Impact of Transformational Leadership on Employee Engagement

Saloni Devi and Dr. Rachna Mahajans

Abstract--- Transformational leadership is a form of leadership in which relationship are planned around a combines reason in a way that over, inspire and increase the performance and moral aspiration of supporters. The proposed study examines the impact of transformational leadership on employee engagement. Data was collected from the one of the leading private bank i.e. Jammu and Kashmir Bank Pvt. Ltd. (J&K bank) employees in Jammu and Kashmir and convenience sampling method was used to collect the data. A 5 point likert scale questionnaire, consisting of 27 items was designed. Hypotheses were tested by using structural equation modelling (SEM). The research findings revealed that transformational leadership have positive and significant impact on employee engagement.

Keywords--- Employee Engagement, Transformational Leadership, Engagement in organizations.

Introduction

Today we are living in an era where change becomes inevitable. The most valued asset of the company recently called human capital unless properly managed success could not be realistic. Leadership has prior concern to create willingness in the mind of the led to perform the specific objectives of the company. This requires the matching balance between the objectives of the organisation and the need of people which is an internal factor to the organisation. Leadership has been in nineteenth century. Leadership can be defined as "the process of guiding and directing the behaviour of people in the work environment" (Nelson, 2000, p. 384). This subject of social literature for thousands of years, but scientific approach to study this topic was started influential process has top-down tendency. It means that it is started from top (leader) and processed downward (followers) for shaping the behaviour (Pearce & Conger, 2003). Leadership is often referred to as a powerful and dynamic person who forms the path of a nation and this may affect the organisational management (Bono & Judge, 2003, 2005). In an organisational context, leadership is viewed as a prime force that may determine the organisational competitiveness in a global economy (Bass & Avolio, 1993, 1994; Bryman, 1992; Ismail et al., 2009). Leadership literature explored various types of leadership styles with different approaches. Most research can be classified into trait approaches, situational approaches, behavioural approaches and power-influence approaches. During the last two decades, transformational leadership (Bass and Riggio 2006) has gained increasing prominence as an influential leadership approach associated with a broad range of desirable outcomes (Barling et al. 2010; Judge and Piccolo 2004). Transformational leadership is a form of leadership in which relationships are organised around a collective purpose in ways that transform, motivate, and enhance the actions and ethical aspirations of followers (Burns 1978). According to the organisational leadership scholars, such as Bass (1994), Bass and Avolio (1994), and Hartog et al. (1997),

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transformational leadership were defined as leaders who want to develop their followers' full potentials, higher needs, good value systems, moralities and motivation. When this development occurs this may motivate followers to unite, change goals and beliefs (Bass, 1994, 1999; Bycio et al., 1995), and look forward beyond their self-interests in order to achieve organisational interests. This leadership style suits with the dynamic organisational environments (Bartram & Casimir, 2007; Hartog et al. 1997; Pillai et al., 1999; Twigg et al., 2008). Atwal, H & Sandhu, V. (2019) developed and analyzed conceptual model related to Employee Engagement in organizations.

Conceptual Analysis

Transformational Leadership

Researches on leadership are focused on how leaders create and strengthen the organizations during 1980's. Transformational leadership is created to be successful in reaching the goals of the organisation, increasing the commitment to the organisation and strengthen the process during these objectives of the organisations (Yukl, 1994). Transformational leadership integrates ideas from trait, style and contingency approaches of leadership (Den Hartog et al., 1997). Transformational leaders change the core values of followers for the benefit of the common interest by committing people and seeing them as ends not as means and inspire followers to go beyond their own self-interests for the good of the organisation with their vision (Avolio and Bass, 2004). Transformational leadership is the process of pursuing collective goals through the mutual achievement of the leaders' and followers' motives (Burns, 1978). Therefore both the leader and the followers raise one another to higher levels of morality and motivation. It may be described as influencing followers by broadening and elevating followers' goals and providing them with confidence to perform beyond the expectation specified in the implicit or explicit exchange agreement (Dvir et al. 2002). Transformational leaders help to realign the values and norms of their organization, and when necessary, to accommodate and promote both internal and external change. All the authors agree that transformational leaders are able to derive commitment, loyalty and involvement from the followers and motivate them to a higher level of performance and the achievement of higher level goals by connecting individual and collective needs. In this manner transformational leaders are able to achieve a positive transformation of both the organization and organizational members. They encourage followers to believe in themselves and in their mission and to accomplish goals that followers would not have normally accomplished.

Inspirational motivation: Inspirational motivation factor articulates the importance of leaders communicating high expectations to followers, inspiring and motivating them by providing meaning and challenge to their followers' work so that they can develop a shared vision in the organisation (Bass & Avolio, 1994; Bass & Steidlmeier, 1999; Kouzes & Posner, 2002). These leaders demonstrate self-determination, commitment, and optimism in reaching organisational goals (Bass & Avolio, 1994). Further, the inspirational appeal of transformational leaders brings out the best efforts in followers such as harmony, charity and good works. The inspiration behind this leadership is primarily an emotional response from the employee (Bass, 1984). A positive emotional response becomes the motivation for the employee and develops team spirit in followers who in turn display enthusiasm and optimism in achieving organizational goals (Bass & Avolio, 1994; Bass & Steidlmeier, 1999).

*Idealized influence***:** Charisma or idealised influence describes leaders who act as strong role-models for followers, and whom followers seek to emulate. Bass and Avolio (1994) defined the idealized or charismatic style factor as employees' respect, trust, and admiration for their leader. These leaders have very high standards of conduct, moral principles and ethical values. They also provide their followers with a clear vision and a mission for their organizations and, in turn, earn a high degree of respect and trust by their followers (Bass & Avolio, 1994; Bass, 1999; Bass & Steidlmeier, 1999; Nahavandi, 2006). This leader is most appropriate for enabling shifts in organizational culture and leading an organization in crisis (Bass, 1985, 1998), and instilling major change (Waldman et al., 1990).

Individualized consideration: The individualized consideration factor is representative of the leader who provides a supportive climate in which he / she listened to the individual needs of the follower. Individualized consideration is defined by the extent to which the leader cares about the needs and concerns of the employee (Bass, 1985; Bass & Avolio, 1994). The transformational leader treats followers with respect and facilitate individual growth by providing coaching, mentoring and growth opportunities (Bass & Avolio, 1994; Bass & Steidlmeier, 1999). This leadership style considers each employee's developmental needs (Bass & Avolio, 1994; Bass et al., 2003; Dubinsky et al., 1995).

Intellectual stimulation: Intellectual stimulation factor incorporates an open architecture dynamic into a process of situation evaluation, vision formulation and patterns of implementation (Bass and Steidlmeier, 1999). By inspiring a shared vision, such leaders encourage followers to view problems from different perspectives in order to develop new solutions and also supports employees' innovation, independence, and questioning of old ways of thinking and of their own values, beliefs and goals, as well as those of the leader (Bass & Avolio, 1994; Bass et al., 2003). Intellectual stimulation is also exhibited when the leader facilitates the efforts of followers to become more innovative and creative by questioning assumptions, reframing problems, and developing new strategies to resolve organizational challenges (Bass & Avolio, 1994; Tucker & Russell, 2004). The skills of the intellectual leader are particularly important when the organization faces non-structured problems, requiring a high level of problem solving and analysis (Bass, 1985).

Employee Engagement

Employee engagement is not only generated from the overall firm strategy and access to resources but more fundamentally from the minds of the individual employees, alone or with others, carrying out the everyday work of the organization. It is derived from an individual's passion, dedication and absorption towards his or her job. Employee engagement is important to organizations because engaged employees contribution can not only help organizations become more efficient and more responsive to opportunities, but also help organizations adapt to change, grow and compete in the global market. Academicians and Human resource management researchers have mentioned that engagement is needed in almost every job. Atwal, H and Sandhu, V. (2019) analyzed the relationship and impact of biographical characteristics on the employee engagement.

Theoretical Framework and Hypothesis Development

TRANSFORMATIONAL LEADERSHIP	→	EMPLOYEE ENGAGEMENT

Fig.2- Proposed Model

Transformational leaders encourage followers to proactively participate in team affairs and value team goals, which help build collective confidence and generate a sense of community to achieve collaboration (Spark & Schenk, 2001). Transformational leaders also develop team member's breadth and depth of thinking and encourage non-traditional perspective of view (Sosik, 1997), all of which will induce the quality and quantity of information sharing (Erkutlu, 2008). According to Bass and Avolio (1995), transformational leadership has four dimensions, namely, idealised influence, individualized consideration, inspirational motivation, and intellectual stimulation.

Gong et al. (2009) found that transformational leadership enhance employee enggaement as transformational leaders expect followers to question assumptions, challenge the status quo, and experiment with potentially better approaches to their work (i.e. intellectual stimulation, Bass et al., 2003). They also provide followers with discretion to act and support for individual initiatives (i.e. individual consideration, Bass et al., 2003). Additionally, transformational leaders employ inspiration motivation (Bass et al., 2003) by emphasizing the importance of subordinate contributions to the organization, which motivates subordinates to develop and offer more ideas to facilitate organizational success (Bass, 1998; Vera and Crossan, 2004), which is considered to be a key element of creativity (Amabile, 1988; Oldham and Cummings, 1996). Further, Shin and Zhou (2003) argued that the transformational leadership behaviours provide followers with enhanced feelings of personal capabilities, personal discretion and responsibility which lead to engagement. From above discussion following hypotheses are framed:

HYP 1: Transformational leadership positively lead to employee engagement.

HYP 2: Inspirational motivation positively leads to employee engagement.

HYP 3: Idealised influence positively leads to employee engagement.

HYP 4: Individual consideration positively leads to employee engagement.

HYP 5: Intellectual stimulation positively leads to employee engagement.

Research Design and Methodology

This research is evaluative in nature. It evaluates relationship between transformational leadership and employee engagement. Following steps have been undertaken to make this research objective more accurate:

Sample Design & Data Collection

The population for the study comprised 166 employees working in the Jammu and Kashmir Bank Pvt. ltd. in J&K (India).Only frontline employees were contacted to generate research information.

Result

A two step approach to structural equation modeling (SEM) using AMOS was applied as suggested by Anderson and Gerbing, (1988). CFA was conducted in step one to assess the proposed measurement model fit and construct validity while step two aimed at developing and estimating the structural model for testing the significance of theoretical relationship

Measurement Validation

After the survey, the collected data were used to assess the scale-level reliability and validity. For evaluation of internal consistency among the items, Cronbach's alpha was assessed. Scale reliability was also assessed through composite reliability measure and the average variance extracted (AVE). The results of the scale-level reliability and validity assessment are summarised in Table 1. All factor loadings were highly significant, indicating good quality of the measurement items. Cronbach's alpha and composite reliability were all above the conventional cut off limit (> .7) and AVE was more than .5

Table 1. The Results of Scale-Level Reliability and Validity Assessment					
Construct	Standardized loadings	Average Variance Extracted	Bentler-Bonnet Coefficient Delta	Composite Reliability	Cronbach's alpha
Transformational Leadership		0.874	0.978	0.982	0.860
Inspirational Motivation	.874				
Idealized Influence	.993				
Individual Consideration	.682				
Intellectual Stimulation	.949				
Employee Engagement		0.639	0.943	0.988	0.793
Ee 10	.943				
Ee 8	.553				
Ee 6	.500				
Ee 7	.563				

Impact of Transformational leadership on Employee engagement

SEM used to assess the impact of transformational leadership on employee engagement (Fig.2). The path traced between transformational leadership and employee engagement is significant and positive (SRW = .52, p = 0.001). The reason might be that transformational leadership enhances employee's ability to develop new ideas and question outmoded operating rules (Bass and Avolio, 1990). It has been observed that transformational leadership show

empathy, consideration and support for employees, which help them to overcome the fear of challenging the status quo leading to higher creativity. Further, the value of various model fitness indices are GFI= .867, AGFI= .899, CFI= .907 and RMSEA= .043 which reflect good model fit and acceptance of hypothesis 1.
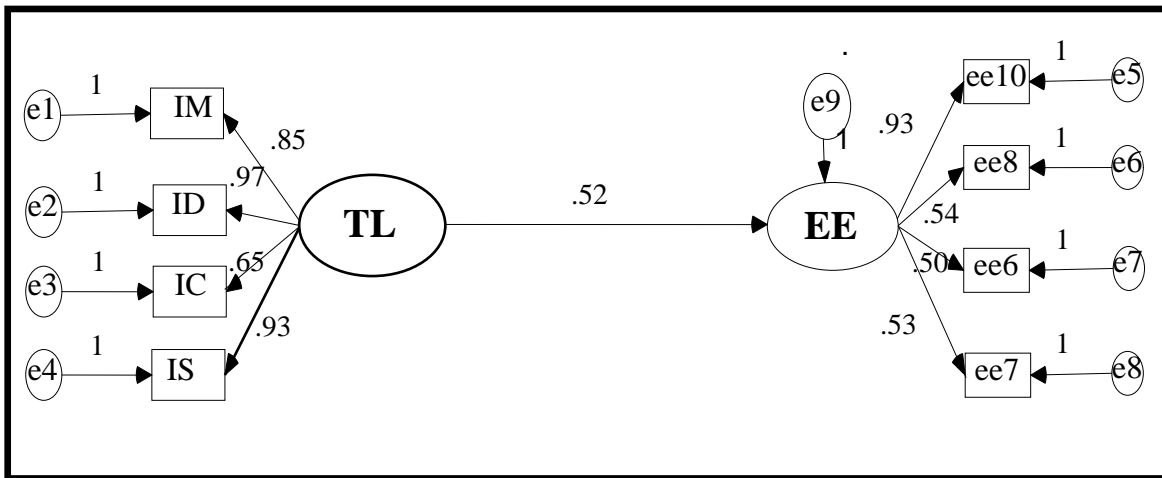

Fig.2: Model 1

Key: TL = Transformational Leadership (Predictor), EE = Employee Engagement (Outcome), IM= Inspirational motivation, ID = Idealized Influence, IC = Individual Consideration, IS = Intellectual Stimulation, ee6 to ee10 = Manifest variables.

Dimension-wise Impact of Transformational Leadership on Employee Engagement

In second model, we examined the dimension wise impact of transformational leadership i.e. inspirational motivation, idealized influence, individual consideration and intellectual stimulation on employee engagement. The goodness-of-fit indices for the structural model 2 (GFI= .990, AGFI= .948, NFI= .928, CFI= .964, RMR= .018, RMSEA= .062) are also well within the generally accepted limits indicating a good fit.
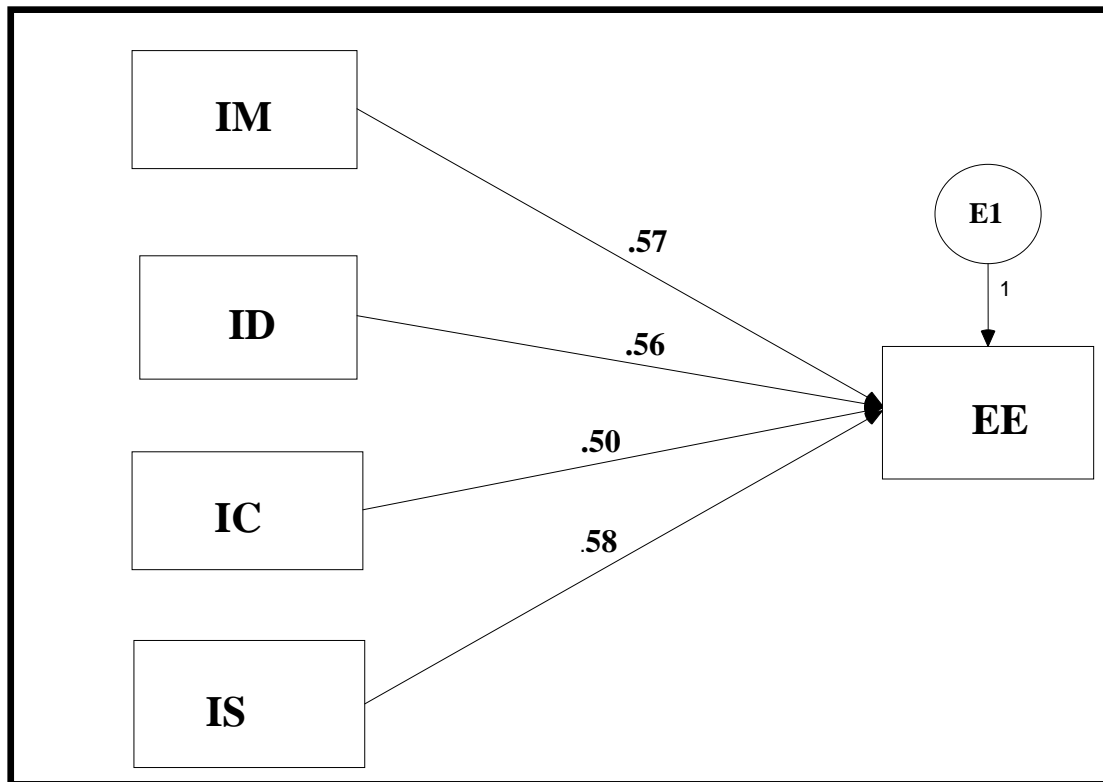
Fig.3: Model 2

Key: IM= Inspirational motivation, ID = Idealized Influence, IC = Individual Consideration, IS = Intellectual Stimulation, EE = Employee Engagement.

Impact of Inspirational Motivation on Employee Engagement: This path traced positive impact of inspirational motivation on employee engagement (SRW= .57, p < 0.001). The reason may be that through inspirational motivation, transformational leaders encouraging employees to achieve more than they would base on their own self-interest.

Impact of Idealized Influence on Employee Engagement: Idealized influence has a significant positive impact on employee engagement (SRW= .56. p<0.001). The rationale behind is that through idealised influence the leaders instils pride, faith and respect and transmits a sense of mission among employees (Hater & Bass, 1988).

Impact of Individual Consideration on Employee Engagement: There is a significant and positive impact of individual consideration on employee engagement (SRW= .50, p< 0.001). It has been observed that through individual consideration, the transformational leaders' pays attention to the employees' development needs and delegates work projects in a manner that stimulates a high level of creativity.

Impact of Intellectual Stimulation on Employee Engagement: This path shows significant influence of intellectual stimulation on employee engagement (SRW= .58, p< 0.001). The reason behind is that through intellectual stimulation the leader arouses employees to think in new ways and emphasises problem solving skills among employees leading to engagement.

Discussion

The purpose of study is assessing the impact of transformational leadership on employee engagement and dimension wise impact of transformational leadership i.e. inspirational motivation, idealized influence, individual consideration and intellectual stimulation on employee engagement. This study has several important findings. The results demonstrated that transformational leadership is positively related to employee engagement. This finding is consistent with the results of Shin and Zhou (2003), which suggested that employees are prone to remain loyal and to rely strongly on a transformational leader to encourage and guide the followers to a new work frontier. Through inspirational motivation, the transformational leader uses symbols and emotional appeals to focus group members' efforts, thus encouraging them to achieve more than they would base on their own self-interest. Using idealized influence, the leader instils pride, faith, and respect, has a gift for seeing what is really important, and transmits a sense of mission (Hater and Bass, 1988). In such a situation, employee may perform beyond expectations and be energized to achieve higher work objectives (Amabile et al., 1996; Amabile et al., 2004; Jung et al., 2003). Thus, transformational leaders can influence employees' engagement by making the employees feeling challenged and energised to seek novel approaches in their jobs. Through individualized consideration, the transformational leader pays attention to the employees' developmental needs and delegates work projects in a manner that stimulates learning experiences. Transformational leader gives employee prudence to satisfy their developmental needs and act accordingly, employees in turn devote more time to their work due to enhanced feelings of discretion and provision of enriched opportunities to test work capabilities. Thus, the employees are stimulated to achieve high levels of creativity. Through intellectual stimulation, the leader arouses employees to think in new ways and emphasises problem solving skills and the use of reasoning prior to taking action. In addition, employees are encouraged to challenge the status quo and question old assumptions, reformulate problems and fulfil their intellectual curiosity. Thus, Transformational leadership is more effective at encouraging followers to think more divergent and to adopt generative and exploratory thinking processes that yielded more creative ideas and solutions.

Managerial Implications

1. The team leaders should clearly understand their employees within the organization, besides expanding their strategic horizon in order to continuously maintain and increase the levels of business excellence and introduce meaningful and novel strategies in their work that lead to engagement.

2. Transformational leadership is likely to promote followers' creativity, management may find it valuable to invest in transformational leadership training for supervisors, team leaders or use personality test to screen for high calibre candidates who have high potentials for being a good transformational leader.

3. Management should build mutual trust and respect between employees and team leaders by fostering a corporate culture that enhances individual engagement and team work.

4. Team leaders should keep updated their employees with important organizational information through discussions and team meetings.

5. Team leaders should spend time in personal conversation with employees to solve their work related problems.

Limitations of the Study

1. The data was collected from one bank only, so the results lack generalizability.

2. Proper list of employees were not provided by the management. Therefore convenience sampling technique was applied.

3. The study is cross-sectional in nature.

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