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Transformational Leadership and Employee Intent to Stay: Mediating Effect of Employee Self-Efficacy

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Abstract
In a rapidly changing environment and continuing competitive pressure in the business world, the management of human resources has emerged as a significant problem. Primarily, organizations experience difficulty in retaining the top talent and sustaining a healthy work environment for improving their engagement and retention prospects. This study aimed to examine the effect of transformational leadership on intent to stay. It also analyzed the mediating role of self-efficacy in the relationship between transformational leadership and intent to stay. A cross-sectional study design following a quantitative paradigm was used. Employees working at textiles, leathers, and clothing corporations listed on the Amman Stock Exchange were recruited. Questionnaires were completed by 227 employees and data was statistically analyzed utilizing Statistical Package for the Social Sciences (SPSS) following Structured Equation Model (SEM). Results indicated that intent to stay was significantly related to transformational leadership. Furthermore, the study produced support for the claim that self-efficacy had a mediating effect on the relationship between transformational leadership and intent to stay.

Keywords: Intention to Stay, Jordan, Self-Efficacy, Structure Equation Model, Textile Industry, Transformational Leadership.

Introduction
Jordan’s textile, leather, and apparel industry is the prime contributor to the country’s gross domestic product (GDP) (Oxford Business Group, 2019). It is well recognized that this industry has undergone substantial changes in meeting the challenging environment and changing customer demands (Srai et al., 2016). The prime challenges experienced include high costs of energy, lack of trained labor, limited recruitment of expatriate labor, instability of legislation, and laws, in addition to the urgent need for funding programs that support the industry. Also, it has accounted for a shift in human resources management thinking and psychological and attitudinal issues in the workplace. Studies emphasize that constant change in leadership is required for meeting the increased level of competitiveness and profitability (Chully &
Sandhya, 2014; Ohunakin et al., 2019). Ohunakin et al. (2019) demonstrate the role of leadership on the attitude and behavior of the workforce, which is particularly effective in dealing with employee's issues concerning work motivation, engagement, retention, and satisfaction.

Low retention of the employees serves as a major dilemma globally, especially in Jordan. This is followed by adverse conditions related to the cost of recruitment, training, errors, and low engagement, which eventually leads to low productivity. Other challenges identified include low employee morale and deteriorate production schedules. Owing to the essential value of human capital and the high cost of turnover and recruiting new employees, emphasis is placed to overcome the turnover challenges. Most studies confirm the correlation between leadership style and employee turnover (Green, Miller, & Aarons, 2013; Lavoie-Tremblay, Fernet, Lavigne, & Austin, 2016; Supriatna, 2019). Wang et al. (2018) emphasize the significance of the transformational leadership style on the low rates of employee turnover. Zakaria et al. (2018) reason that a close association exists for the engagement level at a workplace with a transformational leadership style.

Transformational leadership is linked to forming a more motivating and energizing work engagement, which leads to higher job satisfaction, more employee engagement, and less employee turnover. Such as transformational leaders identify the needs of their followers and have foster effective interaction (Supriatna, 2019). It enhances aspiration and transfers people and organizational systems into new, high-performance patterns. The motivation aspects are also found to be linked to an employee self-efficacy, which impacts individual choices, efforts, mindsets, and interaction with the different stimuli (Supriatna, 2019; Goodwin, 2019). Individuals with high scores on self-efficacy tend to view work problems as challenges to master and work hard when difficulties arise.

Self-efficacy, due to its effect on the motivational mechanism, serves as a major organizational issue. House and Shamir (1993) have proposed that the main motivational mechanism via which transformational and charismatic leaders inspire their followers is through enhancing followers’ self-efficacy and self-worth. By role modeling and the appropriate behaviors, transformational leaders can affect followers’ self-efficacy (Hentrich et al., 2017). Knowledge and experience may influence how new employees select information and respond to new situations. For example, people with high levels of self-efficacy might be expected to define their new roles differently than those with low levels because of different beliefs about their competence (Jones, 1986). New hires with high scores of self-efficacies may take initiatives toward role performance in order to demonstrate their competencies. The increased self-efficacy is also expected to impact an employee turnover intention.

Past research of Kharabsheh, Alias, & Ismail (2017) has revealed an association between transformational leadership and turnover intention. Thus, leader behaviors can arouse the followers’ positive emotions and influence their intention to stay or leave (Eberly et al., 2017). However, investigating these variables and their potential mediators has received little attention in research. It is indicated that previous researches fail to provide a clear understanding of the leader on the followed intention (Crossman & Crossman, 2011; Uhl-Bien, Riggio, Lowe, & Carsten, 2014). A further empirical investigation is required to understand the relationships among transformational leadership and self-efficacy and how these relationships influence intention to stay or leave the organization, particularly in the textile industry where limited work is found (Javed, 2018). Also, the experiential studies on
the relationship between turnover and experiential studies on employee intention and intent to stay have been explored for the Western region, where major focus has been on the developed regions, i.e., Canada, US, and Australia recognized as developed economies (Li, Chiaburu, & Kirkman, 2017). Though, these cannot be extended and conceptualized for the developing nations such as Saudi Arabia.

Also, although various researches have linked transformational leadership to employee intent to stay (Gyensare et al., 2017; Chang et al., 2013; Dimaculangan & Aguiling, 2012; Wells & Peachey, 2011), the mediating mechanism and association with the mentioned variables have remained an area where employees have struggled. Even though the research on the mediating role has been instigated, it has not been established for self-efficacy. Such as Jiang, Zhao, & Ni (2017) studies the mediating role of organizational citizenship behavior, Khalid (2019) for organizational commitment and job embeddedness, Sahu, Pathardikar, & Kumar (2018) for employee engagement, employer branding, and psychological attachment, Gyensare et al. (2017) for engagement, affective commitment and psychological climate and none for self-efficacy. To overcome this gap, the current study intends to describe the relationship between transformational leadership and intention to stay in textiles, leathers, and clothing corporations in Jordan. It assesses the relationship between transformational leadership and intent to stay with self-efficacy as mediators.

**Research Objective**

To evaluate the influence of transformational leadership and self-efficacy on intent to stay, the authors developed a model linking these constructs, testing the data for the goodness of fit, and analyzing relationships through using the structural equation modeling technique.

**Theoretical Background**

**Transformational leadership**

Transformational theory origins from leader-member exchange theory (Pray, & McCarthy, 2018). It believes that followers are affected by the leader’s attitude and his treatment and the nature of their relationship with their leaders. Such as the followers positively reciprocate a high-quality relationship. Transformational leaders are visionary, inspiring, and role models for their followers (Chully & Sandhya, 2014). They foster a positive change in their followers by instilling trust. The leaders help the followers connect themselves to the organization’s mission, guide them to understand their strengths and weaknesses and assign tasks as per their highest performance; inspires them to take greater challenges and responsibilities (Kharabsheh, Alias, & Ismail, 2017).

Transformational leader interacts with followers and facilitates their growth and development. By inspiring followers to perform beyond their expectations and to prioritize organization interest, leader-member relationship optimizes. Eberly et al. (2017) highlight that transformational leadership improves employee’s morale, engagement, and devotion, which encourages employees to work beyond their psychological contract. Subordinates were found to consider their work as more significant and more harmonious when they had a transformational leader.

Transformational leaders have been characterized by four distinct components named as the 4 Is of transformational leadership (Avolio, Waldman, & Yammarino, 1991). These four components contain idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Transformational leaders combine creative insight,
intuition, persistence and sensitivity to the needs of others to “forge the strategy culture alloy” for their firms (Närvänen, 2018). Linking these concepts, transformational leaders are found to affect the way followers view their work and the stability in their jobs (Bass & Avolio, 1993). Accordingly, it is expected that transformational leaders can positively affect the intent to stay and can also affect self-efficacy. This proposition can be expressed in the following hypotheses:

- Hypothesis 1. Intent to stay is significantly related to transformational leadership.
- Hypothesis 2. Self-efficacy is significantly related to transformational leadership.

**Intent to Stay**

Intention to stay refers to the readiness of employees to stay in her/his current organization (Du Preez & Bendixen, 2015). Organizations are subjected to deal with the consequences of turnover, which adversely affect the costs and performance. If individuals are unsatisfied with the organizational climate in their companies, they are likely to switch to another organization (Sun & Wang, 2017).

The employee switching cost organization varies based on several factors, such as the level and nature of the job. The cost of replacing an employee may contain direct costs as advertising, recruiting, and training, as well as indirect costs, such as slow production and cost of errors made by the new replacement (Cohen, Blake, & Goodman, 2016). Although, not all turnover intentions lead to actual turnover, turnover intention is still an important indicator as an outcome variable. However, turnover intentions negatively affect organizational effectiveness as employees with unrealized turnover intentions are likely to resort to withdrawal behavior (Nica, 2016). In other cases, talented employees may eventually quit their jobs, causing harm to organizational performance (Chang et al., 2013). Therefore, if antecedents of turnover intention are identified at an earlier stage, organizations can develop suitable interventions to improve competitive advantage and prevent avoidable visible and invisible costs (Chang et al., 2013).

The social exchange relationships influence the behavior of an individual in employee-management interactions (Nica, 2016). If the employee-management relationship is positive, the employee displays healthy and positive behaviors towards the organization. Employee positive or negative behaviors in the workplace is an important indicator for her/his intention to continue working with the organization or to quit the organization. Previous studies have revealed various predictors of intention to stay (Cohen, Blake, & Goodman, 2016; Nica, 2016; Woon et al., 2017). Such as Woon et al. (2017) found four dimensions of organizational climate (autonomy, structure, rewards and considerations, and warmth and support) posited as determinants of intention to stay within the pharmaceutical context. The relationship between job satisfaction and turnover is significant and consistent, but not particularly strong. A causal understanding of employee’s intent to stay and the effects of leadership on the development of that intention would enable the development of effective retention strategies internationally (Cowden & Cummings, 2012). Accordingly, it is expected that self-efficacy can positively affect intent to stay. This proposition can be expressed in the following hypothesis:

- Hypothesis 3. Intent to stay is significantly related to self-efficacy.
Mediating Role of Self-Efficacy

The literature proposes that self-efficacy has been associated with many constructs regarding job outcomes (Ozyilmaz, Erdogan, & Karaeminogullari, 2018). Employees who have a high sense of self-efficacy work hard and are enthusiastic about their jobs and are less intended to switch. Only a few studies have examined the role of self-efficacy as a mediator between two variables. Higher self-efficacy was found to be linked to good outcomes, such as greater job satisfaction and better work performance (Bono & Judge, 2001).

Concerning the mediating role of self-efficacy, transformational leaders can contribute to self-efficacy levels of the followers by exhibiting positive attitudes and behaviors such as idealized influence, inspirational motivation, intellectual stimulation, and individualized considerations to followers (Jaiswal & Dhar, 2014). Such leader attitudes and behaviors are perceived by followers as important to their self-efficacy and intent to stay in organization.

The current study explores the mediating role of self-efficacy on the relationship between transformational leadership and intent to stay at the organization. Efficacy helps determine how much effort people will exert on activity and how flexible they will be in the case of adverse situations. Employees with high scores of self-efficacies help in learning and engaging with their peers as they are more certain of their abilities. It is well documented that positive social relations in the workplace are significantly related to intentions to stay and is an asset to the workplace (Hobfoll et al., 1990).

Gao et al. (2016) mediation analyses using the bootstrapping technique showed that perceived self-efficacy mediated the relationships between each dimension of transformational leadership and sales performance. Given this, transformational leadership is expected to influence employees’ self-efficacy, which modifies their intent to stay. Therefore, in the present study, it is proposed that self-efficacy will mediate the relationships between the transformational leadership and intent to stay.

- **Hypothesis 4.** Self-efficacy mediates the relationship between transformational leadership and intent to stay.

**Conceptual Framework**

Based on the above discussion in the literature review, the research portrays the anticipated direction of the relationships among the variables in Figure (1).

![Figure 1: Conceptual Framework](image)

Figure (1) demonstrates the relationships between the constructs under study. This model comprises the four hypotheses to be investigated, which represent the following three
constructs: transformational leadership as the independent variable, intent to stay as the dependent variable, and self-efficacy as the mediator between the two constructs.

**Methodology**

**Study Design**

The study used a cross-sectional design following a quantitative paradigm. The selection of this study design is based on its effectiveness for drawing concrete, inclusive, and easy to present analysis (Creswell & Creswell, 2017). Also, previous studies have concluded holistic findings using the same research design (Supriatna, 2019).

**Participants and Sample**

The study population consists of employees of textiles, leathers, and clothing corporations listed on the Amman Stock Exchange. Using a convenient sample technique, 400 employees working in these firms were invited to participate in the research. This sampling technique was selected as it assists in enhancing the generalizability of the research (Etikan, Musa & Alkassim, 2016).

**Data Collection**

Out of 400 invited employees, 227 employees participated in the survey, resulting in an overall response rate of 56.75%. A close-ended questionnaire was used, which constitutes items based on a 7-point Likert scale (from 1 strongly disagree to 7 strongly agree).

**Measures**

- **Transformational Leadership**
  The independent variable, transformational leadership behavior, was measured using seven items from the Multifactor Leadership Questionnaire (MLQ-Form 5X; Bass & Avolio, 1997) and the Global Transformational Leadership Scale developed by Carless et al. (2000). The Cronbach Alpha for the statements was 0.89 (Table 1).

- **Intent to Stay**
  Mayfield & Mayfield (2007) and O'Reilly III et al. (1991) questionnaires were used for measuring the employee intent to stay. The Cronbach Alpha value for the statements was found high, i.e., 0.84.

- **Self-Efficacy**
  The mediating variable, self-efficacy, was measured using the eight-item scale adapted from Jones (1986). The Cronbach’s α for the self-efficacy scale was 0.91 (Table 1).

<table>
<thead>
<tr>
<th>Questionnaire</th>
<th>Cronbach Alpha Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformational Leadership</td>
<td>(.89)</td>
</tr>
<tr>
<td>Self-Efficacy</td>
<td>(.91)</td>
</tr>
<tr>
<td>Intent to Stay</td>
<td>(.84)</td>
</tr>
</tbody>
</table>
Data Analysis

IBM Statistical Package for the Social Sciences (SPSS) was used for the data analysis. All items measuring the study constructs were subjected to exploratory factor analysis (EFA) using Varimax Rotation. Factor loadings with less than 0.40 were excluded from all constructs. A confirmatory factor analysis (CFA) was conducted using IBM SPSS AMOS Version 21.

Results

Descriptive Statistics and Pearson Correlations

Table 2 presents the means, standard deviations, bivariate correlations, and reliability coefficients of all variables. Results demonstrate that Transformational Leadership exhibited significantly positive effects on self-efficacy \((r = .282, p \leq 0.01)\) and on intent to stay \((r = .460, p \geq 0.01)\). Also, self-efficacy exhibited significantly positive effects on intent to stay \((r = .419, p \leq 0.01)\).

Table 2

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>SD</th>
<th>1</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Transformational Leadership</td>
<td>5.436</td>
<td>.751</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Self-Efficacy</td>
<td>4.253</td>
<td>.833</td>
<td>.282**</td>
<td></td>
</tr>
<tr>
<td>3. Intent to Stay</td>
<td>5.219</td>
<td>1.246</td>
<td>.460**</td>
<td>.419**</td>
</tr>
</tbody>
</table>

Structural Equation Modeling

Convergent validity was tested, and the t-value was found larger than 1.96 at the 0.05 level for all item loadings. All items yielded significant loadings. Transformational leadership was loaded with seven significant item loadings ranging from 0.71 to 0.80. At the same time, self-efficacy was loaded with eight significant item loadings ranging from 0.69 to 0.83, while the intention to stay was loaded with three significant item loadings, i.e., 0.82, 0.81, and 0.78. Therefore, the factor loadings of all items suggest that each item was a good indicator of its appropriate variable (Kline, 2005).

To confirm the factor loadings, CFA was conducted. The hypothesized model fitted well with the sample data. The model value of CMIN/DF ratio (1.899) was lower than the suggested threshold of 3.000 (Kline, 2005). Results of the CFA for the other indices required to judge the data fit indicated that Comparative Fit Index (CFI) = 0.946; Tucker Lewis index (TLI) = 0.938; Standardized Root Mean Residual (SRMR) = 0.045; and the Root Mean Square Errors of Approximation (RMSEA) = 0.063. All these indices’ results were within the recommended limits (Browne et al., 1993). All composite reliabilities (CR) and average variance expected (AVE) values exceeded the standard recommendations of 0.70 and 0.50 consecutively.

Direct Effects

Figure (2) revealed a significant relationship of transformational leadership on intent to stay \((\beta = .43, p < 0.001)\), and on self-efficacy \((\beta = .31, p < 0.001)\). These findings validate the formed hypothesis H1 and H2, respectively. Furthermore, intent to stay was found to be significantly related to self-efficacy \((\beta = .34, p < 0.001)\), supporting H4.
Indirect Effect
To test indirect effects, the researcher applied bootstrapping to increase power and to decrease Type I error. Bootstrapping with 2,000 iterations was performed to test three types of effects: direct, indirect, and total effects. Results of the indirect effect of self-efficacy on the relationship between transformational leadership and intent to stay ($\beta = 0.105$, $p < 0.01$) support the H4.

Discussion and Conclusion
The study explored the relationship between transformational leadership, self-efficacy, and intent to stay. The findings of the current study provide support for the model and the relationships which were initially suggested. Results of the examination of the effect of transformational leadership on intent to stay indicate that transformational leadership had a significant effect on intent to stay. This result was consistent with Gyensare et al. (2017) study, which found that transformational leadership positively influence engagement, which was then negatively related to employee turnover intention. Also, the current study showed that self-efficacy was significantly related to transformational leadership. These results are consistent with the study of Ross & Gray (2006). Furthermore, a significant relationship was found between self-efficacy and intent to stay, which are consistent with the results of Park & Jung (2015).

For a comprehensive interpretation of the results, the role of self-efficacy in the relationship between transformational leadership and intent to stay was integral to assess. Therefore, the study assessed these constructs and showed self-efficacy as a partial mediator of the relationship between transformational leadership and intent to stay. This result suggests that transformational leadership can influence the intention to stay directly as well as indirectly by self-efficacy. In other words, the positive relationship between transformational leadership and intention to stay was stronger when self-efficacy was higher. That hypothesis was supported, as employees who had high self-efficacy and high transformational leadership exhibited more intent to stay when compared to employees who had low self-efficacy and low transformational leadership. The results of mediation suggest that through training
managers on transformational leadership style and how to deal with individual working conditions at different levels, self-efficacy is likely to be enhanced while increasing the percentage of employees who intend to stay in the organization. Those employees who lack high self-efficacy are more likely to search for other job opportunities in case a low level of transformational leadership prevails. Conversely, employees with a high level of self-efficacy were less likely to look for other job opportunities if they had a high level of transformational leadership. Several studies corroborate the study findings endorsing the substantial impact of transformational leadership on self-efficacy (Hentrich et al., 2017; Sun & Wang, 2017). However, they differ from the present study in terms of their methods, scope, and objectives.

From a theoretical standpoint, the present study findings make several contributions to the literature concerning transformational leadership and intent to stay. It develops an understanding of the mechanisms through which transformational leadership and self-efficacy influence intent to stay. The practical implications emphasize manager for improving conditions that improve employee intention to stay through following transformational leadership and self-efficacy. Results propose that management must give careful consideration to follow transformational leadership, give support to employees, and allow them to participate in decision-making and problem-solving. It further implies that training must be held for improving managers’ knowledge, abilities, and behaviors for enhancing employee intent to stay. It assists in improving work conditions, individual recognition, and integration of employee collective and individual needs for effective results. Also, this can be improved at an initial level through collaboration between educators and administrators using different education programs.

This research contributes to the research on the leather and clothing sector concerning leadership and employee intent to stays, with the mediating role of self-efficacy, particularly in Jordan. It also reminds both researchers as well as practitioners, to consider transformational leadership for improving employee retention. It shows that developing employee self-efficacy through leadership support can assist in minimizing employee leaving decisions. Promoting employee confidence, motivating them to do better, and supporting them are identified as commitment stimulators strengthening employee relationship with the firm. This develops employee’s positive perception, facilitates a decrease in their turnover intention, and improves their commitment. This also helps reduce the replacement cost, which is double the employees’ salary (Gyensare et al., 2015). Nevertheless, it is particularly significant for human resource professionals, as it indicates that for minimizing employee intention to leave, it is integral to focus on their development.

Despite the contributions made, the current study has certain limitations. A methodological limitation involves the use of self-report questionnaires to gather required data where prospects of biases are high. Also, responses from the same source tend to inflate the observed correlation between the measured dimensions (Podsakoff, MacKenzie, Lee & Podsakoff, 2003). Accordingly, the present findings should be interpreted with caution. The present study was carried out in the context of textiles, leathers, and clothing in Jordan. Further investigation may be conducted by practitioners and researchers in other services and manufacturing sectors. Another drawback of the study is that transformational leadership and self-efficacy are the only antecedents tested. It would be interesting to add other variables to the model, for example, well-being, job satisfaction, or organizational
commitment, since these variables are important in improving the employees’ behavior and reducing their intention to leave the organization.

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References


