A Study of the Relationship between Transformational Leadership, Empowerment and Organizational Commitment

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ABSTRACT

This study was conducted to examine the influence of empowerment in the relationship between transformational leadership and organizational commitment using a sample of 118 usable questionnaires gathered from employees in one US subsidiary firm in Sarawak, Malaysia. Outcomes of stepwise regression analysis showed that the relationship between empowerment transformational leadership is positively and significantly correlated with the organizational commitment. This result confirms the partial mediating role of empowerment in transformational leadership model organizational sample. Further, conclusion and implications of this study are elaborated.

Keywords

Transformational Leadership; Empowerment; Organizational Commitment

1.0 INTRODUCTION

A leader is often referred to as a powerful and dynamic person who forms the path of a nation and this may affect the organizational management (Bono & Judge, 2003, 2005; Yukl, 1989). In an organizational context, leadership is viewed as a prime force that may determine the organizational competitiveness in a global economy (Bass & Avolio, 1993; Bryman, 1992). In order to support the objectives, leaders often choose particular interaction styles that may represent the values and motivations, the wants and needs, the aspiration and expectation of both leaders and followers (Howell & Avolio, 1993; Hartog, Muijen & Koopman, 1997). For example, interactions in the traditional leadership approach emphasize the ability of followers to accomplish job targets as set up by their superiors (Howell & Avolio, 1993). Conversely, interactions in the contemporary leadership approach focuses more on the quality of relationship with followers, such as building reciprocal trust, participatory decision-making, democratic style, and concern about individuals (Avolio, Bass & Jung, 1999; Bycio, Hacket & Allen, 1995). Many scholars think that contemporary and traditional based interaction styles use different treatments

and this may be categorized in two major forms, namely transactional leadership and transformational leadership (Avolio et al., 1999; Hartog et al., 1997; Howell & Avolio, 1993).

In the early studies about human resource development, the internal properties of the organizational leadership were given much attention (Spreitzer, 1995). For example, transactional leadership and transformational leadership are two main features of the organizational leadership that have received much attention for many years ago (Bass, 1999; Hartog et al., 1997). Transactional leadership emphasizes cost benefit, where the exchange of commodities (e.g., rewards) and doing job based on task roles and requirements have been a main instrument to achieve organizational and job goals. For example, in this exchange process a leader often promises to fulfill followers' needs (e.g. wages and promotion) if they comply with his/her wishes (Burns, 1978; Jabnoun & AL-Rasasi, 2005). This leadership style is suitable to be practiced in stable organizational environments (Robbins & Coultar, 2005; Pounder, 2002).

In an era of global competition, many organizations shift the paradigms of their leadership styles from a transactional leadership to a transformational leadership as a way to achieve their strategies and goals (Bass, 1994, 1999, Howell & Avolio, 1993). According to the organizational leadership scholars, such as Bass (1994), and Hartog et al. (1997), define transformational leadership 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 organizational interests. This leadership style suits with the dynamic organizational environments (Bartram & Casimir, 2007; Hartog et al. 1997; Keller, 1995).

Recent research in this area shows that the ability of leaders to properly practice transformational styles in managing organizational functions may affect organizational commitment (Bycio et al., 1995; Simon, 1994). For example, intellectual stimulation, individualized consideration, inspirational motivation, and idealized influence behavior are the main transformational leadership practices (Avolio et al., 1999; Bass & Avolio, 1993). Intellectual stimulation is often viewed as a leader who cares about intelligence, rationality, logic and careful problem solving in organizations (Dionne, Yammarino, Atwater & Spangler, 2003). Leaders implement this approach through stimulating followers to re-examine traditional ways of doing things, use reasons before taking actions and encourage them to try novel and approaches (e.g., interesting challenging tasks) (Bass & Avolio, 1994).

Individualized consideration is viewed as a leader who cares about the followers' concerns and developmental needs. This idea encourages leaders to develop followers' potentials through proper coaching and mentoring, continuous feedback and link followers' needs to the organizational strategy and goals (Bass & Avolio, 1993; Avolio, Zhu, Koh & Bhatia, 2004; Kark & Shamir, 2002). Inspirational motivation is related to a leader who has capabilities to clearly formulate and openly communicating the vision and goal challenges to followers (Bass & Avolio, 1994). This idea motivates leaders to motivate followers to focus more on performing the targeted goals rather than providing them with rewards and punishments that may strongly increase followers' self-confidence in accomplishing the targeted goals (Bass & Avolio, 1993; Shamir, House & Arthur, 1993). Hence, idealized influence is seen as a leader who develops his/her capability to a role model in providing good supports to followers who have obstacles in doing job and encouraging followers to do works beyond their self interests (Bass & Avolio, 1993, 1994).

Organizational commitment is theoretically defined as a component of work-related attitudes. Organizational commitment is categorized by at least three factors: a strong belief in and acceptance of the organisation's goals and values; a willingness to exert considerable effort on behalf of the organisation; and a strong desire to remain in the

organisation (Mathieu, & Zajac, 1990; Mowday, Steers & Porter, 1982). From an individual unit of analysis, job commitment is often viewed as an interaction between job and employees, where a person who gets involved and develops pride in doing work will strongly invoke his/her work commitment. This may lead to remain in the organization (Cohen & Kirchmeyer, Dunham, Grube & Castaneda, 1994; Guatleng, Ismail & Cheekiong, 2007; Mowday Steers & Porter, 1982). Within a transformational leadership framework, the ability of leaders to properly implement transformational processes, such as intellectual stimulation, individualized consideration, inspirational motivation, and idealized influence in managing organization functions may lead to an increased organizational commitment (Dubinsky, Yammarino, Jolson & Spangler, 1995; Simon, 1994).

Surprisingly, a careful observation about such relationships reveals that the effect of the transformational leadership practices organizational commitment is indirectly affected by empowerment (Avolio et al., 2004; Kark, Shamir & Chen, 2003). Empowerment is viewed as proactive and strategic management practice that exists in an organization that promotes high commitment HR practices (Menon, 2001; Spreitzer, 1995), which reveals that leaders are willing to delegate the power and responsibility of controlling, and making and sharing decisions to their followers in performing job to achieve organizational strategy and goals (Honold, 1997; Howell & Hall-Merenda, 1999; Lashley, 1999). In a transformational leadership context, for example, leaders who give sufficient power to followers will encourage them to use their intellectual and fullest potential to overcome job obstacles, understanding the targeted goals and supporting the organizational interests. As a result, it may lead to an increased organizational commitment. The nature of this relationship is interesting, but little is known about mediating role of empowerment in transformational leadership models (Avolio et al., 1999; Burns, 1978).

The purpose of this study is firstly to examine the effect of selected transformational leadership characteristics on the organizational commitment. Further, we investigated the mediating role of empowerment in the relationship between selected transformational leadership characteristics and organizational commitment that occurs in one US subsidiary company in Kuching, Sarawak, Malaysia (USFIRMKK). The paper is structured in seven main headings. These are: the context of this study, review of related literature and proposed research hypotheses, the methods for this study, the results of data analysis, discussion and implications of this study, limitations of this study, and finally, a conclusion.

Literature Review: Many studies using a direct effect approach have recognized the effect of transformational leadership practices organizational commitment. For example, several studies about transformational leadership practices conducted using different samples and contexts, such as 228 employees in three different US organizations (Simon, 1994), and 1,376 nurses in some US health organizations (Bycio et al., 1995), salespeople in certain US organizations (Dubinsky et al., 1995) showed that transformational behaviours in leading followers through intellectual stimulation. individualized consideration, inspirational motivation, and idealized influence behavior had been a major determinant of organizational commitment. Thus, hypothesize that:

H1: There is a positive relationship between transformational leadership and organizational commitment.

Recent studies using an indirect effect approach have revealed the mediating role of empowerment in organizational leadership literature. For example, several studies about transformational leadership practices conducted based on different samples and contexts, such as 520 staff nurses in a large public hospital in Singapore (Avolio et al., 2004), and employees in several US banking organizations (Kark et al., 2003) showed that the leaders to properly ability of practice transformational styles (intellectual stimulation, individualized consideration, inspirational motivation, and idealized influence behavior) had increased their followers' empowerment to efficiently and effectively managing job functions. As a result, it could lead to higher organizational commitment in the organizations.

The leadership research literature is consistent with the notion of leadership theory, namely Burns' transformational (1978)leadership theory. Burns' (1978) transformational Specifically, leadership theory highlights that mutual understanding of leaders and followers in managing organizational functions may increase their moralities. Beside that, Bass's transformational leadership theory posits that interaction between leaders and followers in managing organizational functions can inspire followers to go beyond their self-interests for supporting the organization interests. application of these theories in an organizational leadership framework shows that followers' moralities and concern about organizational interests can be developed if leaders stimulate followers' intellectuals, develop followers' potentials, design and communicating targeted goals and motivate followers' think beyond their self interest in organizations (Avolio et al., 2004; Bartram & Casimir, 2007). If such transformational processes are properly implemented this will increase followers' empowerment to efficiently and effectively performing their job (Lashley, 1999; Spreitzer, 1995). As a result, it may lead to greater organizational commitment (Avolio et al., 2004; Kark et al., 2003; Shamir & Chen, 2003).

The literature has been used as foundation to develop a conceptual framework for this study as shown in Figure 1.

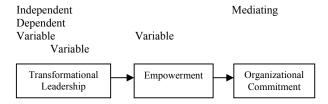


Figure 1: Conceptual Framework

Based on the framework, it can be hypothesized that:

H2: Empowerment mediates the effect of transformational

leadership on the organizational commitment.

2.0 MATERIALS AND METHODS

This study used a cross-sectional research design that allowed the researchers to integrate training management literature, in-depth interview, the pilot study and the actual survey as a main procedure to gather data. The use of such methods may gather accurate and less biased data (Cresswell, 1998; Sekaran, 2000). This study was conducted at one US subsidiary company (USFIRMKK) in Kuching, Sarawak, Malaysia. At the initial stage of this study, in-depth interviews were conducted involving four experienced employees, namely one HR manager and three experienced supporting staff in the Human Resource Department of the organization. Information gathered from the interviews helped the researchers to understand the nature of transformational leadership. empowerment characteristics and organizational commitment facets practiced in the organization. Next, this information was used to develop the content of a pilot survey questionnaire. A pilot study was carried out by discussing the survey questionnaires with one HR manager, one assistant HR manager and two experienced supporting staff in the Human Resource Department of the organization. Their feedbacks were used to verify the content and format of survey questionnaires for an actual study. The back translation technique was used to translate the survey questionnaires into Malay and English as to make the instrument more valid and reliable.

The survey questionnaire has 3 sections. Firstly, transformational leadership has 20 items that were modified from the multi factor leadership questionnaires (Bass, 1994, 1999; Bycio et al., 1995; Dionne et al., 2003; Hartog et al., 1997). Secondly, empowerment was measured using 10 items that were modified from empowerment literature (Ashforth, 1989; Hackman & Oldham, Jones. 1986: Tymon. Finally, the organizational commitment had 12 items that were developed by Mowday, Steers and Porter's (1982) Organizational Commitment Questionnaire. All items used in the questionnaires were measured using a 7-item scale ranging from "strongly disagree" (1) to "strongly agree" (7). Demographic variables were used as a controlling variable because this study also focused on employees' attitudes.

The targeted population of this study was the employees of the USFIRMKK. A total of 150 questionnaires were distributed randomly to the employees. Of the total number, 118 responded, yielding a response rate of 78.8 percent. The survey questionnaires were answered by participants based on their consent and on a voluntary basis. The number of survey participants exceeds the minimum sample of 30 respondents as required by probability sampling technique. Thus, the data collected can be analyzed using inferential statistics (Leedy & Ormrod, 2005; Sekaran, 2000).

3.0 THE RESULTS

Table 1 shows the sample profile of this study. The majority respondents were males (64.4 percent), respondents' ages between 26 to 30 years old (34.7 percent), Malay (41.5 percent), diploma holders (31.4 percent), non management employees (75.4 percent), and working experienced more than 10 years (24.6 percent).

Table 2 shows the results of validity and reliability analyses for measurement scales. The factor analysis using varimax with Kaiser Normalization rotation was done for 42 items which related to these three variables: Transformational Leadership (TL) (20 items), Psychological Empowerment (EP) (10 items), and Organizational Commitment (OC) (12 items). Next, the Kaiser-Mayer-Olkin Test (KMO), which is a measure of sampling adequacy, was conducted for each variable and the results indicated that it was acceptable. Specifically, the results of these statistical analyses showed that (1) all research variables exceeded the minimum standard of Kaiser-Meyer-Olkin's value of 0.6, were significant (p<0.000) in Bartlett's Test of Sphericity (BTS), (2) all research variables had Eigenvalues (EG) larger than 1 with variance Explained Values (VE) more than 0.45, (3) the items for each research variable exceeded Factor Loadings (FL) of 0.40 (Hair, Anderson, Tatham & Blacks, 1998), and (4) all research variables exceeded the acceptable standard of Reliability Analysis (RA) of 0.70 (Nunally & Bernstein, 1994). These statistical results confirmed the validity and reliability of measurement scales used for this study as shown in Table 2.

Table 1: Participants' Characteristics (N=118)

Gender (%) Male=64.4 Female=35.6 Job Category (%) Management=24.6	Age (%) 18-20=4.2 22-25=28.8 26-30=34.7 31-35=18.6 36-40=8.5	Race (%) Malay=41.5 Chinese=17.8 Indian=0.8 Native=31.4 Others=8.5
Management=75.4 Education (%) SPM=29.7 STPM=12.7 Diploma=31.4 Degree=16.9 Others=9.3	>40=5.1 Length of Service (9 <1 year =10.2 1-3 years =24.6 4-6 years =22.0 7-9 years =16.9 >10 years =26.3	<u> </u> <u>%</u>)

Note:

SPM/MCE/Senior Cambridge: Sijil Pelajaran Malaysia/Malaysia Certificate Education STPM/HSC: Sijil Tinggi Pelajaran Malaysia/High School Certificate

Table 2: Validity and Reliability Analyses for Measurement Scales

Measur	Ite	FL	KM	BTS	EG	VE	RA
e	m		O				
TL	20	0.6	0.96	2318.	13.	66.	0.9
		0		7	3	6	7
		to					
		0.8					
		8					
EP	10	0.4	0.82	542.5	4.7	46.	0.8
		1				6	6
		to					
		0.8					
		0					
OC	12	0.6	0.91	970.9	6.9	57.	0.9
		0 to				7	3
		0.7					
		8					

Table 3 shows the results of Pearson correlation analysis and descriptive statistics. The means for the variables are from 4.18 to 5.29, signifying that the level of transformational leadership practices, empowerment and organizational commitment range from high (4) to highest (7). The correlation coefficients for the relationship between the independent variable (i.e., transformational leadership) and the mediating variable (i.e., empowerment), and the relationship between the dependent variable (i.e. followers' performance) were less than 0.90, indicating that the data were not affected by serious co-linearity problem (Hair et al., 1998).

In terms of testing a direct effect model, transformational leadership positively and significantly correlated with the organizational commitment (r=0.55, p<0.01), therefore H1 was supported. This result demonstrates that the ability of leaders to properly implement transformational intellectual stimulation. processes via individualized consideration, inspirational motivation and idealized influence behavior is directly likelv to increase organizational commitment in the studied organization.

Table 3: Pearson Correlation Analysis and Descriptive Statistics

Variable	Mea n	ST D	Pearson Correlation (r)		
			1(TL)	2(EP)	3(OC)
1.Transformatio nal Leadership (TL)	4.79	1.4	1		
2. Empowerment (EP)	5.29	0.9 4	0.39*	1	
3. Organizational Commitment (OC)	4.18	1.2	0.55*	0.41*	1

Note: Correlation Value is significant at **p<0.01
Reliability estimation are shown diagonally (value 1)
STD=Standard Deviation

Stepwise regression analysis was undertaken to test the mediating hypothesis because it can assess the magnitude of each independent variable, and vary the mediating variable in the relationship between many independent variables and one dependent variable (Baron & Kenny, 1986). According to Baron and Kenny (1986), the mediating variable can be considered when it meets three conditions: the predictor variables are significantly correlated with the hypothesized mediator; the predictor and mediator variables are all significantly correlated with the dependent variable; a previously significant effect of predictor variables is reduced to non-significance or reduced in terms of effect size after the inclusion of mediator variables into the analysis (Wong, Hui & Law, 1995). In this regression analysis, standardized coefficients (standardized beta) were used for all analyses. The results of testing mediating model are shown in Table 4.

This table shows the inclusion of empowerment in Step 3 of the process and reveals that the relationship between empowerment transformational leadership practices significantly correlated with the organizational commitment $(\beta=.20, p<0.05)$, therefore H2 was fully supported. This relationship explains that before the inclusion of empowerment into the analysis in Step 2, transformational leadership practices was found to be significantly correlated with organizational commitment (B=.52, p<0.001). In terms of explanatory the inclusion power, of transformational leadership in Step 2 has explained 36 percent of the variance in dependent variable. As shown in Step 3 (after the inclusion of empowerment into the analysis), the previous significant relationship between transformational leadership practices and organizational commitment did not change to non significant (Step 3: β =.44, p<0.001), but the strength of such relationships were decreased. In terms of explanatory power, the inclusion of empowerment in Step 3 had explained 39 percent of the variance in dependent variable. This result confirms that the inclusion of empowerment into the analysis has increased the strength of relationship between transformational leadership and the organizational commitment, which sends a signal that empowerment, does act as a partial mediating variable in the organization.

Table 4: Stepwise Regression Analysis

Variable	Dependent Variable			
variable				
	(Organizational Commitment)			
	Step	Step 2	Step 3	
	1			
Control Variable				
Gender	.16	.14	.13	
Age	.36	.27	.23	
Race	08	04	02	
Education Level	03	06	03	
Job Category	12	02	03	
Years of Services	252	13	12	
Independent Variables				
Transformational		.52***	.44***	
Leadership				
Mediating Variable				
Empowerment			.20*	
R^2	.11	.36.	.39	
Adjust R Square	.065	.314	.340	
R square change	.113	.242	.030	
F	2.356	8.638***	8.537***	
F Δ R Square	2.356	41.208***	5.407*	

Note: Significant at *p<0.05;**p<0.01;***p<0.001

4.0 DISCUSSION AND IMPLICATIONS

This study confirms the mediating effect of empowerment in the relationship between transformational leadership and the organizational commitment. In the USFIRMKK, leaders have properly implemented transformational processes via individualized consideration, inspirational motivation, and idealized influence behavior to achieve the organizational strategy and goals. The majority of the employees perceive that such leadership practices had increased their empowerment in managing organizational functions. When employees perceive that the degree of empowerment is high, this may lead to increased commitment with the organization.

The implications of this study can be divided into three major aspects: theoretical contribution, robustness of research methodology, and contribution to practitioners. In term of theoretical contribution, this study revealed that empowerment does act as a mediating variable in the relationship between transformational leadership practices and organizational commitment. This outcome is

consistent with studies by Avolio, Zhu, Koh and Bhatia (2004), and Kark, Shamir and Chen (2003). In sum, the findings of this study have supported and broadened leadership research literature mostly published in the Western and organizational settings. Thus, the notion of empowerment has been successfully applied within the leadership management models of the studied organization. With respect to the robustness of research methodology, the data gathered using leadership management literature, the in-depth interviews, pilot study and survey questionnaires have exceeded an acceptable standard of validity and reliability analysis, and as such this has led to the production of accurate and reliable findings.

Regarding practical contributions, the findings of this study can be used as a guideline by the management to upgrade the effectiveness of leadership styles in their organizations. This objective may be achieved if the management considers some suggestions: firstly, leadership styles will be sharpened if they are continuously trained with up to date knowledge, relevant skills and good moral values. This training program can help improve leaders' treatments in handling the needs and demands of employees of different socioeconomy backgrounds. Secondly, participative leadership styles can be meaningful if followers are allowed to involve in decision making as this will motivate employees to perceive that their contributions are being appreciated. Consequently, it may motivate them to use their creativities and innovations in performing job. Finally, interaction between followers and leaders will increase positive subsequent personal outcomes (e.g., satisfaction, commitment, performance and ethics) if the organizations provide merit based pay (e.g., monetary incentives) to high performing employees. This pay system may motivate followers and leaders to focus more in achieving job targets. Heavily considering these suggestions may positively motivate followers and leaders to support organizational strategies and goals.

5.0 CONCLUSION

This study confirms that empowerment does act as a partial mediating role in the relationship between transformational leadership and the organizational commitment. This result has supported and extended leadership research literature mostly published in the Western and organizational settings. Therefore, current research and practices within transformational leadership models need to consider empowerment as a critical aspect of the organizational leadership styles, where increasing followers' empowerments in efficiently and effectively managing organizational functions may strongly motivate positive subsequent attitudinal and behavioural outcomes (e.g., competency, performance, satisfaction, commitment, trust, and positive moral values). Thus, these positive outcomes may lead employees to sustain and support organizational competitiveness in a global economy.

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