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The Impact of Transformational Leadership on Employee Reactions towards Individual Work Performance: A Conceptual Paper

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Abstract
Interest in the impact of transformational leadership on employee reactions for decades, been the focus of research studies and variety of countries. Employee reactions are usually defined in this research specifically in terms of organizational commitment, job satisfaction and citizenship behavior. Either while such studies have focused on direct or indirect relationships between the specific factors, there is little evidence of any research, which examines the leadership effectiveness as a serially integrative relationship. This study therefore proposes a more comprehensive model of transformational leadership, which incorporates the key factors of employee reactions. The expectancy theory of motivation is used to expand and clarify the current model of leadership effectiveness. This paper claims that the reactions of employees are crucially nested in the transformational leadership – individual work performance relationship. In particular, the significance of this paper is therefore to develop the serially integrative relationship model between transformational leadership, organizational commitment, organization citizenship behavior, job satisfaction and individual work performance.

Keywords: Organizational Commitment, Organizational Citizenship Behavior, Job Satisfaction, Transformational Leadership, Individual work Performance.

Introduction
Leadership is a process of social influence that can increase effectiveness of the leader and the organization (Erkutlu, 2008). Leaders naturally may exert an influence on employees; helping them to achieve specific goals within their organization. Leaders who adopt the transformational leadership approach are better able to motivate employees to perform beyond expectations (Moon, 2016). A great deal of research has examined the significant impact of transformational leadership on work outcomes such as work performance and employee reactions (Abubakr & Hanan, 2013; Chen and Fahr, 2015). Studies of the effects of transformational leadership on employee reactions; namely organizational commitment, organizational citizenship behavior, and job satisfaction have attracted the attention of
researchers over the last 20 years, in parallel with the shift of work motivation from a performance-centric to a person-centric perspective (Kanfer et al., 2008; Finkelstein et al., 2015). Consistent with the findings of Lau (2017), the modern working environment requires employees who possess more adaptable and creative skillsets, with team-working being a crucial part of this skillset. This skill requirement has emerged from the changing nature of the person-centric working environment; where ‘big data’, business analytics and a smarter mode of living are all now vitally important (George & Haas, 2014).

Current research on employee reactions highlights how these reactions are an important tool for measuring leadership effectiveness within organizations. Understanding employee reactions through their work motivation not only promises to improve organizational productivity but also enhances the organization’s human capital management (Kanfer et al., 2008). Enhancement of human capital through learning, understanding, intervening and adjusting is important for organization to identify the opportunity to evaluate and maximize the value of people (Baron & Armstrong, 2007). Porter et al., (1973) found that employee reactions were significantly related to the performance of their organization.

Studies by Boselie et al., (2005) and Jiang et al., (2012) also supported the findings that employee reactions are related with organizational performance. In fact, numerous empirical studies have found that there is a direct positive impact of transformational leadership on employee reactions such as organizational commitment (Erkutlu, 2008; Han et al., 2016), organizational citizenship behavior (Nguni et al., 2006; Abubakr & Hanan, 2013) and job satisfaction (Rahman et al., 2013; Choi et al., 2014). Additionally, studies have also highlighted a positive relationship within the employee reactions itself, for instance the relationship between the employees’ commitment and their individual behavior (Foote & Tang, 2008) and relationship between individual behavior and satisfaction (Feather & Rauter, 2004). More generally, studies on the impact of transformational leadership have been extended to observe outcomes which translate into the performance of the individual and the organization (Steyrer et al., 2008; Munchiri et al., 2012).

Based on the previous studies, a positive relationship conclusively exists between leadership, employee reactions, and individual work performance (Nguni et al., 2006; Han et al., 2016). However, these studies are lacking in the perspective of the serially integrated relationship between transformational leadership, organizational commitment, organizational citizenship behavior, job satisfaction and individual work performance. Given this limitation, the present study is motivated to investigate the possibility of the existence of a serially integrated relationship.

Hence, the primary objective of this paper is to develop a serially integrative relationship model between transformational leadership, organizational commitment, organizational citizenship behavior, job satisfaction, and individual work performance. It is suggested that one of the outcomes of psychological contract between leader and employees are the behavioural consequences (Guest, 2004); whereby in the present study referred to as organizational citizenship behavior. The consequence of performing a behaviour will lead to experiencing emotions (Ajzen, 2011); for the purposes of this study, this phenomenon is referred to as employee’s satisfaction.

In short, this paper will extend and refine the existing model of leadership effectiveness by assuming that employee reactions play a crucial role in leadership effectiveness model. This paper is organized as follows: in the next section a literature review
will be presented, followed by the development of a theoretical framework and the formulation of a testable hypotheses.

Literature Review

Transformational Leadership

Transformational leaders are leaders who specifically inspire workers to ‘go the extra mile’ by raising workplace morale and fostering motivation; a process which ultimately brings benefits to both workers and their organization. Studies have shown that transformational leadership is generally practiced and acceptable in various industries (e.g. banking, military and hospitality) and countries with different culture settings (e.g. Malaysia, Australia and Taiwan) (Ozaralli, 2003; Brian & Lewis, 2004; Xirasagar, 2008; Ivey & Kline, 2010; Ling et al., 2011; Jogulu & Ferkins, 2012; Dai et al., 2013; Abd Rahman et al., 2013; Hardy, 2014; Dg Kamisah & Syed, 2015; Katou, 2015). On the other hand, the transactional leaders lead the team by negotiating with the followers to achieve an economic exchange relationship, where the follower will be rewarded monetarily and received a recognition in return for expected work performance (Sarros & Santora, 2001).

It has been argued in the literature that transactional and transformational forms of leadership should be combined in order for workers and organizations to benefit to their maximum extent (Brian & Lewis, 2004; Judge & Piccolo, 2004; Dai et al., 2013). Evans & Lindsay (2011) argued further that more effective leadership can be obtained via a correct blend of leadership styles practiced. Chen & Fahr (2015) pointed out that effective leaders should also have correct leadership characteristics, exhibited in a suitable situation, while from a different perspective Erkutlu (2008) suggested that transformational leadership behaviors should be exhibited if an organization is to succeed in a rapidly changing business environment.

Following on from this body of research, this study explores the significance of the impact of transformational leadership behaviors; comparing Transactional Leadership and Laissez-Faire Leadership styles. The foundation for leadership is to observe the nature of effective leader and follower’s relationship (Bass, 1985). This can be measured by measuring the level of the employee’s commitment, behavior, and job satisfaction; elements which will be discussed in the next section.

Employee Reactions

Katou (2015) categorized employee reactions into four categories: motivation, organizational commitment, work engagement or satisfaction, and organizational citizenship behavior. The present study will utilize only three of these categories, namely organizational commitment, organizational citizenship behavior and satisfaction (job related), as they have been widely adopted in international leadership-effectiveness studies. These constructs are selected because they embrace a wide range of employee reactions and include psychology, behavior, and emotion.

Organizational Commitment

Organizational commitment, for example, indicates the psychological state of the employee, while organizational citizenship behavior and job satisfaction refer to the behavioral and emotional state of the employee respectively. Meyer & Allen (1991) divided organizational commitment into three components: affective commitment (desire), continuance
commitment (need), and normative commitment (obligation). These three aspects of commitment are a psychological state rather than being attitudinal or behavioral in nature.

Organizational Citizenship Behavior
Organizational citizenship behavior, however, refers to a form of individual behavior which is not usually recognized by any formal reward system, but which ultimately positively enhances the organization itself (Organ, 1988). Citizenship behavior exhibited by employee is voluntary (Dai et al., 2013) and is typically identified as any benevolent behavior which is performed ‘beyond the call of duty’; exceeding work-role requirements (Kreitner & Kinicki, 2013).

Job Satisfaction
One of the key employee attitudes which is of interest to researchers is job satisfaction. Job satisfaction is described as an attitude rather than a behavior; reflecting how an individual feel about something (Robbins & Coulter, 2005). According to Nelson & Quick (2013) job satisfaction is a positive state of mind which involves emotion and which is a consequence of the employee’s personal appraisal and experience of the job. Job satisfaction is considered one of the standard instruments for measuring leadership effectiveness and also reflects an organization’s performance.

Individual Work Performance
Based on work and organizational psychology, individual work performance is generally defined as any behaviors or activities which affect the goals of the organization itself (Koopmans, et al., 2011). Individual work performance is, in this paper, defined in terms of behaviors or actions of employees, rather than the results of these actions. In addition, individual work performance consists of behaviors that are under the control of the individual, thus excluding behaviors that are constrained by the environment (Ratundo & Sackett, 2002). Initially, Yukl (1989) posits leadership effectiveness as a form of consequence or outcome in general. Then, Zabid et al. (2002) suggests that this outcome can be categorized into financial, employee satisfaction with the leader and employee’s commitment to the organization’s goals. It may also be measured by measuring group performance, group survival, group growth, group preparedness, and collective capacity to deal with crises (Erkutlu, 2008). For the purposes of the present study, leadership effectiveness will be measured at the individual level, in terms of individual work performance, which comprises task performance, contextual performance, and counterproductive work behavior.

Theoretical Framework and Hypotheses Development
The present study adopts both expectancy theory and the new leadership model (i.e. transformational leadership) to construct a suitable theoretical framework. Expectancy theory is a process theory and focusses on the personal perceptions of the performance process (Evans & Lindsay, 2011). There are 3 main constructs in expectancy theory: valence (how someone value the rewards), expectancy (belief that performance is from effort), and instrumentality (belief that performance is related to rewards) (Nelson & Quick, 2013). Expectancy theory is relevant for this study as work motivation has shifted towards a more person-centric perspective (Kanfer et al., 2008), where the employee is now the focal point. Employees under the leadership of a transformational leader will tend to see themselves performing beyond what is expected of them (Bass, Leadership and Performance Beyond
Expectations, 1985). Transformational leadership has, in fact, four interconnected elements: idealized influence (or personal appeal), inspirational motivation, intellectual stimulation, and individualized consideration (Bass, 1997).

There are two stages of outcomes which are the consequences of transformational leadership behavior. These are intermediate outcomes and performance outcomes. Intermediate outcomes refer to employee reactions, while performance outcome refers to the work performance at the individual level. Specifically, this study assumes that employee reactions are centrally embedded in transformational leadership and in the individual work performance relationship. The horizontal sequential path as depicted in Figure 1 is, therefore, proposed for this study. Firstly, leaders who raise employee morale and motivation through transformational leadership behavior will, of course, affect the psychological state of the employee. This is where the ‘expectancy’ element of expectancy theory plays a crucial role. This impact can be observed in the commitment level of employees. Secondly, committed employees will exhibit belief performance (instrumentality) which will be reflected in employee behavior.

Drawing on expectancy theory, employee perceptions of the performance process will connect performance to rewards. Thirdly, employees who value rewards (valance) and who receive them as a result of good performance will feel satisfied for being rewarded accordingly. Lastly, motivated and satisfied employees are expected to perform beyond expectations, and this is translated into their positive work performance. A proposed sequence for employee reactions may begin with organizational commitment, followed by organizational citizenship behavior, and job satisfaction. Details of this sequence are further elaborated in the hypotheses development section which follows.

Transformational Leadership and Organization Commitment

Transformational leadership can expand and promote employee motivation, intellect, maturity and sense of self-worth (Bass, 1997). Unlike transactional leadership, however, transformational leadership moves a step further by raising employee motivation to move beyond self-interest in order to achieve the organization’s goals (Bass, 1985). Nearly two decades ago, Lok and Crawford (1999) confirmed earlier findings that leadership styles had a stronger influence on commitment. Recent studies also show how transformational
leadership has a positive and significant impact on organizational commitment (Nguni et al., 2006; Erkutlu, 2008; Muchiri et al., 2012; Han et al., 2016). Transformational leadership primarily influences the psychological state of employees and is expressed in their level of commitment (Allen & Meyer, 1990). The intensity of an employee’s commitment will rely on the strength of the relationship of the employees with their organization. This is an ongoing process of transforming the employees by increasing their motivation and building commitment in order to win trust, admiration, and loyalty towards organizations (Yulk, 2010). Transformation by providing a vision for the employees will give them the rewards of a worker’s identification with and relationship to a particular organization (p.226) (Mowday et al., 1979). Leaders who manage to motivate and uplift employee’s morale and values will build trust and loyalty to the organization, benefits which are ultimately reflected in organizational commitment. The culmination of this relationship is organizational commitment. Consistent with previous findings, this paper, therefore, posits the hypothesis below to express the relationship between transformational leadership and organizational commitment:

$H_1$: Transformational leadership is positively related to organizational commitment.

Organizational Commitment and Organizational Citizenship Behavior

While analysing the psychological contract, Guest (2004) explained that the outcomes of a psychological contract between leader and employees are behavioural consequences. The second relationship of employee reactions, therefore, assumes that a positive relationship of transformational leadership and organizational commitment will further integrate to organizational citizenship behavior. Organizational commitment is defined as the level of an individual’s positive identification with and involvement in an organization (Mowday et al., 1979). Meyer & Allen (1991) suggest that there are three components of organizational commitment: employee desire (affective commitment), need (continuance commitment), and obligation (normative commitment) to stay in an organization. The integrated impact from the psychological state onwards to behavioral state is due to the strong influence of the employee’s identification with and involvement in the organization, awareness of the costs should they leave the organization, and feeling of obligation to continue to stay in the organization (Meyer & Allen, 1991). A strong and positive relationship between organizational commitment and organizational citizenship behavior is also empirically supported. A recent study by Dai et al., (2013) in the hospitality industry indicates that organizational commitment has a strong and positive effect on organizational citizenship behavior. Ortiz et al., (2015) and Han et al., (2016) also support this finding in the context of private sector. Bilgin et al., (2015) specifically concluded that affective commitment is positively associated with organizational citizenship behavior. Based on above assumptions and previous studies, the hypothesis below was developed in order to understand relationship between organizational commitment and organizational citizenship behavior:
$H_2$: Organizational Commitment will be positively related to Organizational Citizenship Behavior.

Organizational Citizenship Behavior and Job Satisfaction

According to Ajzen (2011) the consequence of performing any behaviour is the experiencing of emotions. Organizational citizenship behavior is, therefore, demonstrated as a result of committed employees and is typically represented by voluntary contributions (Ortiz et al., 2015). Furthermore, organizational citizenship behavior brings a positive emotional energy which comes from an overview of the quality of the job experience (Nelson & Quick, 2013). Any voluntary action or behavior which comes from a committed employee will, naturally, bring satisfaction for that employee. The present study’s assumption is drawn based on the findings of previous studies that organizational citizenship behavior (Koopmans, et al., 2011) positively affects job satisfaction for employees (Feather & Rauter, 2004; Donavan et al., 2004; Nguni et l., 2006; Chou & Pearson, 2012). This study adopts the view that organizational citizenship behavior affects job satisfaction, instead of the opposite. A consequence of the positive relationship discussed earlier, leadership effectiveness will affect the employee’s emotional state only after affecting their psychological and behavioral state. The third relationship, therefore, assumes that there is a positive relationship between organizational citizenship behavior and job satisfaction. This forms the third hypothesis of this study, as below:

$H_3$: Organizational Citizenship Behavior will be positively related to Job Satisfaction.

Job Satisfaction and Individual Work Performance

Research into the relationship between job satisfaction and work performance took place as early as the 1930s, where researchers explored the link between employees’ attitudes and productivity. Various models have since been proposed and discussed such as causal effect, reciprocal relationship, correlation studies, and the most common now, which uses moderator variables (Judge & Piccolo, 2004). Studies have also treated both job satisfaction and work performance as separate variables and have demonstrated no relationship to one another. Nevertheless, there is no concrete conclusion on the linkage between employee’s attitude and performance due to the risks that this may involve. Nicholas (1993) notably argued that the linkage shows negative relationship, contrary to conclusions made by Morrison (1997). On the other hand, Bowling (2007) concluded that the relationship is largely spurious. However, research by Edwards et al., (2008), Kinicki and Fugate (2012) and Babalola (2016) on the relationship between job satisfaction and performance supported the positive relationship. Recent research by Bakotić (2016) provides...
further evidence that a relationship between both job satisfaction and performance exists in both directions. Evidence for job satisfaction causing performance was stronger compared to the reverse relationship. Hence, this study assumes that the relationship between two variables is not spurious and will focus on the causal effect whereby job satisfaction causes work performance. The study of causal effect examined the employees’ and leader’s relationship; otherwise known as the human relations movement in Judge and Piccolo (2004). This relationship and the causal effect of both variables are elements which this study intends to clarify. The present study, therefore, posits the hypothesis as below:

\[ H_4: \text{Job Satisfaction will be positively related to Individual Work Performance.} \]

**Discussions**

The horizontal sequential path is proposed for this paper based on the assumption that leaders who uplift employee morale and motivation through the transformational leadership approach will have a positive psychological impact on employees. This assumption suggests that employee commitment or psychological state will be firstly impacted; resulting in increased effort. Then, employees will believe and understand that their performance demands their effort; thus, leading to a change of behavior. Stronger employee perception of the performance process will lead to the belief that performance relates to rewards; a process which can be explained by valence element in expectancy theory. Consequently, employees who value rewards and receive them as a result of good performance will feel satisfied for being rewarded accordingly. Besides, rewarding the positive behaviour brings satisfactions in employee’s emotion and consequently produces favourable performance outcomes.

**Conclusions**

Numerous empirical studies have been examined which prove a direct impact of transformational leadership on employee reactions. However, these studies are characterized by the lack of any comprehensive view of employee reactions towards leadership because they omit any perspective of the serially integrated relationship between transformational leadership, employee reactions, and individual work performance. Thus, the present study attempts to fill this gap by developing a serially integrative relationship model between transformational leadership, organizational commitment, organizational citizenship behavior, job satisfaction and individual work performance. In short, this study is proposed to provide a more comprehensive view of leadership effectiveness by developing a serially integrative model which integrates leadership, employee reactions, and work performance. This paper may contribute to the existing literature by offering new insights into the impacts of transformational leadership on employee reactions towards individual work performance.

This field is gaining more attention in the context of present day as organizations continue to change rapidly in order to survive in a competitive and brutal business environment. Employees become increasingly important assets to an organization for their ability to generate creative and innovative ideas or solutions and work collaboratively with teammates which machine unable to replicate. Hence, putting extra attention to employee reactions now may place organization in a better business position particularly in competitiveness area in future. Therefore, decision makers and practitioners are encouraged to exhibit more transformational leadership behavior in their organization as it leaves great impact in fostering organizational commitment, organizational citizenship behavior and
increases job satisfaction among their employees. Subsequently, individual work performance will increase.

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