Examining the Relationship between Transformational Leadership and Employee Empowerment

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Abstract

Transformational leadership is a leadership style that has been used to increase the followers' performance and it has been proven by many studies as effective leadership in increasing organizational effectiveness. One of the significant outcomes of transformational leadership is the employee empowerment. The employee empowerment shows that the employees have authorities over their jobs as well as enhancing their in decision making. The empowerment of employee is one of the ways for a company to increase it's efficiency. This is because the empowered employees are able to find opportunities and solve problems by their own. This paper presents the study on the relationship between transformational leadership and the employee empowerment. A cross-sectional survey is has been done with the total of 113 employees from the selected banks in Kuala Terengganu. The correlation analysis was used to determine the relationship between transformational leadership and the employee empowerment. The result indicates a significant relationship between transformational leadership and employee empowerment

Keywords: Transformational leadership, Employee empowerment, Effective Leadership, Employee Engagement

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INTRODUCTION

Competitive advantage is a goal for every organization. Having a valued product or service is among the ways on how a organization could win this competitive advantages. The employee empowerment is a factor that could contribute to this. According to (Ghosh, 2013), employee empowerment is the most powerful and effective practice in facilitating people who are capable in creating added value in product and service which is inimitable to make a greater contribution. Robins, Decenzo and Coulter (2011) provide three reasons for empowering the employees. The first reason is because they need to make a very quick decision by the most knowledgeable people regarding the issues of whom are usually the people at lower level. Whilst being in constant remain competitive in dynamic business environment, these people need to be empowered to enable them to decide and implement the changes. Organizational downsizing left many managers with larger spans of control, entailing the second reason. This is because managers need to empower their employees due to the growing of work demand. It would be useful when the employees are completed with the knowledge, skills and job competency. Lastly is the technology advancement whereby this happened due to the reason the managers have to face challenges when the responsible people are not physically present in the workplace. In addition, empowered employees are confidence and they think in talented, creative and trusted (Ravazadeh & Ravazadeh, 2013).

On the other hand, transformational leadership is an effective leadership and recognized by many literatures in its effectiveness. Transformational leadership is firstly found by Burns (1978) and he defined the transformational leadership as "one or more person engage with others in such a way that leaders and followers raise one another to higher levels of motivation and morality". Later in 1990, Bass and Avolio formally presented transformational leadership in four components which consist of idealized influenced, intellectual stimulation, individualized consideration and inspirational motivation. High level executives help followers to exceed the expectations in generating extra effort, creativity and productivity (Bass, 1995). Transformational leadership is one of the leadership styles which focused more on the follower or individual needs and this style is able to transform devotee's needs and expectations to more elevated amount (Joo, Yoon & Jeung, 2012).

Studies have shown that transformational leadership is positively related with employee empowerment (Men & Stacks, 2013; Ravazadeh & Ravazadeh, 2013; Salmasi, 2014; Zhu *et al.,* 2012) Transformational leadership empowers their employees by aligning the objectives and goals of the individual followers, the leader, the group and also organization (Bass & Riggio, 2006). The empowered employees are

able to design their course of action and committed with their action. Empowered employees will increase their commitment and may reduce the turnover intention (Humborstad & Perry, 2011). In addition, empowerment is necessary to promote customer's satisfaction (Alkahtani *et al.,* 2011). This depicts that the empowerment is necessary for organizational effectiveness whilst transformational leadership is the significant contributor for the employee empowerment. Thus, the purpose of this study is to examine the relationship between transformational leadership and the employee empowerment. The importance of transformational leadership in generating the employee empowerment will be explored throughout this study.

TRANSFORMATIONAL LEADERSHIP

Transformational leadership is a leadership that inspires followers to trust the leader, perform behaviour that contribute to achieve higher level of organizational goal (George & Jones, 2012). Studies show that transformational leaders are the one who increase follower's motivation, which makes them able to transform personal value and upgrade their expectations (Nusair, Ababneh & Bae, 2012; Krishnan, 2012). Bass and Avolio (1990) defined transformational leadership as the leaders who are able to drive the follower's goal towards the organizational goals. Transformational leadership shows that leader increases the interest of their employees by illuminating the understanding of the mission and vision of the group via promoting the interest of group (Bass, 1991). In order to achieve this, transformational leaders will become more charismatic and able to inspire their follower as well meet their emotional needs of followers (Bass, 1991). Inspiring, providing challenges and creating scopes for individual development are the methods of the transformational leaders motivate their employees (Shiva & Suar, 2010). They introduced four components of transformational leadership. Transformational leaders are likely to exhibit the components of idealized influenced, intellectual stimulation, inspirational motivation and individualized consideration.

Idealized influenced portray the leaders as role models because they are able to convey the trust in aligning the follower goals towards the organizational goals (Nusair, Ababneh & Bae, 2012). They set a high standard for the moral and ethical conduct. The followers will make the leaders as their reference for any conducts in the organization. Secondly, Bass and Avolio (1990) stated that individualized consideration refers to the personal consideration that given by the leader to their followers. It is a unique ways of treating employees based on individual needs and supporting it (Jackson, Meyer & Wang, 2012). The leaders treat them fairly and not in an unexpected way. As the part of the leader which is to mentor and coach, they have to be mindful to the individual needs. Individualized consideration for the followers is possible from numerous points of view such as giving personal concerns, provides them challenge as the channel for

them to create and also give opportunities to learn from the leaders (Nusair, Ababneh & Bae, 2012).

Next, intellectual stimulation refers to the leaders who are inspiring the followers by questioning of assumptions, reframing problems, and stimulate them which purposedly to increase the intellectual curiosity (Wang, Tsai & Tsai, 2014). According to Bass and Avolio (1990), intellectual stimulation makes the leader encourage the imagery and rethinking the solution for the old problems. In addition, leaders also expect the followers to challenge the status quo and experiment which is a good point to their work (Wang & Rode, 2010) and also questioning their customs which then generate their creative solutions (Jackson, Meyer & Wang, 2012) The leader also does not publicly criticize the follower's errors or mistakes or even estimation that differs from them (Nusair, Ababneh & Bae, 2012).

Lastly, inspirational motivation dimension indicates how leaders articulate vision and make follower to increase and enthusiast for meeting and achieving organizational challenge. It refers to the leaders who are promoting their employee's desire to work cooperatively in accomplishing collective goals (Wang, Tsai & Tsai, 2014). This is possible by passing on a clearer objective that they are going to accomplish later on. Moreover, Bass *et al.,* (2003) shows that transformational leaders with inspirational motivation encourages followers to have an attractive future for them to be envisioned by themselves. Thus, it portrays inspirational motivation as leaders who are supporting their workers by making individual and participation to accomplish objectives (Birasnav, Rangnekar & Dalpati, 2010).

EMPLOYEE EMPOWERMENT

Empowerment can be defined as the process of giving the employees the authority to make decisions and be responsible for the outcomes (Goerge & Jones, 2012). Employee empowerment is the delegation of power and authority by managers to their subordinates and shares the responsibility. The job will be effectively and efficiently accomplish with the adequate authority given to the employees as he can make decision on his own (Ghosh, 2013). Empowerment shows that the employees are able to hold authority and decision making (Robins, DeCenzo & Coulter, 2011) and they envisioned the future and expected to have greater feelings towards the organization (Avolio *et al.,* 2004).

Empowerment can be in two forms which are structural empowerment and psychological empowerment. Structural empowerment refers to the empowerment originates for the top management level and passed down to employees which is the

basic agreed upon view of the empowerment initiation process and the organizational structure plays as the factor in this type of empowerment (Appelbaum *et al.,* 2015). On the other hand, psychological empowerment is another form of empowerment. Spreitzer (1995) defined psychological empowerment as the motivational construct which based demonstrated four cognitions of meaning, competence, self-determination and impact. These four cognitions reflect active orientation of work role. Meaning refers to the value of a work goal. Competence refers to the self-efficacy for an individual to perform their work. Self-determination refers to autonomy in the initiation and communication of work behaviour. Impact reflects the degree which individual can influence their work.

Employee empowerment is related to motivation as it gives the ownership of the job to the employees that make them have greater willingness in decision making, take risk for the improvement and speak out any dissatisfaction. It also encourages the involvement of the employees, expecting employees to think, recognizing employee values, and rewarding the employee ownership of processes, products and services (Goetsch & Davis, 2010). There are many benefits of empowerment which is important for the organization. Among of the benefits are empowered employees are able to recognize threat and opportunity through customer complaints in unexpected situation, the employees will help to reduce the cost and find opportunities for new investments, they are able to use their critical thinking, provide solid reasons to prove the decision and action that are in line with common goals and they are able to make consensus for the decision and action (Ravazadeh & Ravazadeh, 2013). Thus, it is important to have employee empowerment in the organization as empowered employees are able to find opportunity and helps to increase the organizational effectiveness.

HYPOTHESIS DEVELOPMENT

The relationship between transformational leadership and employee empowerment

Transformational leadership helps in increasing employee empowerment by facilitates behaviour change that required them to make individual perform better and enhance the follower's positive quality (Jha, 2014). According to Bass and Riggio (2006), transformational leaders stimulate and inspire followers to achieve extraordinary outcomes in the process, develop their leader capacity and help followers grow by responding to individual needs by empowering them. According to Ravazadeh and Ravazadeh (2013), transformational leadership is positively related on staff empowerment in organization. It has significant effect on employee's sense of competence, sense of significant, sense of self-efficacy, sense of choice and self of trust. In addition, study done by Men and Stack (2012) shows that employee empowerment

(perceived competence and perceived control) is positively related with perceived organizational reputation by employees and it is also mediates the influence of transformational leadership on perceived organizational reputation by employees. The transformational leaders makes the followers to feel more accepted, trusted and valued through sharing with employees and engaging them with decision making (Men & Stack, 2013). Thus, the following hypotheses are proposed for this study.
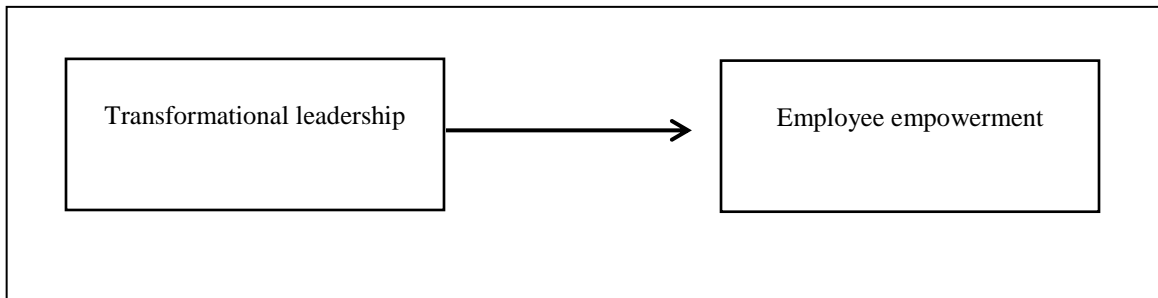

Figure 1: Conceptual framework of transformational leadership

H0: There is no relationship between transformational leadership and employee empowerment
H1: There is relationship between transformational leadership and employee empowerment

METHODOLOGY

This study employs quantitative study by collecting survey. Cross sectional study, also known as one-shot data collection has been applied in this study. According to Sekaran and Bougie (2009), cross-sectional is a study undertaken in which data are gather just one to answer the research questions.This study gathers data for such a short period. This study took one month for the data collection to be finished. The total of 113 questionnaires collected is used for this data analysis. The respondents are from four banks in Kuala Terengganu, Terengganu which were listed in G20 of Government Linked Companies. The banks are *Affin Bank, Bank Islam, CiMB bank and Maybank*.

Measurement

Transformational Leadership

There are ten questions adapted based on the Multifactor Leadership Question by Bass and Avolio (1995) for measuring effective transformational leadership. The items were " *Managers talk about most important values and beliefs"," Managers seek differing perspectives when solving problems", " Managers discuss specific terms who is responsible for achieving performance targets", " Managers enthusiastically about what needs to be accomplished", "Managers spend time coaching", " Managers go beyond self-interest for the good of the group", " Managers express satisfaction when followers meet expectations", "Managers consider an individual as having different needs, abilities, and aspirations from others", " Managers suggest new ways of looking how to complete assignment" and "Managers express confidence that goals will be achieved".*

Employee empowerment

There are ten items were used to measure employee empowerment. It was adapted from a few past studies. The items *"I enjoy my work and it is meaningful to me", "I have confident in my ability in doing my job","I have significant autonomy to determine how I do my job"* and *"I have significant influence over what happens in my department"* were from (Li *et al.,* 2012). The items *"I have given to opportunity to be rewarded"*, *"I have given authority to access to information and resources"* and *"I have given authority to access to information and resources"* and *"I have been supported by my superior"* were from (Tuuli *et al.,* 2012). The item *"I have been trusted by my superior to make appropriate decision in my job"* and *"I do have competency in doing my task that are required for my position"* were from (Men & Stacks, 2013). Lastly, the item *"My superior and I will have consultation to make decision which will affect me"* were from (Shahidul Hassan *et al.,* 2013)

DATA ANALYSIS

The first step in data analysis is data cleaning. All the data are gone through the process of data cleaning. All of the missing values are replaced by the mean. Secondly, the factor analysis is done to reduce number of factors from larger number of items

(Kumar, Talib & Ramayah, 2013).[†] Thirdly, the reliability test is done to determine the consistency and stability of the items (Sekaran & Bougie, 2009).[‡] Fourth, the normality test is done to test the normality of the data.[§] Then, the further analyses based on objective (hypothesis) is done. The correlation and linear regression analyses are done to examine the relationship between transformational leadership and employee's creativity and innovation.

Correlation

Table 1 shows the correlation between transformational leadership and employee empowerment.

Table 1:
Correlation between transformational leadership and employee empowerment

		Transformational leadership	Employee empowerment
Employee empowerment	Pearson Correlation	1.00	0.650
	Sig. (2-tailed)		.000

The Pearson's correlation for transformational leadership and employee empowerment is 0.650 and it is significance ($p<0.05$). This shows that transformational leadership and employee empowerment is positively related. The relationship is strong positive linear. Since there is correlation between transformational leadership and employee empowerment, the null hypothesis is rejected and H1 is accepted.

Table 2 shows the linear regression for transformational leadership and employee empowerment.

[†] The value of KMO is 0.928, Chi Square=190, $p<0.01$,
[‡] All the values of Cronbach Alpha is higher than 0.8
[§] All of the skewness and kurtosis of the data fall in between -1.0 to +1.0.

Table 2:
Linear Regression transformational leadership and employee empowerment

Model	Unstandardized Coefficient		Standardized Coefficient	t	Sig
	B	SE	β		
Constant	1.480	0.276		5.357	0.000
Transformational leadership	0.635	0.071	0.650	8.883	0.000
F Value			78.912		
Sig			0.000		
R			0.650		
Adjusted R^2			0.417		
R^2			0.422		

The result of linear regression between transformational leadership and employee's creativity and innovation. The value of R^2 is 0.422 shows that 42.2% of transformational leadership explain the variance in the employee empowerment. Adjusted R^2 penalizes the additional of 0.417 unit of transformational leadership. The value of F is 78.912 and it is significant where p<0.05. It is showing that transformational leadership significantly explained employee's creativity and innovation.

The result of t-test shows transformational leadership is 0.000 (0.0%) which is below 5% significant level. Therefore, the transformational leadership is significant and positively related with employee's creativity and innovation.

Unstandardized beta coefficient provides the regression equation for this linear model is Y= 1.480+0.635. This is showing that for each one-unit increase in transformational leadership, employee empowerment will increase by 0.635 by holding the variable constant. Standardized beta coefficient shows that as transformational leadership by one standard deviation, employee empowerment will increase by 0.650 of a standard deviation.

Thus, the analysis regression shows that there is relationship between transformational leadership and employee empowerment. The null hypothesis is rejected and H1 is accepted. This study shows that there is relationship between transformational leadership and employee empowerment.

DISCUSSION

The data analysis shows that there is relationship between transformational leadership and employee empowerment. This is in line with past studies done by Men and Stacks, (2013); Ravazadeh and Ravazadeh (2013); Salmasi (2014) and Zhu *et al.,* (2012). The hypothesis is accepted as there is relationship between transformational leadership and employee empowerment. This significant relationship indicates that the transformational leaders able to empower their employees to their work role.

The possible reason for transformational leadership is significant in empowering employees is the transformational leader able to influence the behaviour of the employees. This is in line with Jha (2014) in which Transformational leaders is positively related with employee empowerment as they able to modified the behaviour of the follower and employees also need to have empowerment to improve their jobs and enhance their performance. The changes of behaviour resulted in employee empowerment brings positive outcomes to the organization. This is highlighted by Men and Stack (2013) that transformational leadership influences the employee's perception of organizational reputation through empowerment. This is might be due that empowerment, which is sharing power with the employees and engaging them in decision making, transformational leaders make employees feel more accepted, trusted, valued and influenced the favourable evaluation of the organization. Transformational leadership and empowerment helps follower's performance. This is in line with Ismail *et al.,* (2009) in which the majority of employees who perceived the transformational leadership practices increased their empowerments in implementing job functions which will increase their performance in the organization

Furthermore, increasing of employee empowerment is due to transformational leadership increase the followers job satisfaction in the organization. Alkahtani et al. (2011) also highlighted that employee empowerment helps to increase the follower job satisfaction as the leadership effectiveness motivate them to strive for job satisfaction. Transformational leadership is necessary for the delegation of authority to the employees that can makes the employees to have control over their jobs. As according to Ghosh (2013) employee empowerment is important to help employees to do their job effectively and efficiently as they have authority to control over their job and decision making. This may leads to the faster decision making in which necessary for faster business pace. Robin, DeCenzo and Coulter (2011) also emphasized the same note that the faster decision making is necessary to fulfil the customer's need especially in this fierce competition economic environment. This finding agreed with Ghafoor et al. (2011) that transformational leaders help to give empowerment on certain level and they are also makes employee more confident and creative. Thus, it is important for the

organization to practice transformational leadership in developing employee empowerment.

CONCLUSION

In conclusion, employee empowerment shows the higher involvement of employees towards their jobs. Employee empowerment is important because the employees able to make faster decision making that will increase the effectiveness and efficiency of the job. The more they were given empowerment will likely increase efficiency in their jobs. Leaders are the contributor for the employee empowerment and transformational leadership is recognized as the effective leadership for employee empowerment. This is because they are able to align the individual goal towards organizational goals. This study added to that existence knowledge that transformational leadership is positively related employee empowerment. Thus, transformational leadership should be practice more in the organization to achieve employee empowerment.

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