Leadership Theories Influencing Employee Retention

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Abstract:- Leaders are in charge of their employees either remain or leave the organization subsequently leadership winds up one of the components impacting employee retention. Human is an essential asset that handles different assets of the organization. Organisations spend and put a considerable measure in their employees concerning enlistment and choice, preparing and improvement, remuneration and different advantages. Consequently, employee turnover from the organization makes a massive misfortune, and each organisation needs to stay away from worker substitution cost. An immense number of studies have been done in employee retention. Studies have been examining employee retention by a partner it with different factors, for example, pay rates, work-life balance, driving pressure, preparing and improvement, condition and administration among others. Studies talking about employee retention with theory base is extraordinarily uncommon and moderate in present writing. This examination inspected the impact of leadership theories on employee retention. The examination endorses a course of action of planning to bosses and overseers on organisation capacities since overseeing and driving go as one. The investigation reminds executives and supervisors to get input from their subordinates on how they see administrative styles used in separate organizations.

Keywords:- Leadership, employee retention, Contingency theory, Path-goal theory, trait theory, situational theory.

I. INTRODUCTION

Several factors encourage the employee to stay with the organisation. Among these factors, leaders are one of the essential factors that cannot be ignored in employee retention. A recent extensive Gallup poll on employment issues specified that nearly 75% of individuals leave the job because of their bosses. Leaders motivate employees to achieve organisational objectives. Thus, Leaders role and their leadership style are essential in employee retention (Ngethe, 2012).

Barnard (1938) defines leadership as the ability of a superior to influence the behaviour of subordinates and persuade them to follow a particular course of action. Similarly, Leadership was described as a guidance relationship among leaders and employees who intend real changes and outcomes that reflect their shared purposes (Daft, 2005). Leadership helps to transform potential into reality (Barnard, 1938). Leadership develops employee morale as a positive attitude toward organisational goals. Leaders will in general attempt and "ride out the tempest" before exposing themselves

to any formal administration survey (Ralphnader, 2013). Taylor (1998) declares that worker responsibility relies upon how fulfilled with responsibility and this to a substantial degree can be credited to the connection between the administration and the employees. Past writing has an adequate number of leadership style, and the writing source has an extremely ostensible number of concentrates on leadership theories impact employee retention. Along these lines, this exploration endeavoured to think about the impact of leadership theories on employee retention. Therefore, this research attempted to study the influence of leadership theories on employee retention.

II. LITERATURE REVIEW

Leadership increases the level of job satisfaction and employee morale. An effective leader can understand the business requirements and enhance employee to meet such need.Leadership is a determinant of employee retention fulfilment, duty and profitability (Rad and Yarmohanmmadian, 2006). A leader whom gotten regard from his subordinates had high confidence and elite in the division while leaders who did not have regard confronted high truancy, various grievances to the administration, and high employee turnover (Saniewski, 2011).

The leader who had both characteristics and realising when to utilise every leadership style in a given circumstance was viewed as a perfect leader (Bass, 1990). Generally speaking, when individuals entered a position, the worker had the longing of coexisting with his or her leader and the two built up a working relationship (Elpers and Westhuis, 2008). Worker expects more from their leaders and just viable leader satisfies employee desires. In like manner, the variables that drive worker fulfilment and duty are mainly inside the control of the director, chief or group leader (Jordan-Evans, 2013). Leadership is a determinant of employee job satisfaction, commitment and productivity (Rad &Yarmohanmmadian, 2006). A leader who received respect from his subordinates had high morale and high performance in the department while leaders who did not have respect faced high absenteeism, numerous complaints to upper management, and high employee turnover (Saniewski, 2011).

The leader who had both qualities and knowing when to use each leadership style in a given situation was considered an ideal leader (Bass, 1990). As a rule, when people entered a position, employees had the desire of getting along with his or her leader and the two developed a working relationship (Elpers & Westhuis, 2008). Employee expects more from their leaders and only effective leader fulfils employee

expectations. Likewise, the factors that drive employee satisfaction and commitment are primarily within the control of the manager, supervisor or team leader (Jordan-Evans, 2013). On the other hand, Organization which promoted leaders from within the company usually found potential candidates lacked the necessary people skills to move forward (Tate, 2007).

A leader must have several qualities which must differentiate them from their subordinates. Early leadership theories focused on such leadership qualities while subsequent theories focused on skills. Leadership theories can be classified into eight major types such as autocratic, bureaucratic, laissez-faire, charismatic, democratic, participative, situational, transactional, and transformational leadership (Mosadeghrad, 2003). Different styles were needed for different situations, and each leader needed to know when to exhibit a particular approach (Rad & Yarmohammadian, 2006). In this research, the author discussed four leadership theories to study how leadership theories influence employee retention.

A. Contingency Theory

Fiedler (1967) talked about the possibility hypothesis. As per possibility hypothesis, no administration style is reasonable to all circumstances. Possibility hypothesis of authority centre around specific factors identified with the condition that may figure out which specific style of administration is most appropriate for the circumstance (Kendracherry, 2013). The primary thought of Contingency hypothesis is that initiative adequacy (concerning assembling execution) relies upon the organization of two factors: the leader's assignment or relations, inspirations and parts of the circumstance (Viviane, 2012). The possibility approach endeavours to contextualize the different HRM rehearses in various hierarchical settings and systems (Arthur, 1994) Fiedler proposes that organization require leaders who prepared with human connections. Preparing expands execution. The substance of Fiedler's hypothesis leader's viability relies upon a blend of two powers:

- Leader's authority style and
- Situational decency.

Possibility demonstrates it measures leader esteem and feels independent of their supporter's observation. A leader's essential leadership considers the accompanying segments into the record, which impact the choice: situational factors affecting the leader, individual properties of the leader, leader's behavior, organizational viability and situational factors influencing the organization (Johnson and Blanchard, 2001).

A leader's decision making considers the following components into account, which influence the decision: situational variables impacting the leader, personal attributes of the leader, leader's behavior, organizational effectiveness and situational variables affecting the organization (Johnson &

Blanchard, 2001). The following implications can be derived from Fiedler's contingency theory:

- Leaders can perform well in some situation, but not all situation
- Anyone can be a leader by carefully selecting situations that match his or her leadership style.
- Leadership effectiveness can be enhanced by designing suitable role that fit the leaders.

B. Path-Goal theory

Path-Goal theory depends on Vroom's (1964) expectation hypothesis. A man will act dependent on the craving that the demonstration will be taken after by a given outcome and on the connecting with the nature of that outcome to the individual. The path-goal theory was first presented by Martin Evans (1970) and created by House (1971). As indicated by Robert House, the Path-Goal Theory of Leadership was created to depict the manner in which that leaders energies and bolster their adherents in accomplishing the objectives they have been set by making the way that they should take clear and direct. House and Mitchell (1974) characterized four sorts of leader styles: Directive, Supportive, Participative and Achievement

- Directive behavior: Scheduling work, maintaining performance standards and assigning a task to subordinates
- Supportive behavior: Pleasant relationship with subordinates, friendly approach and personal caretaker.
- Participative behavior: Allow subordinates participation in decision making
- Achievement-oriented behavior: Boost confidence level to exert higher efforts to reach organizational goals.

Organizations require dynamic administrators and employee to accomplish their targets. Organizations could not prevail without their endeavours and duty (Rad &Yarmohammadian, 2006). A leader creates confidence among his subordinates. Leader clarifies the path by removing the roadblocks and help his followers to remove the bigger blocks. Thus leader increases motivation to enhance performance.

According to the path-goal model, there is one right method for accomplishing an objective and that the leader can understand the way and the devotees cannot. This gives the leader a job as the knowing individual and the supporter as penniless. As the leader kept on following a way of acknowledgement and reward with the subordinate, the conduct of the leader impacted the likelihood the subordinate would accomplish his or her objectives (House, 1971; Vroom and Jago, 2007). The way objective hypothesis can best be thought of as a method in which leaders select specific practices that are most proper to the agents' needs and the work environment so they may best guide the delegates through their way in the procurement of their step by step work works out (destinations) (Northouse, 2013).

C. Trait theory

The trait leadership theory trusts individuals are either conceived or made with specific characteristics that make them shine in leadership positions. Trait theory distinguishes leaders from a common man based on some primary characters. Trait theory helps to study leadership systematically and focus the leader's traits. The leadership traits and characteristics have been categorized by Jago (1982) by separating them into four groups namely personality, social, ability and physical traits (Mat, 2008). Besides, Trait model of leadership assumes that leadership is based on the characteristics of many leaders – both successful and unsuccessful. Moreover, it describes behaviours and individuality associated with leadership traits. Similarly, Trait theory helps to identify traits and disposition needed to lead others. On the other hand, trait theory attempts to classify what personal characteristics such as physical, personality, and mental, are associated with leadership success (Techno Report, 2013).

Some of the traits or characteristics are:
- Intelligence
- Motivational power
- Decision-making skill
- Understand subordinates need
- Self-confident

Trait theory assumes that leaders are different regarding personality and traits from the common man. Managers use the data of the hypothesis to assess their situation in the organization. They can understand the strength and weakness and develop their leadership qualities. To be viable, they need to demonstrate their capacity to impart a dream, and through systems administration, utilize political and social aptitudes to realize the average change (West, 2013). Gandhi and Roosevelt are good examples of trait leadership. Both are successful leaders whose personalities are entirely different from common man.

Shelley Kirkpatrick and Edwin A. Locke (1991) embody the trait theory. They contend that "key leader attributes include: drive (an extensive term which joins achievement, motivation, desire, imperativeness, assurance and movement), organization motivation (the aching to lead anyway not to search for power as an end in itself), validity, dependability, confidence (or, as such energetic relentlessness), scholarly limit, and learning of the business (Vector Study, 2012)

D. Situational theory

Blanchard & Paul-Hersey (1970) developed the situational leadership theory. According to Hersey and Blanchard, not one single "best" style of leadership fit for all condition. Thus, Leaders are those who can become accustomed to the style based on the situation. The theory also focused on the personal relationship between the leader and followers based on trust and respect (Blandchard& Hersey,

1970). Hershey and Blanchard suggest four principal leadership styles:

Telling: This style alludes leader to instruct individuals and how to do.
- *Selling:* This style includes more forward and backwards among leaders and adherents. Leaders "pitch" their thoughts and messages to assemble individuals.
- *Participating:* In this methodology, the leaders offer less bearing and enables individuals from the gathering to play a more dynamic job in concocting thoughts and deciding.
- *Delegating:* This style is described by a less included, hands-off way to deal with the administration. Gathering individuals grade to settle on a large portion of the choices and take the vast majority of the duty.

The correct style relies upon the capacity of the person.

Hershey and Blanchard's hypothesis distinguishes four unique dimensions of development.

- M1: Group individuals with an absence of learning, abilities, and readiness to finish the undertaking.

- M2: Group individuals are eager and energetic, yet the absence of capacity.

- M3: Group individuals have what it takes and ability to finish the errand, however not willing to assume liability.

- M4: Group individuals are very talented and willing to finish the assignment.

Hershey-Blanchard show recommends that the accompanying authority styles are the most proper development levels:

- Low Maturity (M1) - Telling (S1)
- Medium Maturity (M2) - Selling (S2)
- Medium Maturity (M3) - Participating (S3)
- High Maturity (M4) - Delegating (S4)

The situational hypothesis suggests that even though there are numerous conceivable approaches to address a circumstance, there is one way that is more adjusted than the others. The situational hypothesis depends on a fitting appraisal of conditions in a given circumstance. A mono style way to deal with authority is not adequate in tending to the dynamic, multidimensional, and complex nature of social associations and the performing artists inside them (Nevarez, Wood and Penrose, 2013). This model expects adaptability of style in the leader, their conduct aptitudes and also the capacity to analyse the circumstance and the style that is required their capacity (Gill, 2011).

III. LEADERSHIP THEORIES AND EMPLOYEE RETENTION

Businesses are transforming and important a new set of leadership style. Today's business environment is very complex, and it requires different approaches to leadership. Traditional theories propose a sort of initiative that is excessively static all together, making it impossible to adapt to the difficulties, radiating from the unpredictable condition that organisations are confronting (Lotze, 2011). In this way, the appropriate initiative is necessary to accomplish high worker degrees of consistency (Spinelli, 2006).

Contingency theory requires different styles of leadership to tackle the different condition to ensure high retention rates. The success of the leader was based on the contingency that raised in that business. Contingency theory of leadership is suitable to the business where the environment is stable and more formal. Numerous researchers judge the work by Fielder, and his partners was a shared commitment that roused thought of individual and situational viewpoints in leadership.

Path-Goal theory describes that the leader specifies the path for the follower to achieve the organisational goal. Leaders motivate effort towards the task. An accompanied task gives a satisfied mind and turns into retention. This theory identifies four types of leader behaviour: Supportive, directive, participative and achievement oriented. The leader directs follower behaviour by changing the follower's perception. Leaders effectively motivate followers to understand behaviour that leads to the desired outcome. Leaders conduct diminishes uncertainty; elucidate the connection between devotee exertion and real fulfilment and connection supporter scientific achievement to outward rewards which turns as an abnormal state of retention.

Trait theory separates leaders from adherents, viable from insufficient. The hypothesis fixates exclusively concerning the leader in power and like this has possessed the capacity to supply a more critical and more perplexing comprehension of how the leader and his or her personality are identified with the organisation. Also, private hypothesis centres solely on the job of the leader and consequently has possessed the capacity to give a more profound and more many-sided comprehension of how the leader and his or her identity are identified with the authority procedure (Mat, 2008).

The qualities of Trait hypothesis looks for leaders have superhuman capacities. Remembering those proposed attributes and capacities, a leader ought to have one must be god-like with the end goal to be a successful and moral leader (Grint, 2005). Leader's accomplishment can be empowered with his adherents and swings into retention. The administration ought to be more about empowering scholarly resources all through the system instead of depending on the constrained insight of a couple of cerebrums at best (Uhl-Bien, Marrion and Mckelvey, 2007).

Trait theory has been criticized for three reasons:
- Limitation of the list of traits
- The assumption of inborn qualities of a leader.
- Failure to define the leader's qualities

Situational leadership model empowers the leaders to distinguish the errand and decide the appropriate initiative style to execute a specific assignment. Moreover, Successful leaders change their authority style dependent on the adherents and their assignment. So also, Leaders depict the best approach to complete a specific errand. Leaders must spotlight on relationship instead of course to guarantee high retention level.

IV. THE THEORETICAL FRAMEWORK OF LEADERSHIP THEORIES AND EMPLOYEE RETENTION

Employee retention is a critical competitive parameter in the Indian IT industry. Leadership theories conclude that an effective leader increases employee morale which turns as high motivational level and impacts employee job satisfaction and retention.An organisation's structure, structure, activity style, and methodologies set the tone for specialist satisfaction and spirit (Houghton and Yoho, 2012). Worker work fulfilment relies on the administration conduct of directors (Sikandar, 2013). Studies have demonstrated that distinctive leader practices influence work results, for example, work fulfilment unexpectedly (Mosadeghrad and Yarmohammadian, (2006). The utilisation of specific initiative conduct by chief influences both occupation fulfilment and efficiency of the employees (Sikandar, 2013).

Today's labour market is fast changing in nature, and it requires a different kind of leadership style to meet the innovations. Finding people with perfect leadership style is a big challenge in every organisation. Leadership theories play an important role in employee retention. A good leader can be a good boss, but a good boss may not be a good leader. Because a boss knows how it would be done, but a leader shows the path how it has to be done. Boss use people, but a leader develops people. In this manner, the study developed the following framework to demonstrate the impacts of leadership theory on employee retention.
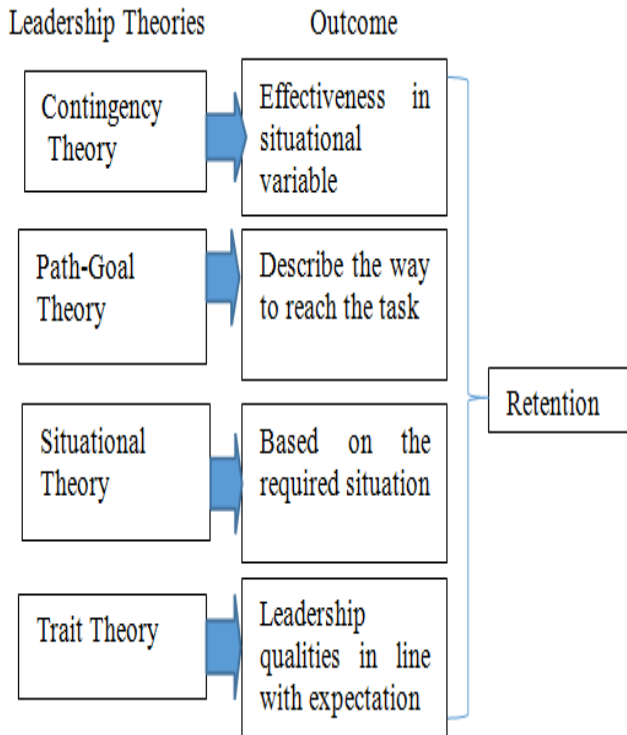
Fig 1:- Theoretical frameworks of leadership theories
(Source: Developed for the research)

V. CONCLUSION

In light of the discoveries in writing, this paper presumes that leadership theory impacts employee retention in organisations. All the writing assessed and announced a definite connection between leadership style and retention. Whenever leadership style is unfavourable intention to leave raised. Consequently improving employee retention through leadership style embraced by chiefs ought to subsequently be given the consideration it merits if organisations are to hold their cherished staff. Thus, organisations should ensure that they follow right leadership style and need to revise based on the subordinate feedback to get high retention level.

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