The effect of Transformational Leadership on Organizational Commitment with a Mediating effect of Psychological Empowerment

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ABSTRACT

Transformational leadership is an advanced form of leadership. Theory of Transformational leadership presented different aspects of leader’s behavior. These aspects impart different effects on people and organizations. This research study was also conducted to find the causal relationship of Transformational leadership with Organizational commitment. Psychological empowerment was taken as mediator in this study. Data was collected through self-administered questionnaires. Employees of four banks in Sahiwal Division were taken as respondents. Total 150 questionnaires were distributed and 72 were returned as filled. The study adopted quantitative methodology. The measurement tools of descriptive statistics, correlation and regression analysis were used to analyze the data. The results indicated that psychological empowerment positively mediates the relationship of Transformational leadership and organizational commitment. This study will be a contribution to understand the psychological and organizational aspects of Transformational leadership. This study also invites future researchers to further investigate the different factors that get influenced by the Transformational leadership or affect the relationship of transformational leadership with other variables.

KEY WORDS: Transformational leadership, Organizational commitment, Psychological empowerment

INTRODUCTION

Transformational leadership is a behavior with which leader motivates and builds the relationship with followers and encourages them to perform beyond the conventional transactional relationship (Rubin et al, 2005). The idea of transformational leadership was presented by Bass (1985) and he distinguished transformational form of leadership from transactional one (Avolio et al, 1988). Transformational leadership can be described in four dimensions as idealized influence, inspirational motivation, intellectual stimulation and individualized consideration (Bass B. M., 1985). The idealized influence is charismatic way of influencing which results in the commitment of followers. Inspirational motivation is the degree with which leader’s vision appeals the followers. While Intellectuals stimulus can be described as a way in which the leader utilizes his decision power, takes risk and considers the views of followers. Individualized consideration is postulated as a degree to which the leader shows the concerns to the follower’s need, provides help to them and coaches them to develop their career (Judje & Piccolo, 2004). Organization commitment can be described as the degree to which employees gets involved in and identified with an organization. The transformational leadership provides positive outcomes for organizational commitment in different organizations and culture (Avolio et al, 2004). Empowerment refers to competences, impact, meaning and self-determination (Spreitzer, 1995). Competence is the ability of someone to accomplish the work (Bandura, 1997). Impact is differentiating factor of one’s work which affect the organizational outputs. While meaning is the individual perception about the importance of the task and Self-determination is the degree and feeling of autonomy in decision making (Avolio et al, 2004)). Transformational leadership is an advanced form of leadership which bears charisma, vision, personal concern to follower and the advocacy for the empowerment of follower. Transformational leader makes his follower as his disciple not just the follower. The confidence given by a transformational leader to a follower encourages the sense of self determination. The follower feels that his actions and work have value so he becomes more committed to his work and organization.

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Significance of Study

Various studies have been done on leadership behavior in past two decades. But the tools procedure and process by which the transformational leadership delivers its impact on followers outcomes are not clearly described in pervious literature(Bono & Judge, 2003).This gap substantiates that the future exploration should be done to find the procedure and working by which the transformational leadership exerts its effect on organization commitment and performance (Bass & Steidlmeier et al, 1999). In Pakistan’s context less research has been done on the effects of leadership particularly transformational leadership. The research on leadership has been done in developed countries but due to the cultural, social and political differences it is difficult to generalize those findings in Pakistan’s context so this study is an attempt to find the effect of transformational leadership on organization commitment and employee empowerment in the banking sector of 28 he mediating role of psychological empowerment between the relationship of transformational leadership and organizational commitment needs further interpretation with cause and effect relation (Avolio et al, 2004). This research study will also fill this research gap by evaluating the mediating role of psychological empowerment with causal effect for the relationship of transformational leadership and organizational commitment. This paper aims to determine the impact of Transformational leadership on organizational commitment. This paper also aims to find the mediating effect of psychological empowerment on the relationship of Transformational leadership and organizational commitment with cause and effect measures.

LITERATURE REVIEW

Transformational leadership can be illustrated in terms of internalization of vision , provision of adequate model , encouraging the acceptance of group goal, articulating high performance expectation , support to subordinates and charismatic influence((Bass & Riggio, 2006). Different researchers have measured transformational leadership and its effects. Dvir et al(2002) conducted a research study in which they performed a field experiment. In the experiment, 54 military persons were taken as leaders, who had 814 direct and indirect followers. The leaders were divided into experimental group and control group. The control group received the general training for leadership while experimental group received the specific training of transformational leadership. The findings showed that the experimental group having transformational leadership training showed more positive effect on follower’s performance as compared to controlled group. This study also confirmed that the Transformational leaders empower the followers. This study had not found the possible effects of Transformational leadership on Organizational Commitment and also lacked the specific components of Transformational leadership.

Peachy(2002) examined the relationship of leader’s empowering behavior and perception of workplace empowerment, psychological empowerment and organizational commitment. The respondents were 191 nurses from three acute care taking hospitals which were merged. Questionnaires were distributed as survey instrument. The analytical techniques of ANOVA, Multiple regression and Pearson correlation were used to measure the possible relationship. The analysis described that the leader’s empowering behavior is significantly related to workplace empowerment and psychological empowerment but was not significantly related to overall organizational commitment and absenteeism. The study suggested the investigation on methodological issues in leadership and absenteeism.

Avolio et al(2004) evaluated the impact of transformational leadership on organizational commitment. The psychological empowerment and structural distance were taken as mediator and moderator respectively. A sample of 520 nurses of a large public hospital in Singapore was taken and survey forms were distributed among them. Hierarchical linear modeling (HLM) was used to analyze the data. The results described that psychological empowerment mediates and structural distance moderates the relationship of transformational leadership and organizational commitment. The limitation of this research study was its cross-sectional design. So this study lacked the cause and effect relationship.

Dionne et al(2004) discussed that how a transformational leader affects the team performance. The study presented a framework in which transformational leadership imparts its impact on team performance through intermediate outcomes and teamwork processes. The framework proposed that transformational leadership fetches shared vision, empowered team environment, team commitment and functional team conflicts as intermediate outcomes. Then the teamwork processes get positively influenced by these intermediate outcomes which ultimately usher the team performance. The study in its limitation echoed the voice that more team processes can be examined with reference to intermediate outcomes generated by transformational leadership as this study had discussed only three team processes. This study could not explain the psychological aspect of empower and organizational Commitment and remained confined to team performance.

Lee(2005) carried out a research study in singapore to find the relationship of Transformational leadership with leader member exchange and Organizational Commitment. A sample of 201 research and development professionals was selected. It was found that Transformational leadership has the positive relationship with leader member exchange relationship and Organizational Commitment. The quality of leader member exchange was found to mediate the relationship of Transformational leadership and Oganizational Commitment. The cross
sectional design of the study could not describe the causal relationship of the variables. The mediating role of other influencing variables like Psychological empowerment could not be mentioned in this study.

Bordin et al (2007) described the antecedents and consequences of Psychological Empowerment. The sample was of 99 employees of a multinational. The results found that the Psychological empowerment enhance the Organizational commitment and Job satisfaction. The study was limited to the relationship of Psychological Empowerment and Organizational Commitment. Transformational leadership could not be involved in the study.

Abu-Tineh et al (2008) tested the practical implementation of Kouzes and Posner’s transformational leadership model by evaluating the practices of Jordanian School Principals. The study used mean, standard deviation, ANOVA and t-test as measures to come at conclusion. The sample was of 1000 public school teachers, out of which 550 teachers filled the questionnaires. The findings showed the school Principals used the transformational leadership model in moderate capacity. The study revealed that more and more understanding and adoption of transformational leadership behavior can enhance the effectiveness and output of school Principals and other practitioners. The study remained confined to the test of Kouzes and Posner’s model and neglected the other aspects and consequences of Transformational leadership.

Dickson & Lorenz (2009) conducted the research to measure the effect of psychological empowerment on job satisfaction. This study was also inclined to find the relationship of organizational tenure and psychological empowerment, and the relationship of job satisfaction and organizational tenure. The respondents were under Graduate students who were part time or nonstandard workers. The number of students contracted for survey was 3000. The method of online survey was adopted and questionnaires were distributed through email. The valid response was come from 397 respondents. The researchers took the help from descriptive statistics and correlation matrix to come at conclusion. The results represented a positive relationship between job satisfaction and organizational tenure and negative relationship between job satisfaction and organizational tenure. The two cognitions of psychological empowerment (meaning and impact) showed positive relationship with job satisfaction. The aspect of Organizational Commitment remained neglected in this study.

Chen et al (2010) measured the impact of transformational and transactional leadership on employee satisfaction and organizational commitment by taking educational background and gender as moderator and trust was taken as mediator. The respondents were taken from IT department of 12 organizations in Shingai. The size of sample was 150 and pathway analysis was done. The findings revealed that the level of education influences both leadership styles. The under graduate and graduate levels of education act on trust with regard to organizational commitment and job satisfaction. While gender also exerts its effect on trust, job satisfaction and organizational commitment. The role of Psychological Empowerment in this whole process was not examined.

Camps & Rodríguez (2011) conducted the research to find the impact of transformational leadership on employee performance with mediating effect of organizational learning capacity and employability. A sample of 795 respondents was selected from 75 departments of university. The data was analyzed by using the multilevel path analysis. The findings indicated that the organizational learning capacity significantly mediates the relationship of transformational leadership and employee performance at group level while the mediating role of employability remains restricted at individual level. The mediating role of Psychological Empowerment and its possible effects on Organizational Commitment were not examined in this study.

Dewettinck & Ameijdé (2011) conducted a research study to find the impact of Leader’s empowerment behavior on affective commitment, job satisfaction and behavioral intentions. The study was held by taking the sample of 380 employees and used the structural equation modeling. The results revealed the direct relationship with employee empowerment behavior and affective commitment, job satisfaction and intention to stay. Psychological Empowerment was found to be the partial mediator of this relationship. The cross sectional design of the study restricted the explanation of causal relationship.

Khatri et al (2012) examined the effect of charisma and vision (Two elements of transformational leadership) on follower’s outcome. Three research studies in four countries (India, Singapore, UK and USA) were conducted to reach the reality of charisma and vision. During these studies the construct of charisma and vision was developed and its validation was done with the help of descriptive measures as mean, standard deviation and inter-correlation. The findings expressed that the social sensitivity and change seeking behavior of transformational leader positively leads to motivation, satisfaction, cooperation and performance of employees. The Organizational commitment and Psychological empowerment were not taken into account in this study.

Indradevi (2012) conducted a research study to find the impact of psychological empowerment on job performance and job satisfaction. Questionnaire was used as the tool for study. A sample of 200 employees of Chinai software companies was taken. Multiple regression and Pearson correlation were used to find the results. The study found strong positive relationship between psychological empowerment, job satisfaction and job performance. Organizational commitment was not considered measured in this study.

Ambad & Bahron (2012) investigated the relationship of psychological empowerment and organizational commitment. The construction sector in Kota Kinable area was chosen for their study. The education level and length of service were taken as moderators. Convenience sampling was used and questionnaires were distributed.
among 230 employees of 20 construction companies. Finally 171 questionnaires were collected. The analysis was done by using descriptive statistics, linear regression and hierarchical regression. The findings indicated that the two elements of psychological empowerment (self-determination and impact) affect the organizational commitment. The level of education and level of service did not show significant moderating effect. The study suggested that the employers should treat their employees in best positive way to retain the talented individuals. The potential effects of Transformational leadership were not examined in this study.

Joo et al (2012) examined the impact of Transformational leadership and core self evaluation on Organizational commitment of employees. The sample was the 500 FiortuneGlobe companies of Korea. The results found the positive relationship between Transformational leadership and organizational commitment. The effects of other variables like Psychological Empowerment could not be included in this study.

When the transformational leadership is linked with organizational performance and employee commitment, it is seen that high productivity, low turnover rate, high motivation and job satisfaction is achieved by the transformational style of leadership as compared to transactional style of leadership (Sparks & Sehenk, 2001). The transformational leadership paves the way for the organizational commitment by propagating higher intrinsic value, associating the subordinate’s efforts to goal achievement and boosting the personal commitment. The transformational leadership advocates the employee empowerment by contrasting the early charismatic theories (Graham, 1988). The followers learn the self-management and self-development when they work under the supervision of transformational leader (Avolio et al, 1988). When the relationship of transformational leadership, psychological empowerment and organizational commitment is examined, it is found that transformational leadership has significant relation with psychological empowerments and organizational commitment (Avolio et al, 2004) and the empowerment leads to effectiveness and job satisfaction (Judge et al, 2004). The theory of transformational leadership has suggested that the employee empowerment is the building block for organizational commitment. When employees get empowerment, they experience a sense of identification and they get committed to the organization (Yukl, 1998).

The conceptual framework is explained in term of three variables, Transformational leadership, Organizational commitment and psychological empowerment. An arrow head is stemmed out from transformational leadership to psychological empowerment and from psychological empowerment an arrow head is moving toward organizational commitment, which shows that the transformational leadership has an effect on organizational commitment and psychological empowerment mediates their relationship.

**Conceptual framework**

<table>
<thead>
<tr>
<th>INDEPENDENT VARIABLE</th>
<th>DEPENDENT VARIABLE</th>
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<tbody>
<tr>
<td>TRANSFORMATIONAL LEADERSHIP</td>
<td>PSYCHOLOGICAL EMPOWERMENT</td>
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</table>

**Transformational leadership and organizational commitment**

Transformational leadership affects the organizational commitment by linking intrinsic value with goal accomplishment, leader’s personal commitment and articulation of vision (Shamir, House, & Arthur, 1993; Shamir, Zakay, Breinin, & Popper, 1998). A transformational leader with novel ideas and identification of follower’s needs motivates the followers and consequently bring organizational commitment (Walumbwa & Lawler, 2003). So the leadership is the key determinant of organizational commitment (Mowday, Porter, & Steers, 1982).

H1: Transformational leadership positively affects the organizational commitment

**Mediating effect of psychological empowerment between Transformational leadership and organizational commitment**

The theory of transformational leadership suggested that the psychological empowerment is vital for the commitment to organizational objectives (Bandura, 1997; Avolio B. J, 1999; Bass B. M., 1999; Yukl, Leadership in organizations, 1998). Transformational leader empowers followers by identification of their needs and followers feel that they have impact on organization (Laschinger, Finegan, & Shamian, 2001) and this psychological empowerment brings organizational commitment.

H2: Psychological empowerment positively mediates the relationship of transformational leadership and organizational commitment.

**RESEARCH METHODOLOGY**
The quantitative methodology is deductive and tries to explain the theory and nature of relationships (Trochim, 2000). This study also aims to find the causal relationship among Transformational leadership, psychological empowerment and organizational commitment so the quantitative way is adopted to measure this relationship.

Data collection method

Survey research method is used for this study. Due to the financial and time constraints self-administered questionnaire were used to collect the data. According to operational definition of Transformational leadership, Transformational leadership is attributed as idealized influence, inspirational motivation, intellectual stimulation and individualized consideration (Bass & Avolio, 1994). 

The data collection method was taken as sampling frame. Employees of Alied bank, Bank Alfala, Soneri, and UBL were taken as target population. There are certain reasons for selecting this sector. Firstly banking sector of Pakistan is the growing sector that needs the innovative measures and has a large network of branches nationwide, thus the data availability can be easier. Secondly less research on leadership behavior with respect to banking is done in Pakistan. Thirdly the employees of banks are educated people and understand the current trends so they can be better respondents (Bodla & Hussain, 2010). Due to the scarcity of resources this study remained restricted to the provinces of Punjab. Employees of four banks in Sahiwal Division were taken as sampling frame. A sample of 150 employees of Alied bank, Bank Alfala, Soneri, and UBL was taken. The response rate remained 48% as 72 questionnaires were returned as filled. The time Frame for selecting the data for this study was one week.

Data Analysis Method:

Descriptive statistics, linear regression and model equation were used to analyze the data. Mean, Median, Mode, standard Deviation, Bar Charts and Pie charts were used as descriptive statistics tools for analysis of data.

This paper basically aimed to find the cause and effect relationship of psychological empowerment between the relationship of Transformational Leadership and Organizational commitment. There were more than one variables involved in this study so bivariate correlation was used to measure the relationship of all the variables involved in the study. Linear regression model was used to measure the relationship of proposed variables. As mediator was also involved in this study so first of all Transformational Leadership was taken as independent variable and psychological Empowerment was taken as dependent variable. Then Mediator, psychological Empowerment was taken as independent variable and the organizational commitment was taken as dependent variable. The reason to use linear regression was that there was only one independent variable involved in this study.

\[ X_2 = \beta_0 + \beta_1 X_1 + \epsilon \]

This equation reveals that Transformational leadership is taken as independent variable and Psychological Empowerment which is actually mediator is taken as dependent variable.

\[ X_3 = \beta_0 + \beta_2 X_2 + \epsilon \]

This is the second equation of linear regression. It depicts that Psychological Empowerment is taken as independent variable and organizational commitment is taken as dependent variable.

Descriptive Statistics:
The descriptive data of the study showed that there were 77% male and 23% female respondents in the study. The mean of gender type was 0.2639 while standard deviation and variance were 0.44386 and 0.197 respectively. The mean age of respondents was 30.0278 with standard Deviation value of 6.506 and variance as 42.33. This is also shown in the table 1.

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Variance</th>
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<tbody>
<tr>
<td>Gender type</td>
<td>72</td>
<td>.2639</td>
<td>.44386</td>
<td>.197</td>
</tr>
<tr>
<td>Age of Respondent</td>
<td>72</td>
<td>30.0278</td>
<td>6.50671</td>
<td>42.33</td>
</tr>
</tbody>
</table>

Inferential Statistics:

Reliability Test:

The chronbach’s alpha value of items was 0.927 which showed instrument as reliable as it is greater than 0.7.

Correlation:

The relationship of the three variables was measured by using Pearson correlation as the scattered dots showed a linear relationship among the variables. The correlation between Transformational Leadership and psychological empowerment was significant at 0.01 level of significance. The correlation value for these two variables was 0.674 showing their positive relationship and it is nearer to strong positive relationship. While the correlation value between Transformational leadership and organizational commitment was 0.585 which shows positive but not very much strong relationship. The correlation between Psychological Empowerment and organizational commitment is strongly positive with a value as 0.76. These findings are shown in table.

<table>
<thead>
<tr>
<th></th>
<th>Transformational Leadership</th>
<th>Psychological Empowerment</th>
<th>Organizational Commitment</th>
</tr>
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<tbody>
<tr>
<td>Pearson Correlation</td>
<td>.674**</td>
<td>.586**</td>
<td></td>
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<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td></td>
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<tr>
<td>N</td>
<td>71</td>
<td>70</td>
<td>70</td>
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<tr>
<td></td>
<td>Pearson Correlation</td>
<td>.674**</td>
<td>.761**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
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<tr>
<td>N</td>
<td>70</td>
<td>70</td>
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</tr>
</tbody>
</table>

Regression:

The scatter dot plots of above mentioned variables were developed and lines were fitted. The scattered plots showed the linear positive relationship between the variables. The linear relationship existed among these variables so the model of linear regression was much suitable to be fitted. The test of goodness of fit as shown in ANOVA table reflects a significant relationship between Transformational leadership and psychological empowerment with a value 0.00. The value of R square is 0.455 which shows positive and probably strong impact of Transformational leadership on psychological empowerment as value of R square should lie between 0.5 and 1. The Durbin Watson test showed value as 2.268 and excluded the fear of auto correlation. The beta value for this relation is 0.674 which is quite appropriate as $\beta > 0.3$. It also reveals that one unit change in Transformational leadership will bring 63% change in psychological empowerment.

In the second model psychological empowerment was taken as independent variable and organizational commitment was taken as dependent variable. The regression analysis of this model shows a significant fit with a value 0.00. The value of R square for this relationship is 0.579 which delineates that psychological empowerment has strong positive effect on organizational commitment. The Durbin Watson test showed the value as 2.011 and reflected that there is no auto correlation in the data. The beta value for these two variables is 0.761 and is adequate enough. It reveals that one unit change in psychological empowerment will bring 66.7% change in organizational commitment.

The findings have shown that psychological empowerment positively mediates the relationship of Transformational leadership and organizational commitment. It is shown as Transformational leadership positively influences psychological empowerment and psychological empowerment then strongly and positively affects the organizational commitment.

Conclusion
This research study was conducted to find the effect of Transformational leadership on organizational commitment with a mediating role of psychological empowerment. The banking sector of Pakistan was taken as target population. Due to scarcity of financial resources and limitation of time this study remained restricted to Sahiwal Division only. Data was collected through self-administered questionnaire. The employees of four banks were taken as respondents. The response rate remained about 48%. The data was analyzed by using Descriptive statistics, Pearson correlation and linear regression. The results showed positive and significant relationship of variables.

The results reflect that psychological empowerment positively mediates the relationship of Transformational leadership and organizational commitment. These 33 with many researcher’s findings as Ambad & Bahron(2012), Indradevi(2012)and Laschinger et al. presented the same view. It can be said that psychological empowerment has same positive role in Pakistan’s context as in western context. Transformational leadership has a wide range of influencing characteristics. A Transformational leader gives a vision to his followers and this vision works as the driving force. Then the transformational leader inspires his followers with the charisma of his personality. When the inspired follower sees that his leader considers his problems and has the courage to take the bold and wise decisions, so the follower gets committed to the leader and organization. The psychological empowerment acts as catalyst in the whole process. A psychologically empowered employee is confident about the accomplishment of his work. He feels that his work has some differentiating characteristics and his work has also significant meanings for organization and he is autonomous enough in doing his work. This empowered state of employee compels him to be committed with the organization. Transformational leadership always advocates the psychological empowerment of followers. A transformational leader wants to see his followers just like him. He makes disciples, not just followers. This empowering characteristic of Transformational leaders motivates the followers to transcend their personal interest for the interest of whole. Thus it can be said that Transformational leadership brings psychological empowerment and then this psychological empowerment causes the organizational commitment.

**Limitations and Future Research Directions**

The banking sector of Pakistan was taken as target population for this study. The financial and time limitations made this study confined to Sahiwal Division only. This limitation restricts to generalize the results. This model can be tested in different cultural and national contexts. The sample size was also a limitation of study. This study just tested the mediating role of psychological empowerment only. The future researchers can take other variables as mediators like organizational structure, job characteristics and national culture. This study focused on organizational commitment as dependent variable, while other variables as Employee performance, Organizational performance and quality of work can also be taken as dependent variables. The qualitative techniques can also be employed to further explore the nature and variables in this study.

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