EFFECTS OF TRANSFORMATIONAL LEADERSHIP ON EMPLOYEE ENGAGEMENT: THE MEDIATING ROLE OF EMPLOYEE ENGAGEMENT

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ABSTRACT

Public service reforms mostly depend on high levels of motivation and commitment on the part of leaders to solve complex problems associated with implementation and restructuring initiatives. While transformational leaders have been advocated as productive under such conditions and evidence suggests that the leader practices do contribute to organizational performance, majority of existing literature has been on the effects of transformational leadership on organizational performance. Little evidence is however available as to which attributes of the transformational leader actually result in organizational performance and even fewer studies have focused on the possible mediators in this relationship. This study aimed at establishing the effects of transformational leadership on organizational performance with specific interest in the mediating role of employee engagement. A survey data obtained from 252 civil servants from eighteen State Corporations in Kenya was used to explore the existing relationships. Stratified random sampling technique was employed to select the respondents for the study and primary data collected using structured questionnaires. Data collected was prepared and analyzed with the help of the Statistical Package for Social Sciences (SPSS) version 22. The findings revealed that both transformational leadership and employee engagement are positively related to organizational performance. Three out of the four attributes of transformational leader; inspirational motivation, intellectual stimulation and individualized consideration were found to be positively related to both employee engagement and organizational performance. Idealized influence of leader was however found to be negatively related to both constructs. Employee engagement mediated the relationship between transformational leadership and organizational performance. The researcher thus recommends HR departments should...
develop programs that support transformational leadership of supervisors if such leaders are to increase employee engagement and hence organizational performance in the public service.

**Key words:** Engagement, Performance, Transformational leadership.

1. **INTRODUCTION**

Employee engagement has generated a great deal of interest in recent years as a widely used term in organizations and consulting firms [1]. This is especially due to credible evidence pointing toward an engagement-profit linkage [2]. Employee engagement has been characterized as a distinct and unique construct that consists of cognitive, emotional, and behavioral components associated with individual role performance [3]. Engaged employees often display a deep, positive emotional connection with their work and are likely to display attentiveness and mental absorption in their work [4].

In today’s world, employee engagement remains the ultimate prize for employers at a time when virtually every organization is struggling with cut-backs and financial pressure trying to improve performance with fewer employees and dollars. Although engaged employees are consistently more productive, profitable, safer, healthier, and less likely to leave their employer [5, 6], only 30% of the global workforce is estimated to be engaged [4]. Nonetheless, despite continued evidence of linkages to positive business outcomes, employee engagement is declining [2].

While some studies reveal that pay and benefits play an important role in attracting and retaining employees [7], such are also known to play a less important role in employee engagement. What are believed to influence employee engagement are factors like strong leadership, accountability, autonomy, sense of control and opportunities for development [7]. It has been suggested that leadership is one of the most important factors that influence work engagement [8]. In particular Aditya [9] asserts that leadership style is crucial in encouraging employee engagement. Meyer and Allen [10] also found that leadership can be used as an antecedent for organizational commitment.

Though leadership is regarded as a critical factor in the initiation and implementation of transformations in organizations, managers often make the assumption that being managers, they are also leaders and that their subordinates’ will automatically follow them [11]. This is not always the case and thus organizations need transformational leaders to influence their subordinates’ engagement levels and hence achieve organizational objectives.

Transformation is defined as a leadership behavior that transforms the norms and values of employees, whereby the leader motivates the workers to perform beyond their expectations [12]. This leadership focuses on the enhancement of followers’ involvement with the goals of the organization [13] leading to employee engagement in the long run. A central aspect of this leadership style is the inspiring vision of the supervisor [14] and therefore acting as a bridge between leaders and followers to develop clear understanding of followers’ interest, values and motivational levels [13].

Although most researches have explored the relationship between transformational leadership and organizational performance [15, 16], few studies have been done on the effects of this leadership style on employee engagement and even fewer on the mediating role of employee engagement. This is important since despite leadership being important in steering organizations to success, is not complete without followership. Leaders are thus expected to influence followers if they are to achieve organizational objectives [17]. This study aimed to fill this gap.
2 LITERATURE REVIEW AND HYPOTHESIS

2.1 Theoretical Review

The concept of transformational leadership was initially introduced by leadership expert Burns [18] who distinguished between ordinary (transactional) leaders and extraordinary (transformational) leaders. While transactional leaders were seen as those leaders who exchanged tangible rewards for the work and loyalty of followers, transformational leaders engaged with followers, focused on higher order intrinsic needs, and raised consciousness about the significance of specific outcomes and new ways in which those outcomes might be achieved [19]. The four dimensions of transformational leadership are: (a) idealized influence, which deals with building confidence and trust, (b) inspirational motivation, dealing with motivating the entire organization, (c) intellectual stimulation, involving arousing and changing followers awareness of problems and capacity to solve those problems and finally individualized consideration, which involves responding to specific needs of followers (Batista-Taran, Shuck, Gutierrez & Baralt, [2]. According to Burns [21], transformational leadership can be seen when leaders and followers make each other to advance to a higher level of morale and motivation through the strength of their vision and personality. These leaders garner trust, respect and admiration from their followers and have abilities to elicit this extraordinary performance on followers through behaviors that motivate exceptional performance [22; 23].

Two streams of research that provide models for employee engagement are Khans’ and Maslachs’ theories. Khan [24] studied psychological conditions of personal engagement and disengagement at work and found that three psychological conditions associated with engagement or disengagement at work were: meaningfulness, safety and availability.

The other model of engagement is the burnout theory which describes job engagement as the positive antithesis of burnout, noting that burnout involves the erosion of engagement with one’s job and outlines six areas of work life that can lead to burnout and engagement as; workload, control, rewards and recognition, community and social support, perceived fairness and values [25]. Although both Kahn [24] and Maslachs [25] models indicate psychological conditions or antecedents that are necessary for engagement, they do not explain why individuals will respond to these conditions with varying degrees.

A stronger theoretical rationale for explaining engagement is found in the Social Exchange Theory (SET) which argues that obligations are generated through a series of interactions between parties who are in a state of reciprocal interdependence. A basic tenet of SET is that the relationship revolves over time into trusting, loyal, mutual commitments as long as the parties abide by the rules of exchange [26]. Rules of exchange usually involve reciprocity or payment, such that actions by one party, leads to response or action by other party. For example when individuals receive economic and socio-emotional resources from their organization, they feel obliged to respond in kind and repay the organization [2]. This is consistent with Robin [27] description of engagement as a two way relationship between the employer and employee. Saks [3] also argued that employees will choose to engage themselves in varying degrees in response to the resources they receive from their organizations. In summary, SET provides a theoretical foundation to explain why employees choose to become engaged or less engaged in their work and organization.

2.2 Conceptual Framework

The conceptual framework adopted for this study was an integration of Bass & Avolio’s [28] model of transformational leadership and Heger’s [29] illustration of employee engagement and organizational performance as spelt out in the customer satisfaction standard as spelt out in the performance contracting of 2011 / 12 outward delivery index. The framework is illustrated in figure 1.
2.3 Research Hypotheses

$H_A1.$ Employee perception of idealized influence in his /her direct supervisor is positively related to employee engagement and organizational performance.

$H_A2.$ Employee perception of inspirational motivation in his / her direct supervisor is positively related to employee engagement and hence organizational performance.

$H_A3.$ Employee perception of intellectual stimulation in his or her direct supervisor is positively related to employee engagement and thus organizational performance.

$H_A4.$ Employee perception of individualized concern in his or her direct supervisor is positively related to employee engagement and hence organizational performance.

$H_A5.$ Employee engagement mediates the relationship between transformational leadership and organizational performance.

3. METHODOLOGY

This research adopted a cross-sectional survey design with a target population was 4000 employees top performing State Corporations based on the 2010 / 2011 performance contracting results. A sample of 364 respondents was drawn using Watson [30] sample size table, at 95% confidence level. Creswell [31] notes that the sample size will depend on the accuracy required and the likely variation of the population characteristics being investigated as well as the analysis to be conducted on the data. Stratified random sampling technique was used to first segregate elements as per the three major cities before randomly selecting from each stratum [32]. Primary data was collected using structured questionnaires administered by the researcher and two assistants between February and April, 2014. A pilot study was conducted on 10% of sample from each category to ensure validity and reliability [33]. Data preparation was done and analyzed with the help of SPSS (Version 22). A sobel test was employed to test the mediating role of employee engagement.

4. FINDINGS AND DISCUSSION

4.1 Reliability analysis

Reliability analysis for the three constructs using Cronbach’s alpha was; transformational leadership = 0.72, employee engagement = 0.79 and organizational performance = 0.61. These values were acceptable based on the rule of George and Mallery (2003) who ascertain that alpha value ≥ 0.9 is excellent; ≥ 0.8 is very good ≥ 0.7 is rated as good.
The questionnaire for this study was distributed between February and April 20th 2013. The study targeted 364 employees and management from eighteen institutions in the civil service in Kenya who had been in their organizations for at least three years. Out of the 364 questionnaires issued for data collection to the respondents, a total of 265 questionnaires accounting for 73% were returned. After cleaning of data, the researcher used 252 completed questionnaires (69.2%) which were found valid for analysis. According to Mugenda and Mugenda [34] over 50% response rate is adequate for analysis while over 70% is rated as very good. The response rate was thus rated as very good and deemed suitable for analysis.

4.2 Respondent data

From the analysis of respondent demographic data, more male employees (55.6%) than females responded. The largest age – group was between 25 and 29 years accounting for 24.6% of the total. Majority of respondents were in non managerial category (50.4%) and had worked in the organization for between 3 – 5 years and finally the most departments had between 10 and 20 members accounting for 50.4%.

4.3 Descriptive analysis of variables

The means and standard deviations of variables was analyzed to measure the central tendencies as well as deviations, the findings are presented in Table 1.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Means</th>
<th>S.D.</th>
</tr>
</thead>
<tbody>
<tr>
<td>I.I</td>
<td>4.17</td>
<td>1.10</td>
</tr>
<tr>
<td>I.M</td>
<td>4.29</td>
<td>.495</td>
</tr>
<tr>
<td>I.S</td>
<td>4.03</td>
<td>.603</td>
</tr>
<tr>
<td>I.C</td>
<td>3.88</td>
<td>.556</td>
</tr>
<tr>
<td>E.E</td>
<td>3.95</td>
<td>.492</td>
</tr>
<tr>
<td>O.P</td>
<td>4.29</td>
<td>.457</td>
</tr>
</tbody>
</table>

From table 1, it can be seen that the highest means belonged to inspirational motivation and organizational performance while the highest standard deviation was for idealized influence. This reflect that majority of respondents felt that their leaders portrayed high levels of inspirational motivation and their organizations performance was high.

4.4 Regression analysis between transformational leadership on organizational performance

The first regression analysis entailed regressing transformational leadership behaviors as the independent variables on organizational performance. Specifically the leader attributes of; idealized influence, inspirational motivation, intellectual stimulation and individualized concern were used to predict organizational performance in the civil service in Kenya. Results of the findings indicate R = .511, R² = .261. F = 21.76, p = .000**. The regression coefficient findings are presented in Table 2.

Table 2: Regression coefficients for transformational leadership on organizational performance.

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>Beta</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>2.055</td>
<td></td>
<td>8.475</td>
<td>.000**</td>
</tr>
<tr>
<td>I.I</td>
<td>-.015</td>
<td>-.037</td>
<td>-.607</td>
<td>.544</td>
</tr>
<tr>
<td>I.M</td>
<td>.263</td>
<td>.285</td>
<td>4.37</td>
<td>.000**</td>
</tr>
<tr>
<td>I.S</td>
<td>.156</td>
<td>.206</td>
<td>3.19</td>
<td>.002**</td>
</tr>
<tr>
<td>I.C</td>
<td>.139</td>
<td>.169</td>
<td>2.53</td>
<td>.012**</td>
</tr>
</tbody>
</table>

The findings indicate a positive and significant relationship between transformational leadership and organizational performance in the public service in Kenya with 26% of this performance being due to transformational leadership. From the table three of the four behaviors are
positively related and contribute positively to organizations performance, however idealized influence is negatively related to organizations performance and is insignificant. The first condition for mediation was met and finding is in agreement with the study by Barnett, Mc Commick and Conners [35] who argue that transformational leadership contributes to organizational performance and improvement.

4.5 Regressing transformational leadership on employee engagement

The transformational leadership attributes of idealized influence, inspirational motivation, intellectual stimulation and idealized concern were regressed on employee engagement to predict their effect on the engagement of civil servants in Kenyan public service. The results indicated $R = 0.569$, $R^2 = 0.323$ showing 32% of employee engagement is due to transformational leadership of supervisor and the relationship is significant $F = 29.5, p = .000**$. The regression coefficients are presented in Table 3.

Table 3: Regression coefficients of transformational variables on employee engagement

<table>
<thead>
<tr>
<th></th>
<th>B</th>
<th>Beta</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>.1767</td>
<td></td>
<td>7.076</td>
<td>.000**</td>
</tr>
<tr>
<td>I.I</td>
<td>-.053</td>
<td>-.119</td>
<td>-2.022</td>
<td>.044**</td>
</tr>
<tr>
<td>I.M</td>
<td>.020</td>
<td>.020</td>
<td>.315</td>
<td>.753</td>
</tr>
<tr>
<td>I.S</td>
<td>.252</td>
<td>.309</td>
<td>5.001</td>
<td>.000**</td>
</tr>
<tr>
<td>I.C</td>
<td>.336</td>
<td>.380</td>
<td>5.955</td>
<td>.000**</td>
</tr>
</tbody>
</table>

The findings indicate that both intellectual stimulation and individualized consideration contribute highly to employee engagement and are significant. Inspirational motivation though positive contributes minimally and is insignificant. Idealized influence though significant in this relationship is depicted as negatively related. The second condition was consequently met. This finding is supported by Carlson and Perrewe [36] who observed that major changes in organizational mission strategies and level of follower commitment are likely to emerge as a result of transformational leadership. Hon and Lu [37] also found that the relationship between management and employees positively affect their commitment to continue working for their organizations and will change employee work performance for the better. Meyer and Allen [10] also confirm that leadership can be used as an antecedent for organizational commitment.

4.6 Hierarchical regression analysis

The final regression analysis sought to establish whether employee engagement mediated the relationship between transformational leadership and organizational performance and entailed hierarchical regressions with mediating variable, employee engagement at block one and independent variables of transformational leadership attributes at block two both regressed on organizational performance. The findings indicate that with employee engagement alone organizational performance is only at 16.2% while when transformational leadership is loaded then the contribution to organization performance is 24.2 % meaning transformational leadership adds only 8% to organizational performance in the public service. The contribution in both cases to organizational performance is however significant $F = 48.20, p = 000**$ and $39.8 p = 000**$ respectively. The third condition for mediation was consequently met. The findings of this study are supported by Marcos and Sridevi [38] who found that employee engagement is a stronger predictor of organizational performance as well as Ghafoor et al., [39] who found significant relationships between transformational leadership and employee engagement practices and performance and Salanova, Chambel and Martinez [40] who found a direct relationship between transformational leadership and work engagement.
5. CONCLUSIONS AND RECOMMENDATION

The study tested the research framework with key variables as transformational leadership, employee engagement and organizational performance. Findings indicate that employees attest to the fact that the supervisors in the public displayed transformational leader behaviors with three of the four leader behaviors being positively related to first employee engagement and organizational performance respectively. Idealized influence of supervisor was however found negatively related and insignificant to both employee engagement and organizational performance. Employee engagement was also found to partially mediate the relationship between transformational leadership and organizational performance in the public service in Kenya.

This research not only highlights the leadership behaviors that are conducive for increasing both employee engagement and organizational performance but also those that detract it. The recommendation is that organizations especially HR departments should develop strategies and training programs around transformational leadership skills such as being supportive and providing a vision to employees if they are to influence both their employees engagement levels and thus organizational performance. Future research may focus on specific areas of employee engagement influenced by transformational leadership and why idealized influence of leader related negatively to both employee engagement and organizational performance.

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