

**Milena Kužnin**

RIT Croatia

International Hospitality Service Management, Dubrovnik, Croatia

E-mail: milena.kuznin@croatia.rit.edu

**Joseph Kevin Walker**

RIT Croatia

International Hospitality Service Management, Dubrovnik, Croatia

E-mail: kevin.walker@croatia.rit.edu

**CONTEMPORARY LEADERSHIP CHALLENGES  
IN HOSPITALITY ORGANIZATIONS IN TIMES OF  
UNCERTAINTY AND CHANGE**

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***Abstract***

*Traditional approaches to leadership in the hospitality industry are becoming less and less effective in engaging, empowering and energizing its workforce of today, especially when taking into account the growing complexity of the contemporary world and its associated political, cultural, economic and environmental dimensions. As the importance of hiring a highly motivated and educated workforce becomes paramount in creating a competitive organization, it is imperative that hospitality providers implement the best leadership styles in order to boost employee satisfaction and retention. Addressing a dearth of information in the literature, the purpose of this paper is to provide exploratory research regarding the most effective leadership approaches employed by front-line managers in hotels operating in volatile environments; those hotels, for example, that are located in highly seasonal locations. Front-line employees at ten Dubrovnik, Croatia hotels, hotels operating in a highly seasonal environment, were surveyed as to the leadership styles of their respective employers and their accompanying levels of overall job satisfaction. Additionally, distinct demographic profiles associated with observed leadership styles were identified. The results indicate that managers use a combination of transformational and transactional leadership. Contradicting some previous studies, seasonal workers were not found to be less satisfied than full-time workers, were not more*

*satisfied in a Transactional versus transformational environment, and did not express higher levels of job satisfaction as associated with length of employment. The results of this study offer an insight into how to form and foster a strong hospitality corporate culture that is ready to offer new value in volatile environments.*

***Keywords: contemporary leadership styles, employee satisfaction, hospitality industry***

## **1. INTRODUCTION**

*“Without involvement, there is no commitment. Mark it down, asterisk it, circle it, underline it.” --Stephen Covey*

The hospitality industry of today is under the influence of the growing complexity of the contemporary world and its associated political, cultural, economic and environmental dimensions. In this highly competitive yet volatile business environment hospitality firms have to find a way how to differentiate themselves by offering consistently superior service and unique experience (Kim, Tavitiyaman & Kim, 2009, p.369).

As stated by Clark, Hartline and Jones (2009, p.210), even when all the standards of recruiting and training are secured, there is a lot of variance in front line employees' performance. And front line employees are directly accountable for creating personal and unique service quality.

The purpose of this paper is to provide exploratory research regarding the most effective leadership approaches employed by front-line managers in hotels operating in volatile environments; those hotels, for example, that experience extreme seasonality.

There is a body of research suggesting that employees in hospitality tend to be less satisfied and more prone to switching careers due to demanding work load, high stress, lack of job security (high seasonality) and long working hours (Back et al, 2011, p.111 and Furnham, 2006, p.27). In their research on quality of life of front-line employees Lee, Back and Chan (2015, p.768) found out that in order to meet multiple needs of employees there has to be an understanding of the importance of positive interactions between the employer and employees as well as recognition and appraisal systems within the organization.

Since job satisfaction (JS) has become an important aspect in business today of one's workplace attitude, the hospitality industry has to investigate the causes of both high and low JS and how to improve it. The fact that hospitality employs not only full-time but also part-time employees further complicates the issue of JS. Research conducted by Wilkin in 2013 suggests that JS is contingent on the type of employment and that it varies within the same category as well. The study suggested that part-time workers do experience lower JS and that that, in turn, causes lower task performance and higher turn-over (Wilkin, 2013, p.64).

When focusing on part-time employees, including seasonal employees, terms such as “nonstandard workers” or “contingent workers” are to be found in literature (Wilkin, 2013, p.48; Dickson, 2009, p.166). It is worth mentioning the findings of the Dickson (2009, p.174) study relating to nonstandard workers who have been with the same company for more than just a season – the results show that they possess higher JS.

Numerous studies stress the importance of creating a motivated, happy and well-provided for workforce that in turn will create more value to the customer; thus, turning the customer into a more loyal, profitable and committed guest (Heskett, Sasser & Schlesinger, 1997; 2003; Garlick, 2010, p.304). Since service quality in hospitality is revealed through moments of truth, front-line employees and their perception of JS have become a very important organizational concern.

The hospitality industry is operating in a highly uncertain environment and the need to investigate the leadership influence on JS poses itself as critical under those circumstances (Rothfelder, Ottenbacher and Harrington, 2012, p.202).

The authors of this paper claim that traditional approaches to leadership in the hospitality industry (or “doing it as we used to”) are becoming less and less effective in engaging, empowering and energizing its workforce of today. The time is ripe for change in how we lead, influence and develop a strong workforce. And when we talk about introducing change, everything starts from “the head”: leadership practices.

### **1.1. Leadership Styles**

The first in depth studies related to leadership were conducted by Burns (1978) where he defined the two elementary types of leadership: transactional and transformational leadership. Taking into consideration that this initial research was published over 39 years ago, one searches for and finds more recent research which confirms the original ideas, showing them to still be valid (Hinkin & Schriesheim, 2008, p.513). Additionally, using the original ideas proposed by Burns, Bass (1985) concluded that transactional and transformational leadership styles are inter-connected and that they are the prerequisite for each other. He argued that a good leader should have characteristics of both leadership styles to be an effective leader. Next to transactional and transformational leadership there is also a third leadership style called non-transactional or laissez-faire (Bass, 1985).

The transactional leadership model has been described as being a sanction and reward model where the leader communicates the need and the compensation for doing that need. In the case of good performance the subordinate is rewarded in a material or non-material way, whereas bad performance is punished in the form of a sanction that is portrayed as a consequence of said performance (Burns, 1978; Bass, 1985, 1997; Erkutlu, 2008, p.709). According to Bass (1985, 1997) there are three components of transactional leadership:

contingent reward; management by exception (active); and management by exception (passive). Contingent reward relates to having strict group or individual goals which need to be met and the associated performance will result in a reward or sanction. Contingent reward is focused on the transaction between the leader and subordinate. Active management by exception relates to having a leader who actively overviews his subordinates and intervenes with sanctions when goals and performance levels are not met. Passive management by exception relates to the leader not intervening until big problems occur (Bass, 1997).

Bass (1997) firstly argues that transactional leadership can lead to mediocrity if a leader intervenes only when subordinates are not working according to standards and procedures. Secondly, he believes that a leader who uses a transactional leadership style will use threats to make his employees perform up to a standard; this method is ineffective in the long run and likely to be counterproductive. Thirdly he concluded that the sanction and reward method primarily depends upon the ability of the leader to influence subordinates. Also, if a leader does not have the complete freedom to carry out those threats or promises, he loses credibility.

Transformational leadership has also been defined and assessed by many different researches (e. g. Travis, 2007; Bass 1985, 1997; Xenikou & Simosi, 2006, p.566; Davidson, 2003, p.50). The overall research background on this topic reveals that there are four elements of transformational leadership: charismatic leadership; individual consideration; intellectual stimulation; and idealized influence (Bass, 1997). Inspirational motivation (or charismatic leadership) is an important factor in transformational leadership because the subordinates tend to identify with the company goals and vision if the leader is enthusiastic and positive. Individual consideration is focused on the needs, wants and emotions of every single employee while supporting and leading them towards exemplary performance (Den Hartog et al. 1997, p.30). Intellectual stimulation occurs when the leader engages and challenges subordinates to deal with work problems by themselves; in this way employees get more engaged with the organization. Idealized influence focuses on emphasizing that the group's needs come before the needs of the individual (Tims et al. 2011, p.122). In research conducted by Xenikou & Simosi (2006, p.577) it was claimed that transformational leadership has a positive impact on employee performance.

The third leadership style is called non-transactional or laissez-faire. This leadership style occurs when there is no actual leadership present. It happens when the leader avoids taking responsibility, lacks in communication, and does not provide any kind of support to his subordinates (Bass, 1997). According to Bass (1997) and Avolio et al. (1999) this leadership style can be viewed as a part of transactional leadership because it has some components directly related to it. Throughout this research this leadership style will be viewed as a separate style.

## 1.2. Leadership Styles and Job Satisfaction

Leadership style has to be linked with effectiveness in order to prove its organizational value. As Erkutlu (2008, p.708) rightfully pointed out, effectiveness can only be measured through outcomes produced for the intended audience. In this study the authors chose to assess one aspect of leadership effectiveness; namely, subordinate satisfaction with leadership style and work conditions.

In a study issued by Cornell University in 1994, the authors claim that the transactional (or the so called classical management) style was favorable and welcomed when the economy was stable, when the competition was weak and when the customer demands could be predicted with certainty (Tracey and Hinkin, 1994). The hospitality industry of today has lost some (if not all) of the above mentioned criteria; thus, making transactional leadership style not capable of meeting the demands of the current hospitality business environment. Moreover, the nature of challenges has changed as well and is not only external but internal to the organization as well (Tracey and Hinkin, 1994).

In a more recent study, Erkutlu (2008, p.708) studied the relations between the leadership style and organizational effectiveness thus supporting the suggestion in the literature that transformational leadership stimulates organizational commitment and job satisfaction in the hospitality industry of today. An interesting result emerged from Erkutlu's paper pertaining to the comparison of foreign owned and locally owned boutique hotels. The results suggest that the managers of foreign boutique hotels in Turkey were using transformational leadership more than the managers of domestic boutique hotels (Erkutlu, 2008, p.725). The author presupposes that the different approach had to do with the perception of the Turkish hospitality industry as either unstable or stable; owners with a less stable perception of the industry would want a transformational style utilized.

The European Union recognized Croatia as a destination with great potential and a great need for specific leadership education to meet the needs of a changing and unstable environment (Ministry of Tourism, 2013).

Previous research that focused on Dubrovnik tourism supports the need for specific leadership and management education to deal more efficiently with the complexity of the hotel industry as such (Dulčić & Raguž, 2006, p.1162; Raguž, 2007, p.57). Dulčić's and Raguž's (2006, p.1162) report on leadership style suggests the usage of consultative leadership style (p.6) while Raguž (2007, p.68) indicates the need for a more adaptable leadership style that would serve better the individual characteristics of managers as well as the needs of employees and guests.

The above research produces the following four hypothesis for this paper:

*H1:* employees in general (considering the whole sample) are more satisfied in a transformative leadership environment than a transactional one.

*H2:* seasonal workers are less satisfied than full-time employees.

*H3:* seasonal workers who have been with a hotel for a longer period of time (more than two years) are more satisfied than those who have worked with a hotel for a shorter period of time (less than two years).

*H4:* seasonal workers employed in a transactional environment are more satisfied than those working in a transformational environment.

## **2. METHODS**

This paper seeks to determine leadership styles utilized in hotels operating in highly seasonal locations as well as the associated levels of employee job satisfaction. Specifically, this paper examines the environment under which reception desk employees, perhaps the front-line position with the greatest exposure to guests, act.

Dubrovnik, Croatia, with its highly seasonal tourism industry, was selected as the appropriate location as an area of study. Dubrovnik's tourist visitation numbers paint a telling picture. In January 2016, for example, Dubrovnik had 25,726 overnight stays while in the middle of its high-season on July 31, Dubrovnik had 721,572 overnight stays (Turistička zajednica Grada Dubrovnika). Likewise, an examination of cruise ship arrivals to Dubrovnik reveals that 14,786 passengers arrived in March of 2016 as opposed to 124,481 arriving during the peak month of August same year (Lučka uprava Dubrovnik).

Matching the seasonal tourist flow, many of Dubrovnik's hotels are seasonal, closing during the off-season. In order to gain a broad perspective of the subject matter, both seasonal and non-seasonal (open all year) hotels were surveyed. Additionally, hotels categorized as three, four, and five stars were included in the study. A total of 67 employees working in ten hotels were surveyed. The research was conducted from April to May 2017. The surveys were administered via two approaches: the paper's authors distributed the paper surveys in person to the respondents and the hotel itself distributed the paper survey (not allowing the researchers to do so).

Survey participants were requested to complete a three part survey: an adapted version of the Multifactor Leadership Questionnaire 5X (MLQ 5X) questionnaire that queried front desk employees as to their supervisors' leadership styles; a modified version of the Minnesota Satisfaction Questionnaire (MSQ) that inquired as to job satisfaction of front desk employees; and demographics, including mode of employment (seasonal or full-time) and time spent with the current employer (hotel) of the front desk employees.

The MLQ is widely recognized as being a valid and reliable instrument for evaluating transformational, transactional, and laissez faire leadership styles (Rothfelder, Ottenbacher & Harrington, 2013, p.207) and was consequently used in this study. The MSQ was used as it is readily available to researchers and easy to use. Additionally, it and the Job Description Index (JDI), a job satisfaction

index that is shown to exhibit high construct validity (Kinicki, Schriesheim, McKee-Ryan, & Carson, 2002, p. 26), have convergent validities (Kinicki, Schriesheim, McKee-Ryan, & Carson, 2002, p. 23). In fact, according to Kinicki, Schriesheim, McKee-Ryan, & Carson, (2002, p.26), the MSQ might do a better job of measuring certain aspects of job satisfaction. Both surveys, the MLQ and MSQ, have 5-point Likert scale response sets.

Transformational and transactional leadership styles are comprised of four and three elements, respectively, each one of these elements consisting of four items. Each element's score was computed by taking its associated arithmetic mean and, in turn, the overall score for transformational and transformative leadership were determined by taking the arithmetic means of their respective elements. The laissez faire leadership style was computed by taking the arithmetic mean of its four items. Likewise, job satisfaction was calculated by taking the arithmetic mean of its ten associated items.

A combination of IBM's SPSS Statistics software package and Microsoft Excel were used for calculatons.

### 3. RESULTS

A total of 67 individuals participated in the survey, but two respondents neglected to complete the demographic data (seasonal versus full-time and length of employment) and were consequently excluded.

An analysis of the respondents reveals that 42 and 23 of them are seasonal and full-time employees, respectively. And of these 23 full-time workers, only one of them has been with his employer for less than two years (Table 1). In terms of length of service, 14 (21.5%), 12 (18.5%), 6 (9.2%), and 33 (50.8%) of the respondents have worked, respectively, less than six months, between six months and a year, more than a year but less than two years, and longer than two years at their particular hotel (Table 1).

A descriptive analysis of the respondents reveals that 55 (84.6%) were male and 10 (15.4%) female (Table 1). When considering age, 33 (50.8%), 20 (30.8%), 5 (7.7%), and 7 (10.8) of the respondents were from the ages groups 18 – 29, 30 – 39, 40 – 49, and over 50 years respectively (Table 1).

In terms of the three evaluated leadership styles (and using a 5-point Likert scale response set), transformational leadership was revealed to be the highest rated ( $M = 3.97$ ,  $SD = 0.62$ ), followed by transactional leadership ( $M = 3.51$ ,  $SD = 0.42$ ) and laissez faire ( $M = 1.77$ ,  $SD = 0.59$ ). Means and standard deviations for the studied three leadership styles and job satisfaction are found in Tables 2, 3, and 4. A t-test revealed (Table 5) that respondents reported that their supervisors engage in a statistically significant more transformational manner than transactional one ( $p=0.000$ ).

Correlation analysis showed that transformational leadership is positively and significantly correlated to both transactional leadership and job satisfaction

while being negatively and significantly correlated to laissez faire leadership. Additionally, transactional leadership is not significantly correlated to Laissez faire leadership, but it is positively and significantly correlated to job satisfaction. Correlations among the three leadership styles and job satisfaction are found in Table 6.

A predominate leadership style was identified for each respondent by determining which of the three leadership styles received the highest score from the respective respondent. Based on this analysis, it was revealed that the predominant leadership style experienced by Dubrovnik-based front desk employees is transformation (55 respondents or 86%). Transactional leadership was the other experienced leadership style (9 respondents or 14%) and laissez faire was not experienced by any of the respondents (note that one respondent reported his supervisor to be equally transformational and transactional).

When considering job satisfaction of all respondents as associated with leadership style, respondents indicated satisfaction mean scores of 3.76 ( $SD = 0.70$ ) and 4.01 ( $SD = 0.59$ ) operating under predominantly transactional and transformational leadership, respectively. A t-test (Table 7) revealed that there was no significant difference between these two groups ( $p=0.33$ ); consequently, Hypothesis 1 was rejected.

Contrasting seasonal employees to full-time ones, one discovers that seasonal workers record a satisfaction score of 3.96 ( $SD = 0.55$ ) versus full-time employees' satisfaction score of 4.02 ( $SD = 0.66$ ). As revealed by a t-test (Table 8), there is no significant difference between these two groups ( $p=0.72$ ); thus, Hypothesis 2 was rejected.

Considering only seasonal workers and their length of employment at their respective hotels, no significant difference was uncovered pertaining to job satisfaction. Specifically, those individuals who have worked at the same hotel for at least two years did not record a significantly different level of job satisfaction than did those workers being at their hotels for less than two years. Employees with two or more years indicated a satisfaction level of 4.07 ( $SD = 0.47$ ) whereas workers with less than two years spent at their hotel recorded a satisfaction level of 3.97 ( $SD = 0.55$ ). No statistical difference, as determined by a t-test (Table 9), exists between these two groups ( $p=0.59$ ); therefore, Hypothesis 3 was rejected.

Finally, seasonal workers were evaluated to determine if they achieved higher levels of job satisfaction under predominantly transformation leaders as opposed to transactional ones. While seasonal employees working in a predominantly transformation environment had a higher level of job satisfaction than those working in a predominantly transactional setting ( $M = 4.01$ ,  $SD = 0.58$  and  $M = 3.74$ ,  $SD = 0.36$  respectively), a t-test (Table 10) showed that the difference was not significant ( $p=0.13$ ); consequently, Hypothesis 4 was rejected.



## 4. CONCLUSIONS

The results of this study indicate a contextual nature of seasonal employment thus advancing this concept with a new geographic area (Croatia), which can be added to the hospitality leadership study.

One aspect of this study's findings was consistent with prior findings showing a high correlation between transformational and transactional leadership style among front desk managers in Dubrovnik hotels. In a positive sign for the state of front-line leadership in Dubrovnik hotels, laissez-faire leadership was largely absent.

This study's findings are somewhat unique in that all of its proposed hypotheses were rejected. But note that these hypotheses were based on extant literature and studies that have yet to be applied to this study's specific context; namely, hospitality that occurs in a highly seasonal environment. As such, this study extends the sphere of understanding pertaining to part-time (seasonal workers in this study's context) workers' job satisfaction and perception of leadership.

Inconsistent with some prior studies, this study has not been able to demonstrate that subordinates of transformational leaders experience significantly different work satisfaction than subordinates of transactional leaders. There are a couple of possible explanations for this result.

The first explanation might be that our sample of seasonal and full-time employees expressed similar work satisfaction because of the ability of front desk managers to effectively apply their leadership style and adjust it to the situation at hand.

The second explanation might lie in the fact that the same managers were effective in utilizing both styles depending on the maturity level of the followers thus resulting in similar work satisfaction.

Results of this study suggest that seasonal hospitality providers and their managers occupy a unique space in the leadership field. It is compelling to note that fully 31 of the 42 (73.8%) seasonal workers have been employed at their particular hotels for less than two years. Traditional leadership thinking would suggest that these individuals experience lower levels of job satisfaction. Again, this was not the case in this study. It is quite possible that Dubrovnik front-line employee managers have developed a unique style that combines the best elements of transformational and transactional leadership, applying them appropriately to each individual as demanded by his or her context. These managers appear to have mastered the art of adjusting to the individual situation. Lack of Laissez-faire leadership speaks to these managers ability to successfully diagnose each situation and level of maturity of the employee, allowing them to create an environment of equal levels of job satisfaction for both permanent and seasonal employees.

Earlier studies have demonstrated differences between national culture and leadership styles. Although the scope of this research did not focus on national cultures, the results gathered in this study indicate the impact of national culture

as an important cultural contributor that has to be included in any further study on leadership and its effectiveness. The tourism business culture and environment in Dubrovnik and its seasonal nature has potentially shaped and molded front-line managers such that they are able to adapt and accommodate all modes of employees.

Based on the available literature dealing with the same geographic area the findings of this study were surprising in the sense that the front desk managers were evaluated as being effective and highly able to personalize and provide their employees with the individual consideration and care for their needs. Thus, in turn, the same employees will be able to personalize their service and provide the guests with individualized and caring attention that they deserve.

One suggestion from the authors would be to conduct similar research at a different time of the year (e.g. in months of high occupancy and higher work related stress) so as to be able to measure work satisfaction under different workloads and business demands.

Being a dynamic field of study, contemporary leadership needs to be further explored in order to meet the needs of a complex hospitality business environment and changing needs of all stakeholders. The perception of this industry as being stable or unstable proved itself to be crucial to the appropriate choice of leadership style and the impact that it has on the organizational overall health and success.

#### **4.1. Limitations and Future Research**

This research effort was limited in a number of ways. Timing constraints and lack of accessibility resulted in a sample comprised of ten hotels and 67 front-desk employees. A more robust study would include a more comprehensive set of respondents. Additionally, the administration of the survey could have been more optimal as certain participating hotels requested that they administer the survey as opposed to the paper's researchers, potentially influencing participants' responses. Finally, again related to timing issues, this research was conducted at the beginning of the tourist season when employees have not been subject to the full rigors of a season. An interesting future research effort, as previously mentioned, would be to determine if employees' responses would be materially different at the end of the season; for example, would supervisors maintain their predominately transformative style throughout the season and might employee job satisfaction change?

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**Tables**

Table 1

**Respondents' Profiles**

Age				Gender		Mode of Employment		Length of Employment			
18-29	30-39	40-49	50+	Male	Female	Seasonal	Full-time	<6 months	6-12 months	1-2 years	>2 years
33 50.8%	20 30.8%	5 7.7%	7 10.8%	55 84.6%	10 15.4%	42 64.6%	23 35.4%	14 21.5%	12 18.5%	6 9.2%	33 50.8%

Source: authors' calculations

Table 2

**Transformational Leadership Means and Standard Deviations**

	Elements of Transformation Leadership				Overall Transformational Leadership
	Inspirational Motivation	Individual Consideration	Intellectual Stimulation	Idealized Influence	
Mean	4.13	4.04	3.88	3.84	3.97
Std. Dev	0.60	0.73	0.68	0.73	0.62

Source: authors' calculations

Table 3

**Transactional and Laissez-faire Leadership Means and Standard Deviations**

	Elements of Transactional Leadership			Overall Transactional Leadership	Laissez-faire Leadership
	Contingent Reward	Active Mgt. by Exception	Passive Mgt. by Exception		
Mean	3.90	4.12	2.47	3.51	1.77
Std. Dev	0.68	0.58	0.77	0.42	0.71

Source: authors' calculations

Table 4

**Job Satisfaction Mean and Standard Deviation (entire sample)**

Mean	3.97
Std. Dev	0.59

Source: authors' calculations

Table 5

**t-Test Comparing Leadership Styles for Complete Sample**

Leadership Type		T Statistic	p-value (2 tailed)
Transformation (Mean)	Transaction (Mean)		
3.97	3.50	5.2193	.000*

\* Significant at 0.01 significance level

Source: authors' calculations

Table 6

Correlations Between Transformation, Transaction, Laissez-faire Leadership and Job Satisfaction

		Transformation Leadership	Transaction Leadership	Laissez-faire Leadership	Job Satisfaction
Transformation Leadership	Pearson Correlation	1			
	Significance (2-tailed)				
Transaction Leadership	Pearson Correlation	.653*	1		
	Significance (2-tailed)	.000			
Laissez-faire Leadership	Pearson Correlation	-.445*	-.055	1	
	Significance (2-tailed)	.000	.661		
Job Satisfaction	Pearson Correlation	.559*	.552*	-.233	1
	Significance (2-tailed)	.000	.000	.057	

\* Significant at 0.01 significance level

Source: authors' calculations

Table 7

T-test for Complete Sample's Job Satisfaction and Leadership Type

	Leadership Type		T Statistic	p-value (2 tailed)
	Transformation (Mean)	Transaction (Mean)		
Complete Sample's Job Satisfaction	4.01	3.76	-1.0305	0.33

Source: authors' calculations

Table 8

T-test to Compare Seasonal and Full-time Employees' Job Satisfaction

	Mode of Employment		T Statistic	p-value (2 tailed)
	Seasonal (Mean)	Full-time (Mean)		
Job Satisfaction	3.96	4.02	0.3661	0.72

Source: authors' calculations

Table 9

T-test for Seasonal Workers' Job Satisfaction and Length of Employment

	Length of Employment		T Statistic	p-value (2 tailed)
	< 2 Years (Mean)	> 2 Years (Mean)		
Seasonal Worker Job Satisfaction	3.97	4.07	-0.5541	0.59

Source: authors' calculations

Table 10

T-test for Seasonal Workers' Job Satisfaction and Leadership Type

	Leadership Type		T Statistic	p-value (2 tailed)
	Transformation (Mean)	Transaction (Mean)		
Seasonal Worker Job Satisfaction	4.01	3.74	-1.5946	0.13

Source: authors' calculations