Does Transformational Leadership Leads To Higher Employee Work Engagement.
A Study of Pakistani Service Sector Firms

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Abstract

The Present study explores how transformational leadership leads to higher employee work engagement in the service sector firms of Pakistan. The data was collected with the help of a structured questionnaire using stratified random sampling technique from various types of service firms. The result drawn from the sample of 150 respondents shows that inspirational motivation, idealized influence, individual consideration and intellectual stimulation when all these aspects of transformational leadership are practiced by the managers it leads to higher employee work engagement.

Key Words: Transformational Leadership, Employee Work Engagement, Service Firms

1.0.   Introduction:

In today's business world exceptional leadership is necessary because of economic turmoil, global competition, shrinking markets, layoffs, increasing cynicism and mistrust so today's business leaders who want to stay true to their personal conviction and be accountable for their business and at the same time inspiring their subordinates needs a unique style of leadership that meets all these demands.
The study highlighted and discusses some of the most effective styles of leadership and proposes a model that can meet the future needs and challenges of these business leaders and help them enhance their employees work engagement.
The study is conducted in the service sector firms and the effect of transformational leadership will be assessed on employee work engagement as in the past transformational leadership styles have produced a consistent pattern of positive relationship between transformational leadership and subordinate attitudes, behaviors and work performance.

1.1.   Significance of Study:

This study is important because it discusses and explores the benefits of transformational leadership because still most firms are using traditional transactional leadership which is based

on exchange of extrinsic rewards and does not seek to motivate followers beyond the level of avoiding punishment or getting rewards.

The study is also important because it has explain how transformational leadership effects employee commitment, satisfaction and work engagement which intern affects employee performance, turnover and absenteeism.

This study provides a framework for Pakistani service firms that will explain the important factors contributing towards employee work engagement and help the managers and top leadership to motivate and groom their work force in a way that will ensure the achievement of strategic objectives of these firms. The study also explores the benefits that the service sector firms can get through effective adaptation of transformational leadership especially for middle and top level managers.

2.0.   Theoretical foundations:

Empirical evidences provided by researchers like Walumbwa and Hartnell (2011) confirmed the positive relationship between transformational leadership and employee performance and their results shows an average correlated Meta correlation of 4.4 which shows a positive association between transformational leadership and followers attitude such as commitment with work and organization.

While Avolio, Bass, Walumbwa (2004) and Yukl (2008) noted that a variety of different influence processes are involved in the transformational leadership which include identification, cohesiveness, efficacy, potency, trust and fairness perceptions that ultimately effect employee behavior and performance outcomes.Wang and Chen (2005) studied the adaptation of leader member exchange theory (LMX) and discusses the effect of various factors like psychological empowerment, self concordant goals, intrinsic motivation and job characteristics as important contributor to employee work performance.

Sluss and Ashforth (2007) studied the interpersonal form of identification i.e. rational identification which focuses on ones role related relationships, where followers define themselves in term of his or her given roles. The results suggests relational identification expands followers sense of what defines them and this is one important dimension of transformational leadership. Tims and Bakker (2011) investigated how transformational leaders enhance followers daily work engagement and suggest that among other dimensions of work engagement employee dedication, absorption and social persuasion are strongly correlated with effective adaptation of transformational leadership.

Yi GAO and Shan BAI (2011) studied the effect of transformational leadership in Chinese family businesses and the study suggests that family education, age of owner and gender acts as strong moderators between effective adaptation of transformational leadership and employee commitment. Riaz and Hussain (2010) studied the role of transformational and transactional leadership on career satisfaction and found that transactional leadership is more strongly correlated with job satisfaction while transformational leadership strongly correlates with employee career satisfaction.

Gill, Flaschner, Shah and Bhutani (2010) in their research checked the relationship of transformational leadership and empowerment with employee job satisfaction and collected

data from 218 restaurant managers and found practicing transformational leadership and empowering employees leads to higher employee commitment which further enhances employee job satisfaction. Moynihan, Pandey and Wright (2009) studied public service motivation by investigating ways in which organizational leaders can reinforce and even augment the potential effects of public service motivation on the employees' attraction to the organization's mission. And found that transformational leadership is associated with higher public service motivation secondly they also suggests that transformational leadership has both a direct effect on mission valence as well as important indirect effects through its influence on clarifying organizational goals and fostering public service motivation.

Liao and Chuang (2007) hypothesize that transformational leadership is related to relational identification with the supervisor, because such leaders serve as exemplary role models, articulate a compelling vision, and communicate high performance expectations (charisma), provide emotional appeal, meaning, and challenge to their followers (inspirational motivation), pay specialized attention to their followers' needs, expectations, and development (individualized consideration) while also challenging their followers to look at issues from different perspectives (intellectual stimulation) and the results also confirmed their hypothesis.

3.0. Research Objectives:

- To identify which dimension of transformational leadership has more significant effect on employee work engagement perception.
- To identify the current leadership styles adopted by business leaders in the service sector firms and the reasons of this adaptation.
- To investigate the effect of self esteem, self efficacy and employee fairness perception on the relationship of transformational leadership adaptation and employee work engagement.
- To identify and discuss potential and strategic benefits of transformational leadership for Pakistani service sector firms.

4.0. Research Hypothesis:

- Is there a significant relationship between transformational leadership and employee work engagement in the Pakistani service sector firms?
- Do employee self esteem, self efficacy and fairness perception act as moderators between transformational leadership and employee work engagement perception?
- Do transformational leadership helps business managers to achieve higher level of employee commitment.

5.0. Research Design:

This study is descriptive in nature explaining in detail the concepts, theories and researches related to transformational leadership and its effect on employee work engagement perception.

The population of the study is all service sector firms in Pakistan. The sample frame will be taken from Islamabad Chamber of Commerce about all the listed service sector firms of Pakistan and this list will be used to get the names, location and addresses of these firms, the sample size was 150 firms from all major cities of Pakistan, the sampling technique was

stratified random sampling as population was first divided into different service sector firms operating in telecommunication & networking , banking, hotel , hospitals and educational institutions then respondents were chosen from each type of firm randomly.

Primary data is used in this research and respondents were middle level managers from each selected service firms. The data was collected by using a structured questionnaire and this transformational leadership questionnaire has several items for different constructs like inspirational motivation, idealized influence, individualize consideration and intellectual stimulation and in order to measure employee work engagement perception several items were used to measure constructs like dedication, absorption, optimism and social persuasion, and other items were for the moderating variables like self efficacy, self esteem and employee fairness perception.

The items were both adoptive and adaptive after getting permission from the developer i.e. the MLQ (Multi Factor Leadership Questionnaire) by Bass & Avolio 1995 or Eleven item scale developed by Bandura & Gists (1987) for self efficacy etc and in most items a five or seven point Likert scale was used.

6.0. Data Analysis & Discussion:

Goodness of data was checked by using Cronbach's alpha which is a reliability coefficient and checks the internal consistency reliability of items for each construct i.e. that whether the items in a set are positively correlated to one another or not. Value of Cronbach's Alpha closer to 1 shows higher internal consistency of items usually a value of .80 is adequate.

As shown in Table 2 the Cronbach's alpha value lies close to the acceptable value i.e. .80 except that for one of the dimension of transformational leadership i.e. Intellectual Stimulation which is moderately reliable, so these results show that the internal consistency reliability of the items for the constructs is high and the results are highly reliable.

The value of the regression coefficient R explains the combined effect of all independent variables on the dependent variable. The acceptable value for regression coefficient R is above .60 i.e. which shows that 60% change in the dependent variable is because of the independent variables considered in the study.

As shown in Table 3 the value of the regression coefficient R is .77 which shows that 77 % change in employee work engagement is due to the variables which are considered in the study and this value shows that the model developed in this study is significant and the value of C is .229 which shows that approximately 22% change in employee work engagement in the service sector is due to those variables which are not considered in the study.

For the independent variables the values for the coefficient are all positive and above .50 which shows that all the independent variables are positively correlated with the dependent variable and the better the dimensions of transformational leadership practiced in the service firms the higher will be the employee work motivation. And according to the respondents the most effective dimension of transformational leadership is individualized consideration (.877) , which means that the more the manager give individual importance to each employee the higher will be his work motivation.

7.0. Conclusion:

The following conclusions were drawn in the study.

- Inspirational motivation, idealized influence, individual consideration and intellectual stimulation when all these aspects of transformational leadership are practiced by the managers it leads to higher employee work engagement and the employee feel dedicated and ownership towards their work and experience a higher level of absorption.
- Employee self efficacy, self esteem and fairness perception also strongly effects employee work engagement and other dimensions of transformational leadership i.e. only those employees which have higher level of self efficacy and self esteem and who thinks that they where treated fairly show high work engagement when given inspirational motivation, idealized influence and individualized consideration.

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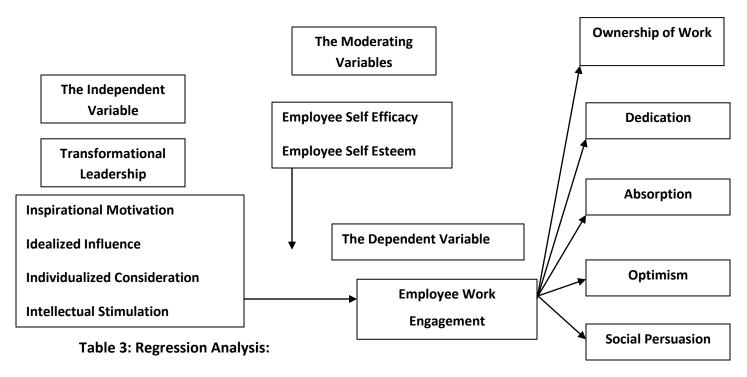
Table 1 : Descriptive Analysis:

Type of Firm	No of Respondents	Percentage of Total Sample Size
Educational Institutions	35	23%
Hospitals	40	26%
Banks	25	16%
Hotels	30	20%
Telecommunications	20	13%
Total	150	100%

Table 2: Reliability Statistics for Variables of the study

Variables	Cronbach's Alpha value	No of Items
Inspirational Motivation	.849	3
Idealized Influence	.810	2
Individualized Consideration	.803	3
Intellectual Stimulation	.790	3
Employee Self Efficacy	.890	4
Employee Self Esteem	.855	3
Employee Fairness Perception	.811	3
Employee Work Engagement	.802	11
Total		31

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Figure 1: Effect of Transformational Leadership on Employee Work Engagement

The Moderating Variables	Ownership of Work
The Independent Variable	Dedication
Transformational Leadership	Employee Self Efficacy / Employee Self Esteem
Inspirational Motivation / Idealized Influence / Individualized Consideration / Intellectual Stimulation	The Dependent Variable
Absorption	Optimism
Employee Work Engagement	Social Persuasion

Table 3: Regression Analysis:

R	0.770		
R-square	0.763	**Mean Dependent variable**	3.740
Adjusted R-square	0.754	**Standard Deviation of D.P**	1.017
F Statistics	200.13	**Prob (F Statistics)**	0.000

Variables	Coefficients	Std. Error	T Statistics	Prob
C	0.229	0.225	2.890	0.003*
Inspirational Motivation	0.601	0.249	2.194	0.042*
Idealized Influence	0.710	0.110	2.034	0.003*
Individualized Consideration	0.877	0.154	2.263	0.015*
Intellectual Stimulation	0.670	0.150	1.280	0.033*
Employee Self Efficacy	0.533	0.139	2.964	0.002*
Employee Self Esteem	0.503	0.278	3.440	0.094*
Employee Fairness Perception	0.799	0.113	2.660	0.108*

* Significant at alpha = .05   Dependent Variable = Employee Work Engagement