-making practices, and communication climate, which includes information flow like superior-subordinate communication, are positively linked to the organizational commitment (Guzley, 1992). It is observed that employees with favorable perceptions about internal mobility, employment security, and opportunity for training and development are more psychologically committed to organizations (Gaertner and Nollen, 1989).

Each of the three dimensions of organizational commitment is likely to enhance retention in an organization. Affective commitment makes the employee 'want' to stay on in the organization because of affective bonds. Continuance commitment compels the employee to stay on in the organization due to various material or economic constraints. Finally, normative commitment also binds the individual to the organization through a moral binding.

Transformational leadership leads to identification of followers with organization. In addition, transformational leadership leads to better affective commitment, i.e., the emotional identification and engagement with organizational unit of the follower. It can be seen that the results of long relationship duration can also be obtained by having deep and intense relationship between the leader and the follower. Transformational leader develops deep relationship with followers by addressing their moral development and influences their value systems rather than just fulfilling

transactional needs. In addition, it is seen that impersonal communication channels, such as communication through e-mails lacks depth in interaction and may hinder rather than foster the identification with organization and trust in organization (Krishnan, 2005). Employees feel more emotionally attached and committed to the organization if steps are taken to develop in them a line of sight so that they perceive that their work affects the organization. Increasing the intensity of organizational belief system can help in nurturing normative commitment. Organizational belief system implies that the employees' believe that their success in the organization depends on the degree to which they adhere to the norms of the organization. Therefore, they attempt to assimilate the critical norms and values of the organization and are more committed to it (Chandra and Krishnan, 2003).

### PAY SATISFACTION AND ORGANIZATIONAL COMMITMENT

There is evidence that pay satisfaction and its components play a role in the development of positive attitudes regarding the organization. Pay satisfaction, understanding of pay plan, and belief in pay plan effectiveness have correlated positively with affective-based organizational commitment (Dulebohn and Martocchio, 1998). Pay satisfaction is related to overall job satisfaction, motivation, and performance. Pay satisfaction levels are also associated with absenteeism and turnover rates. Organizations attend to four forms of equity in designing their pay systems: external equity, internal equity, individual equity, and procedural equity. Each of these has an important role to play as a predictor of pay satisfaction (Tremblay *et al.*, 2000; and Terpstra and Honoree, 2003). Meta-analytic results have shown that pay satisfaction is related to turnover intentions, absenteeism, and voluntary turnover (Williams *et al.*, 2006).

Individuals who are satisfied with their pay are likely to have positive feelings about their organization, thereby leading to affective commitment. In addition, individuals who are satisfied with their pay are likely to be paid well and therefore this effectively provides a barrier to their exit through efficiency wages (Muhlau and Lindenberg, 2003) thereby enhancing continuance commitment. Finally, through the norm of gift exchange and reciprocity, high wages which satisfy employees are likely to lead to feeling of debt or obligation thereby enhancing normative commitment (Akerlof, 1982).

$H_{1a}$ : *Pay satisfaction leads to affective commitment.*

$H_{1b}$ : *Pay satisfaction leads to continuance commitment.*

$H_{1c}$ : *Pay satisfaction leads to normative commitment.*

### LEADERSHIP AND ORGANIZATIONAL COMMITMENT

Before the era of globalization began, the world was not exposed to the amount of change it faces today. There was predominantly a command and control culture in firms with leaders making strategies and managers implementing it. The role of the

leader has changed from being a commander to being a coach now (Tapper, 2007). According to transformational leadership model, transformational leaders influence their followers to transcend their self-interests for the good of the organization. Characteristics of transformational leaders include idealized influence, which means providing vision, mission to followers and gaining respect by fostering trust and a sense of pride in followers. The second characteristic is inspirational motivation, which means using symbols and metaphors to communicate high expectations to keep focus on purpose. The third characteristic is that of intellectual stimulation by promoting intelligence, encouraging rationality and out-of-box thinking. The fourth characteristic of transformational leaders is to give individualized consideration by coaching and advising followers individually (Bass, 1985).

Transformational leadership is negatively related to employee negativity or cynicism and intentions to quit and is positively related to empowerment of employees (Avey *et al.*, 2008). The supervisor giving positive reinforcement to employees when they do well is of great importance. Providing feedback, establishing reward contingencies, and identification training and development needs by the supervisor helps in task attainment (Mobley, 1982). Transformational behavior of leaders reduces the job stress and burnout in the followers, and hence reduces their turnover (Gill *et al.*, 2006). Higher the transformational leadership ability of a person, higher is the employees' willingness to perform a task, higher is the job satisfaction, higher is the commitment, and lower is the job stress and intention to leave (Chen and Silverthorne, 2005).

One of the crucial elements of transformational leadership is charisma, which leads follower to identify strongly with the leader. The follower's identification with the leader forms the basis for affective commitment. In addition, as the leader-follower relationship matures, the emotional investments of the follower become too strong for the follower to break off the relationship and hence this leads to continuance commitment. Finally, the leader's task is to provide moral purpose to the mundane tasks of the follower. Because of this followers identify with the leader's vision, and set self-concordant goals (Bono and Judge, 2003). Hence, followers feel that they ought to remain with the organization and this forms the basis for normative commitment.

*H<sub>2a</sub>: Transformational leadership leads to affective commitment.*

*H<sub>2b</sub>: Transformational leadership leads to continuance commitment.*

*H<sub>2c</sub>: Transformational leadership leads to normative commitment.*

## TRANSFORMATIONAL LEADERSHIP AND EMPLOYEE EMPOWERMENT

One of the mechanisms by which transformational leaders generate organizational commitment is through empowering their followers. Empowerment implies handing over more power and authority to employees to take decisions related to their jobs (Jarrar and Zairi, 2002). It requires the creation of a culture, which encourages people at all levels to feel they can make a difference and helps them to acquire the confidence

and skills to do so (Clutterbuck, 1994). Transformational leadership leads to empowerment of subordinates and followers unleash creativity more effectively while working with transformational leaders (Özaralli, 2003). Empowerment also leads to interpersonal trust, which helps in reducing effects of organizational complexity, helps in strengthening relations between employees and managers, reduces need for supervision and control, and increases productivity (Henkin and Moye, 2006).

*H<sub>3</sub>: Transformational leadership leads to employee empowerment.*

#### EMPLOYEE EMPOWERMENT AND ORGANIZATIONAL COMMITMENT

Employee empowerment makes organizations more responsive to change. Now organizations require more coordination among departments and cross-functional working and empowerment helps cooperation. Empowerment may reveal sources of managerial talent, which were previously unrecognized, creating circumstances in which that talent can flourish (Clutterbuck, 1994). If an employee feels more autonomous at the workplace and hence he is empowered to take decisions, he will be more emotionally attached to the organization and would have a high commitment towards the organization.

*H<sub>4</sub>: Employee empowerment leads to organizational commitment.*

The transformational leadership style of the supervisor empowers the subordinate and because of this sense of being empowered, the subordinate is more engaged to his work and is committed towards the organization.

*H<sub>5</sub>: Empowerment mediates the relationship between transformational leadership and organizational commitment.*

#### METHODS

The survey method of data collection has been used for the research study using questionnaires on transformational leadership (Krishnan, 2008), empowerment (Spreitzer, 1995), organizational commitment (Chandra and Krishnan, 2003) and pay satisfaction (Carragher and Buckley, 1996). Transformational leadership scale had been chosen due to its relevance in the Indian context and had 30 items measuring characteristics of transformational leadership, viz., idealized influence-attributed, idealized influence-behavior, individualized consideration, intellectual stimulation, and inspirational motivation. Empowerment scale measured three characteristics, viz., self-efficacy of an individual, meaning (value of work in relation to an individual's ideals) and impact (degree to which an individual can influence outcomes at work) using 12 items. Pay satisfaction scale measured four characteristics, viz., pay level, raises in pay, benefits and administration using 15 items. Organizational commitment scale measured normative, affective and continuance commitment of an individual using 15 items. Two public sector organizations were chosen for data collection. One of the organizations is the second largest producer of nitrogenous fertilizers in the country and has 5,000 employees. The other organization operates its own generation

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power plants and also constructs and maintains its own transmission and distribution system for providing efficient services to the various categories of electricity consumers serving more than 623.1 million consumers. 120 respondents from each organization were chosen for data collection thereby making a total sample of 240 respondents across various levels in the organization. All the respondents were males. The minimum, median and maximum age of the sample chosen was 26, 46 and 59 years, respectively. The minimum, median and maximum experience in the organization of the chosen respondents was 1.3, 21.8 and 38 years, respectively. The sample was chosen across the following levels, viz., clerks, junior management, middle management and senior management.

## RESULTS

The Cronbach alpha is shown in the bracket for the items measuring idealized influence-attributed (0.82), idealized influence-behavior (0.82), individualized consideration (0.80), intellectual stimulation (0.77), inspirational motivation (0.79), empowerment (0.83), affective commitment (0.69), normative commitment (0.54), continuance commitment (0.63), pay benefits (0.88), pay raises (0.72), pay administration (0.78), and pay level (0.90). These represent considerably high reliability.

### PAY SATISFACTION AND ORGANIZATIONAL COMMITMENT

The mean, standard deviation, and correlation amongst all the variables studied are shown in Table 1.

The results of the regressions of the dimensions of organizational commitment on pay satisfaction are shown in Table 2.

Pay satisfaction is significantly related to two of the dimensions of organizational commitment, viz., affective commitment and normative commitment. Pay satisfaction did not show any significant relationship with continuance commitment. However, total work experience was found to be significantly related to continuance commitment. Hence,  $H_{1a}$  and  $H_{1c}$  are supported.

### TRANSFORMATIONAL LEADERSHIP AND ORGANIZATIONAL COMMITMENT

The results of the regressions of the dimensions of organizational commitment on transformational leadership are shown in Table 3. Similar to pay satisfaction, transformational leadership is related to affective commitment and normative commitment, but not to continuance commitment. Hence,  $H_{2a}$  and  $H_{2c}$  are supported.

### TRANSFORMATIONAL LEADERSHIP, EMPLOYEE EMPOWERMENT, AND ORGANIZATIONAL COMMITMENT

The results of the regression of employee empowerment on transformational leadership are shown in Table 4. Transformational leadership is significantly related to employee empowerment. Hence,  $H_3$  is supported.

**Table 1: Mean, Standard Deviation, and Intercorrelation Amongst Pay Satisfaction, Transformational Leadership, Empowerment and Commitment**

S. No.	Variables	M	SD	1	2	3	4	5	6	7	8	9	10	11
1.	Transformational Leadership	3.63	0.64	(0.95)										
2.	Empowerment	3.79	0.59	0.34**	(0.83)									
3.	Affective Commitment	3.76	0.67	0.39**	0.49**	(0.69)								
4.	Normative Commitment	3.60	0.59	0.32**	0.35**	0.54**	(0.54)							
5.	Continuance Commitment	3.26	0.60	0.05	0.06	0.05	0.15*	(0.63)						
6.	Pay Satisfaction	3.53	0.66	0.25**	0.44**	0.42**	0.34**	0.08	(0.94)					
7.	Age	43.56	10.79	0.01	0.12	0.26**	0.27	0.10	0.32**					
8.	Qualification	1.33	0.67	-0.01	0.10	0.11	0.01	0.04	0.17**	0.25**				
9.	Gender	1.03	0.17	0.05	-0.01	0.01	0.01	0.04	0.08	-0.01	0.11			
10.	Total Experience	20.63	11.08	-0.01	0.14*	0.28**	0.25**	0.17**	0.33**	0.91**	0.25**	-0.02		
11.	Experience in Organization	18.24	11.41	-0.01	0.19**	0.24**	0.21**	0.13*	0.24**	0.85**	0.21**	-0.05	0.83**	
12.	Experience with Current Supervisor	4.98	6.52	-0.07	0.18**	0.08	0.09	0.20**	0.04	0.27**	-0.06	-0.09	0.26**	0.38**

**Note:** N equals 240; Gender: Male = 1 and Female = 2; \* $p < 0.05$ ; and \*\* $p < 0.01$ .  
 Figures in brackets along the diagonal are Cronbach alphas.

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**Table 2: Summary of Regressions to Study the Impact of Pay Satisfaction on the Dimensions of Organizational Commitment**

Dependent Variable	Independent Variable	B	SE B	$\beta$
Affective Commitment (Adj. $R^2 = 0.17$ . $F = 9.50^{**}$ )	Pay Satisfaction	0.34	0.07	0.34**
	Gender (Male = 1, Female = 2)	-0.08	0.23	-0.02
	Age	0.00	0.01	0.01
	Qualifications	0.02	0.06	0.02
	Experience	0.00	0.01	0.15
Continuance Commitment (Adj. $R^2 = 0.23$ . $F = 2.29^*$ )	Pay Satisfaction	0.01	0.07	0.01
	Gender (Male = 1, Female = 2)	0.15	0.23	0.04
	Age	-0.01	0.01	-0.27
	Qualifications	0.03	0.06	0.03
	Experience	0.02	0.01	0.44*
Normative Commitment (Adj. $R^2 = 0.11$ . $F = 6.33^{**}$ )	Pay Satisfaction	0.25	0.06	0.29**
	Gender (Male = 1, Female = 2)	-0.00	0.21	0.00
	Age	0.00	0.00	0.05
	Qualifications	-0.09	0.06	-0.11
	Experience	0.00	0.00	0.11

Note: SE B means 'Standard Error of B' or Standard Error of Regression Co-efficient; N = 240; \*  $p < 0.05$ ; and \*\*  $p < 0.01$ .

**Table 3: Summary of Regressions to Study the Impact of Transformational Leadership on the Dimensions of Organizational Commitment**

Dependent Variable	Independent Variable	B	SE B	$\beta$
Affective Commitment (Adj. $R^2 = 0.21$ . $F = 11.91^{**}$ )	Transformational Leadership	0.36	0.06	0.37**
	Gender (Male = 1, Female = 2)	-0.06	0.22	-0.07
	Age	0.00	0.01	0.03
	Qualifications	0.06	0.06	0.06
	Experience	0.01	0.00	0.23
Continuance Commitment (Adj. $R^2 = 0.03$ . $F = 2.37^*$ )	Transformational Leadership	0.04	0.06	0.04
	Gender (Male = 1, Female = 2)	0.15	0.23	0.04
	Age	-0.01	0.01	-0.27
	Qualifications	0.03	0.06	0.03
	Experience	0.02	0.01	0.44*

Table 3 (Cont.)

Dependent Variable	Independent Variable	B	SE B	$\beta$
Normative Commitment (Adj. $R^2 = 0.14$ . $F = 7.63^{**}$ )	Transformational Leadership	0.27	0.05	0.30**
	Gender (Male = 1, Female = 2)	0.02	0.20	0.00
	Age	0.00	0.00	0.07
	Qualifications	-0.06	0.06	-0.07
	Experience	0.00	0.00	0.18
<b>Note:</b> SE B means 'Standard Error of B' or Standard Error of Regression Co-efficient; N = 240; * $p < 0.05$ ; and ** $p < 0.01$ .				

**Table 4: Summary of Regressions to Study the Impact of Transformational Leadership on Empowerment**

Dependent Variable	Independent Variable	B	SE B	$\beta$
Empowerment (Adj. $R^2 = 0.13$ . $F = 7.31^{**}$ )	Transformational Leadership	0.30	0.05	0.35**
	Gender (Male = 1, Female = 2)	-0.12	0.20	-0.04
	Age	-0.00	0.00	-0.16
	Qualifications	0.07	0.05	0.09
	Experience	0.01	0.00	0.27
<b>Note:</b> SE B means 'Standard Error of B' or Standard Error of Regression Co-efficient; N = 240; ** $p < 0.01$ .				

Table 5 shows the effect of empowerment on the three dimensions of organizational commitment. Empowerment is related to affective commitment and normative commitment but not to continuance commitment. Hence,  $H_4$  is partly supported.

**Table 5: Summary of Regressions to Study the Impact of Empowerment on the Dimensions of Organizational Commitment**

Dependent Variable	Independent Variable	B	SE B	$\beta$
Affective Commitment (Adj. $R^2 = 0.26$ . $F = 15.36^{**}$ )	Empowerment	0.51	0.07	0.44**
	Gender (Male = 1, Female = 2)	0.04	0.21	0.01
	Age	0.00	0.00	0.12
	Qualifications	0.02	0.06	0.02
	Experience	0.00	0.00	0.10
Continuance Commitment (Adj. $R^2 = 0.03$ . $F = 2.31^*$ )	Empowerment	0.04	0.07	0.03
	Gender (Male = 1, Female = 2)	0.16	0.23	0.04
	Age	0.01	0.01	-0.26
	Qualifications	0.03	0.06	0.03
	Experience	0.02	0.01	0.43*

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Table 5 (Cont.)

Dependent Variable	Independent Variable	B	SE B	$\beta$
Normative Commitment (Adj. $R^2 = 0.13$ . $F = 7.02^{**}$ )	Empowerment	0.30	0.07	0.29**
	Gender (Male = 1, Female = 2)	0.09	0.21	0.03
	Age	0.00	0.00	0.14
	Qualifications	-0.10	0.06	-0.11
	Experience	0.00	0.00	0.10
<b>Note:</b> SE B means 'Standard Error of B' or Standard Error of Regression Co-efficient; N = 240; * $p < 0.05$ ; and ** $p < 0.01$ .				

In order to test  $H_5$ , i.e., the mediation of the relationship between transformational leadership and commitment by empowerment, we used the three-step procedure suggested by Baron and Kenny (1986). The procedure was applied twice—once for each of the two dimensions of commitment, viz., affective commitment and normative commitment.

The relationship between transformational leadership and affective commitment when empowerment is controlled for is slightly weaker ( $\beta = 0.24, p < 0.01$ ) as compared to the relationship between transformational leadership and affective commitment when empowerment is not controlled for ( $\beta = 0.37, p < 0.01$ ). Similarly, the relationship between transformational leadership and normative commitment when empowerment is controlled for is slightly weaker ( $\beta = 0.24, p < 0.01$ ) as compared to the relationship between transformational leadership and normative commitment when empowerment is not controlled for ( $\beta = 0.30, p < 0.01$ ). Inclusion of empowerment in the regression does not significantly change the nature of the transformational leadership—organizational commitment relationship. Hence, there is no strong support for  $H_5$  that empowerment mediates the relationship between transformational leadership and organizational commitment.

#### IMPACT OF TRANSFORMATIONAL LEADERSHIP AND PAY SATISFACTION ON ORGANIZATIONAL COMMITMENT

To study the combined impact of transformational leadership and pay satisfaction on organizational commitment, step-wise regression was done twice—first on affective commitment and next on normative commitment. Since neither pay satisfaction nor transformational leadership was related to continuance commitment, their combined impact on continuance commitment was also not checked.

The results of the step-wise regression of affective and normative commitment on transformational leadership and pay satisfaction are shown in Tables 7 and 8 respectively. As seen in Table 7, both pay satisfaction and transformational leadership are related to affective commitment ( $\beta = 0.20, p < 0.01$  and  $\beta = 0.26, p < 0.01$ , respectively).

Similarly, as seen in Table 8, both pay satisfaction and transformational leadership are related to normative commitment ( $\beta = 0.20, p < 0.01$  and  $\beta = 0.25, p < 0.01$ ,

**Table 6: Summary of Regressions to Study the Impact of Transformational Leadership and Empowerment on the Dimensions of Organizational Commitment**

Dependent Variable	Independent Variable	B	SE B	$\beta$
Affective Commitment (Adj. $R^2 = 0.31$ . $F = 16.33^{**}$ )	Transformational Leadership	0.24	0.06	0.24**
	Empowerment	0.41	0.07	0.35**
	Gender (Male = 1, Female = 2)	-0.01	0.21	-0.00
	Age	0.00	0.00	0.09
	Qualifications	0.03	0.06	0.03
	Experience	0.00	0.00	0.14
Normative Commitment (Adj. $R^2 = 0.18$ . $F = 8.30^{**}$ )	Transformational Leadership	0.21	0.06	0.24**
	Empowerment	0.21	0.07	0.20**
	Gender (Male = 1, Female = 2)	0.04	0.20	0.01
	Age	0.00	0.00	0.10
	Qualifications	-0.08	0.06	-0.10
	Experience	0.00	0.00	0.13

Note: N = 240; and \*\*  $p < 0.01$ .

**Table 7: Summary of Step-Wise Regressions to Study the Impact of Transformational Leadership and Pay Satisfaction on Affective Commitment**

Dependent Variable	Independent Variable	B	SE B	$\beta$
Step 1 (Adj. $R^2 = 0.16$ . $F = 40.32^{**}$ )	Pay Satisfaction	0.41	0.06	0.41**
Step 2 (Adj. $R^2 = 0.24$ . $F = 33.05^{**}$ )	Pay Satisfaction	0.33	0.06	0.33**
	Transformational Leadership	0.29	0.06	0.29**
Step 3 (Adj. $R^2 = 0.27$ . $F = 25.94^{**}$ )	Pay Satisfaction	0.26	0.06	0.25**
	Transformational Leadership	0.30	0.06	0.30**
	Experience	0.01	0.00	0.19**

Note: N = 240; \*\*  $p < 0.01$ .

**Table 8: Summary of Step-Wise Regressions to Study the Impact of Transformational Leadership and Pay Satisfaction on Normative Commitment**

Dependent Variable	Independent Variable	B	SE B	$\beta$
Step 1 (Adj. $R^2 = 0.10$ . $F = 24.60^{**}$ )	Pay Satisfaction	0.29	0.06	0.33**
Step 2 (Adj. $R^2 = 0.26$ . $F = 20.10^{**}$ )	Pay Satisfaction	0.23	0.06	0.26**
	Transformational Leadership	0.22	0.05	0.25**

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Table 8 (cont.)

Dependent Variable	Independent Variable	B	SE B	$\beta$
Step 3 (Adj. $R^2 = 0.17$ . $F = 15.52^{**}$ )	Pay Satisfaction	0.18	0.06	0.20**
	Transformational Leadership	0.23	0.05	0.26**
	Experience	0.00	0.00	0.16*
Note: N = 240; * $p < 0.05$ ; and ** $p < 0.01$ .				

respectively). In both affective and normative commitment, the impact of pay satisfaction and transformational leadership are almost equal.

## DISCUSSION

In this study, we investigated the impact of pay satisfaction and transformational leadership on the three dimensions of organizational commitment. Pay satisfaction was significantly related to affective commitment and normative commitment. This means that an employee's satisfaction with pay is likely to affect the employee's desire to remain with the organization for emotional as well as for moral reasons. Transformational leadership was also related to affective and normative commitment. Followers of transformational leaders develop attachment towards their work and their organization, which manifests in the form of affective commitment. Additionally, followers of transformational leaders, find a sense of personal meaning and purpose in their work, which develops normative commitment. The third dimension of commitment, viz., continuance commitment was related neither to pay satisfaction nor to transformational leadership, but to the years of work experience of the employee in the organization. This is not surprising, because the longer an employee has spent in an organization, the higher is that employee's stake in that organization. Hence, the cost of leaving an organization increases as an employee gains work experience.

In the study, we had also suggested that transformational leadership would lead to empowerment, which in turn would lead to organizational commitment. We found that while transformational leadership led to empowerment, which in turn led to affective and normative commitment, the mediation of the transformational leadership-organizational commitment relationship was not adequately supported.

Finally, the most significant contribution of this paper is in measuring the simultaneous impact of pay satisfaction and transformational leadership on organizational commitment. We found that both pay satisfaction and transformational leadership had a significant and almost equal impact on affective as well as normative commitment.

## LIMITATIONS OF THE STUDY

One of the limitations of this research study is that the findings are based on the data collected from two public sector organizations in northern India and so the results of

the research study cannot be generalized for all the organizations. The findings may be relevant to a work environment of a public sector setting and not for privately owned organizations. Apart from the ownership, it is also the geographic location (North India) which influences the findings. Another limitation of the study is that there may be other variables affecting commitment towards the organization. The present study has focused on few key variables of pay satisfaction, transformational leadership and other demographic factors such as gender, age, total experience, etc. One constraint of the research has been that almost all the respondents in the organization are males. Further studies must seek a more mixed sample so that the results are more representative of a diverse workforce.

The most important limitation of this study is that it relies primarily on self-report data from a single source. Despite their extensive use in organizational behavior research, self-report scales have severe limitations (Podsakoff and Organ, 1986). While self-reported objective and demographic data is easily verifiable, other information like personality traits, behavior, feelings, attitudes, and perceptions are not. This is largely due to lower self-awareness (Wohlers and London, 1989). Secondly, the use of a single source for all data raises concerns of common-method variance (Avolio *et al.*, 1991; and Podsakoff *et al.*, 2003).

#### IMPLICATIONS FOR PRACTICE

This study offers supporting evidence that transformational leadership style is a significant determinant of strengthening commitment of an employee towards the organization. One of the most important implications of the results of this research study is the comparative importance of leadership style of supervisor when compared with pay satisfaction. This emphasizes the need for effective leadership development in organizations. Usually it is a perception that pay satisfaction is the only significant determinant of commitment towards organization but this study challenges that myth and emphasizes the importance of transformational leadership along with pay as a means to achieving organizational commitment. In reaping the benefits of transformational leadership to enhance organizational commitment, human resource management practices should play a critical role in effective communication process between the leader and the members of the organization. Without human resource management's staffing, training, and communication, the vision of the leader is not effectively made clear to the employees of the firm (Zhu *et al.*, 2005). This study also has an implication on the significance of mentorship programs and leadership development programs which can follow transformational leadership model to enhance commitment of the employees towards the organization.

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