

Impact of Transformational Leadership Style on Employees' Satisfaction and Well-Being with Working Conditions as Mediator

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Abstract– The study aims to investigate the relation of transformational leadership style and followers' perception of well-being and job satisfaction with mediating role of perceived work characteristics. Some evidences were found regarding relationship between transformational leadership and job satisfaction & employee well-being. However there is a little research found on the mediating relation of working conditions among transformational leadership (TL) and work related outcomes. Banking sector has been selected to explore this relationship. Population of study is bank employees of District Gujrat, Pakistan. This cross-sectional study includes sample of 152 employees of private sector banks. SPSS and AMOS were used for data interpretation. Structural equation modeling was used to find out the relationship of proposed variables. Results suggested a significant positive impact of TL on perception of meaningful work and job involvement, however job influence was not found significant. Moreover, this research proved the mediating role of follower's perception of meaningful work between TL style and JS. However, employee well-being was not found any significant relation with either of variable. Transformational leadership style is very important for the employees' positive attitude. Its' absence may present an incomplete picture of impact of working conditions on job satisfaction. Moreover, development managers can design their interventions for change by putting emphasizes on transformational leadership behavior. Moreover, non-significant relation of employee well-being with all other variable explores a new area for future researchers that need to be investigated extensively.

Keywords– Banking, Job Satisfaction, Meaningful Work, SEM, Transformational Leadership and Well-Being Working Conditions

I. INTRODUCTION

Organizations are made to achieve their goals. To achieve their goals effectively and efficiently, capable and motivated human resource is necessary. Prosperity of any organization depends upon employee willingness to perform extraordinary and their loyalty to the organization. Hardworking and involved employees are more productive ones (Brown & Leigh, 1996) and in this highly competitive world competence of human resource determine sustainable competitive advantage for any organization (Barney & Wright, 1997). Management of employees and their

satisfaction depends upon the leadership abilities of the managers (Wang, Chontawan, & Nantsupawat, 2012). Moreover, leadership plays an important role while dealing with diverse mix of employees that are increasing rapidly in organizations (Sparks, Faragher, & Cooper, 2001), and transformational leadership style help followers to coordinate with each other effectively increases followers' satisfaction level (Shibru, 2011). Transformational leadership has positive impact on employees' behaviors (Al-Swidi, Nawawi, & Al-Hosam, 2012).

Moreover, employees' positive work related behavior depends upon the environment in which they perform their daily activities. If the perception about work characteristics is positive, it positively influences their attitude and they perform better output in return (Brown & Leigh, 1996). Furthermore supervisor's behavior impact perception of employee well-being (Gilbreath & Benson, 2004).

Banking sector of Pakistan is facing many internal (banking industry) and external (environment) because of major changes in the industry and turbulent external atmosphere^[1]. So, employees need more guidance and training to cope with the new challenges. Moreover, employees of this sector are too burdened with a lot of work that is required by their employer. In this scenario, organization should play their part in helping employees to achieve organizational goals and have good feelings about their work environment and organization. To solve these problems this study will provide empirical evidence upon basis of which solid decision can be made that will contribute towards employee satisfaction, their perception of well-being that further will improve performance of organization.

Moreover employee's motivation is dependent upon how they perceive about their wellbeing. In today's environment, employees are too much stressed and feel burdened on their jobs, especially in banking sector. They have to work longer hours and complete tough assignments that cause negative feelings about job. Leadership can play important role in providing guidance and facilities that can help employees to complete their work efficiently and have positive feelings about job. If they provide good working condition then it can

^[1] http://www.sbp.org.pk/sbp_bsc/speech/Preston-University-Peshawar.pdf (retrieved on 5th August 2013)

cause higher job satisfaction and good perception of employees' well-being.

II. LITERATURE REVIEW

A) Transformational Leadership (TL)

Transformational leadership term was first coined by Downton in 1973 describing the style which gives importance to relationships of human beings (Song, Kolb, Lee, & Kim, 2012). First Theoretical definition of TL was proposed by Burns (1978) and then Bass (1985) gave extension to operationalize TL as "Leadership and performance beyond expectations". TL is Defined as "the process of influencing major changes in the attitudes and assumptions of organization members and building commitment towards (an) organization's mission and objectives" (Tracy & Hikin, 1994). Leadership style that "inspires followers to transcend followers self-interests for the good of the organization and are capable of having a profound and extra ordinary effect on the followers concern" (Robbins, Judge, & Sanghi, 2009).

B) Job Satisfaction (JS)

Job satisfaction has been emerged as a most complex area for managers in the field of job related attitudes (Aziri, 2011). Job satisfaction is defined as the one's feeling of liking and disliking about the job and its various aspects or the degree to which jobs are liked by the employees (Spector, 1997). It is perception of employees about one's job that may vary person to person.

According to Robbins *et al.* (2009) Job satisfaction is considered as a general attitude of an employee towards his/her job. It is basically perception of employees about job that how much job provides the things that are vital for them. Favorable and positive attitudes toward work activities and job indicate job satisfaction while unfavorable and negative feelings point out the job dissatisfaction (Armstrong, 2006).

C) Psychological Well-being

Psychological well-being is not a simple phenomenon. It consists of various factors and different researchers define it differently. Simply, it is about psychological functioning of individual that is positive. Further, by the organizational perspective, it may be defined as overall effectiveness on the job that is result of psychological functioning. It is also described as: "perception of engagement with the existential challenges of life" (Keyes *et al.* 2002).

Psychological well-being definitions proposed by various scholars have shown that this concept has at least three characteristics (Wright and Cropanzano, 2004). First, it is not an objective experience. Any person's believe about the extent to which he/she is happy is totally subjective. Second, it is not about only positive emotions. However, it's more a combination of both negative and positive feelings and the extent to which positive feelings outweigh negative ones that much better is the indication of psychological well-being (WB). Finally, it can be inferred that WB refers to a person's life as a whole. As a whole, it is a good feeling of an

individual's life which may be dependent of working environment.

D) Involvement

Long term organizational commitment because of which employees are eager to make an extra effort for the attainment of goals that transcends beyond the self-interest and make the organization improved and develop, describe the employee involvement. Transformational leadership facilitates this kind of behaviors.

E) Influence

According to oxford dictionary influence is, "The capacity to have an effect on character, development, of behavior of someone or something or the effect itself".

A leader who adopts transformational leadership style provides his followers a clear vision and motivates them to actively participate in problem solving, is probably can make a work environment where subordinates feel a greater level of influence at work.

F) Meaningfulness

Finally, transformational leader helps to create meaningfulness of work for his subordinates by established share vision through which change can be fostered in people and contexts (Bass, 1985). According to Nemanich & Keller (2007) ability to explain a shared sense of purpose and to elucidate a clear vision describes skills of a transformational leader.

The study of Shibru (2011) aimed at investigating concept of Transformational leadership's link to subordinate's satisfaction. The results confirmed a strong positive relationship of this style of leadership to subordinates satisfaction. Further, components of TL were separately identified and their link to employees' satisfaction was also studied in this research. Components include idealized influence, inspirational motivation, intellectual stimulation and Individualized consideration. These all components were found significantly correlated to the job satisfaction of subordinates; however Intellectual stimulation was emerged as a weak explainer of job satisfaction in comparison to other components. Data were collected by using questionnaire from worker of leather industry who was having experience more than one year (Shibru, 2011).

Another research on the same topic was conducted in health sector by Wang, Chontawan, & Nantsupawat(2012) and results were confirmed that transformational leadership was affecting positively to nurses satisfaction level. The finding also revealed that praise and recognition provided by their leaders is major contributor of their satisfaction. Besides that perception of achievement and responsibility was also increasing satisfaction level of nurses. So, it shows the importance of encouragement from the leader that can generate positive work related attitudes (Wang, Chontawan, & Nantsupawat, 2012).

A research on banking sector employees of Pakistan also concluded the positive impact of TL on job satisfaction. So, if transformational leadership style is adopted by the managers,

it can enhance job satisfaction which in turn will improve overall organizational performance. In this study organizational commitment was also considered as dependent variable with TL as independent. The results confirmed the impact of TL on organizational commitment but job satisfaction was influenced more from TL than organizational commitment (Bushra, Usman, & Naveed, 2011).

Castro, Perinen, & Bueno (2008) suggest that psychological empowerment has mediating role among transformational leadership (TL) and followers' satisfaction and affective commitment (AC). In their research, which was aimed at investigating the mechanism through which TL affects employees' attitude, researchers concluded a positive relationship between TL & JS and TL & AC. Moreover, it was also found that the extent to which employees of an organization feel empowered exhibit more positive work related attitudes.

It was a cross sectional study. Structured Questionnaires were distributed to the employees of a multinational food and beverage company. SEM was run by using AMOS 16.0 to check the mediating effect of psychological empowerment (Castro, Perinen, & Bueno, 2008).

Brown & Leigh (1996) found motivating psychological climate leads towards job involvement that foster the effort and which ultimately leads towards job performance. The result of the study exposed that significant relation of job involvement to job performance became insignificant when effort was inserted. So, effort plays intervening role in order to get performance through job involvement.

TL and personal outcomes relation was tested and it was found that TL has an important role for enhancing followers' subjective wellbeing. It also creates a meaning in subordinates' life and empowerment has mediating role in the above mentioned relationship (Krishnan, 2012).

So, transformational leadership is very important to motivate followers. Another study resulted in the effect of TL on JS with the mediating role of empowerment (Al-Swidi, Nawawi, & Al-Hosam, 2012).

Two studies conducted by Arnold, Turner, & Barling (2007) investigated the mediating role of meaningful work between TL and psychological well-being. The results of study 1 that was being conducted in health sector revealed partial mediation of MW while in study 2 it showed full mediation. Study 2 was conducted on service workers. Another study included trust in leadership as a mediator and found significant and positive results between TL and well-being (Kelloway, Turner, Barlin, & Loughlin, 2012).

In a research on Taiwan Army, TL and job involvement has been studied with moderating variable, emotional contagion. It was found that only leader with high contagion have strong relation with followers job involvement while leaders having low contagion have no such kind of relationship (Cheng, Yen, & Chen, 2012).

A study on educational institutions of Pakistan found direct relationship between leadership styles and job performance but it did not show any direct relationship between job satisfaction and performance. It means it is not necessary that the leadership style creates job satisfaction and organizational commitment. However these are important to job performance (Sarwat, Hayat, Qureshi, & Ali, 2011).

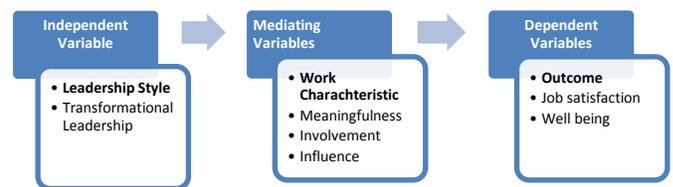


Figure 1: Theoretical framework

III. THE STUDY

A) Aim

The study aims to investigate the relationship among transformational leadership and follower's job satisfaction and employee well-being with the mediation of working conditions (Involvement, influence, and meaningfulness).

The following hypotheses were tested in this study:

H1 (a): Transformational leadership has impact on perception of meaningful work.

H1 (b): The relation between TL & job satisfaction is influenced by the employees' perception of meaningful work.

H1 (c): The relation between TL & employee wellbeing is influenced by the employees' perception of meaningful work.

H2 (a): Transformational leadership has impact on involvement of the followers.

H2 (b): The mechanism which shows the association of TL & JS is due to job involvement of the followers.

H2 (c): The mechanism which shows the association of TL & WB is due to job involvement of the followers.

H3 (a): Transformational leadership has impact on influence at work

H3 (b): Influence at work plays mediating role between TL and JS

H3 (c): Influence at work plays mediating role between TL and JS

B) Design

This is a cross-sectional study in which questionnaire survey design was used. The population for the proposed study consisted of bank employees of district Gujrat. Unit of analysis was a single employee (officer of the bank). Information was obtained on his/her bosses' leadership style and his perception of well-being and job satisfaction. Moreover, data was also gathered about the meaningfulness of his/her work, influence on job and involvement.

We have 22 private sector commercial banks that are registered to State bank of Pakistan which have their branches across the country. Our research is limited to only one city (Gujrat). We selected at least one branch of each bank randomly and got the data from all employees of the selected branch. The purpose was to reduce the biasness that may mislead results. The banks have almost similar working environment in their all branches, so the data can provide alike results as to larger geographic area.

A self-administered questionnaire was developed to get the desired information. 200 Questionnaires were distributed by hand to bank employees of selected branches. 152 completely filled questionnaires were collected back which were then

further included for analysis. Response rate was 76 % which is quite high.

C) Measures

Measure that was used for Transformational leadership was constructed by (Carless, Wearing, & Mann, 2000). Five point Likert scale that ranges from “to a very large extent”=1 to “to a very small extent”=5 was used to measure. Reliability of the

measure was check by using SPSS. Cronbach alpha was 0.892. Other variables which include meaningful work, involvement influence, job satisfaction, employee well-being were measured by using Copenhagen Psychosocial Questionnaire (Kristensen, Hannerz, Hogh, & Borg, 2005). And their reliability scores were 0.669, 0.736, 0.773 & 0.871 respectively (Table I).

Table I: Intercorrelation between subscales

Subscale	1	2	3	4	5	6
1. Transformational leadership	(0.892)					
2. Meaningful work	0.29**	(0.669)				
3. Involvement	0.36**	0.42**	(0.736)			
4. Influence	0.18*	0.40**	0.32**	(0.773)		
5. Job satisfaction	0.29**	0.41**	0.32**	0.35**	(0.773)	
6. Well-being	0.11	0.11	0.16	0.50	0.07	(0.871)

Values of Cronbach’s Alpha are given in parenthesis

*P<0.05

**P<0.01

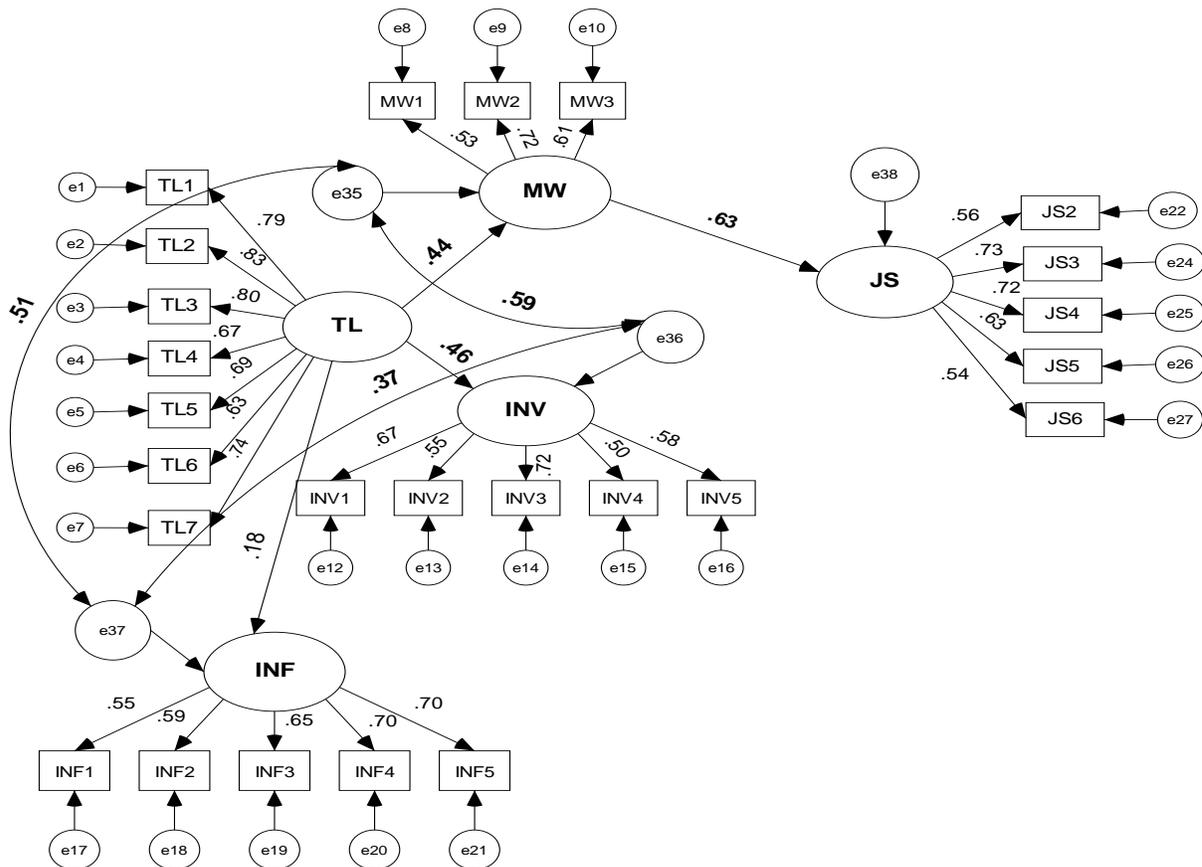


Figure 2: Standardized maximum likelihood estimates for final model

IV. PROCEDURES

Structural equation modeling (SEM) was used to analyze data. It is good at handling complex relations and provides clear understanding of the relationships especially where mediation is involved. So, this technique was used with the help of AMOS 16.0 which present the result in graphic and more comprehensible form. Maximum likelihood method used as default in AMOS when running SEM and it provides required calculations of all paths simultaneously (Byrne, 2010).

Approach of bootstrapping was found most appropriate and used in analysis. This approach is better than other ones because it does not require the assumption of normality for statistical samples and it can be applied to small samples with confidence (Preacher & Hayes, 2004).

Hayes (2009) argued that it is more powerful approach for checking the mediation effect as well. And it is a nonparametric method for assigning accuracy measures to sample estimates.

V. RESULTS

The participants of study were 78% male and 22% female. Their average age was 31 years with $SD=8.34$ and they were having experience on average 7 years with $SD=8.00$. Moreover, majority of participants were either had bachelor's degree (38%) or Masters (60%).

The final model exhibited an acceptable fit to the data. The probability level was .000 which indicates goodness of the model. Chi-square/d.f was found 1.764 which is less than 3 and confirms the fitness of model. Other goodness of fit indices were also observed/ Value of goodness of fit index $GFI=0.810$, comparative fit index $CFI=0.851$, incremental fit index $IFI=0.854$ shows a better fit of model, as these values are closer to one that means model is good. Values of root mean square error of approximation (RMSEA) =0.071 & root mean square residual (RMR) = 0.067 also ascertained the goodness of the model as it should be less than 0.08. All the relationships were found significant in the final model except TL and influence because its p value is greater than 0.05.

Observed variables, contributing to each latent variable which are having loadings greater than 0.5 threshold of acceptability, are confirmed factors. Furthermore, confirmatory factor analysis exhibited 'JS1' and 'MW4' as poor contributor to latent variables and so they were removed from the final model. However, each scale was meeting the requirements of acceptability with Cronbach alpha above the 0.70.

This research has very interesting results. Transformational leadership (TL) significantly affects perception of meaningful work (MW) and job involvement (JI) of employees with regression weights 0.44 and 0.46 respectively. However, transformational leadership role in developing perception about employee influence (INF) is not significant.

Meaningful work was the only work characteristic variable which contributed toward job satisfaction (JS). Standardized estimate value 0.63 shows the high effect of meaningful work to job satisfaction.

Research supported H1(a) & H2(a) while H3(a) was not found significant. Moreover, H1(b) was supported and it showed mediating role of meaningful work between transformational leadership and job satisfaction. All other hypotheses were rejected.

Job involvement and influence at work didn't found significant contributor of job satisfaction. Moreover, a strong correlation was found among three variables of work characteristics. Perception of meaningful work and job involvement has strongest correlation that is 0.59. Meaningful work was also correlated to influence significantly and its value was observed as 0.51. Job involvement and influence on job also showed positive correlation with value 0.37. So, all three work characteristics were found interrelated and only meaningful work was directly related to job satisfaction. There was no direct relationship found between TL & JS.

Relation of transformational leadership and job satisfaction was not found significant when tested in the model. However, transformational leadership was related to job satisfaction through the perception of meaningful work. It means that transformational leadership makes the work more meaningful for employees and this meaningfulness ultimately leads towards job satisfaction that is a positive work related attitude. Indirect affect between TL, MW & JS was calculated as 0.28 by multiplying 0.44 and 0.63. Mediation was checked by using Sobel test (Sobel, 1982). The results were found significant which means meaningful work mediates the relationship between transformational leadership and job satisfaction. Calculation of the sobel test was done by using online calculator of (Soper, 2013).

Employee well-being was also proposed as a dependent variable in initial model along with job satisfaction. But it was not found significantly related to any other variable and overall model became insignificant. So, it was excluded from the final model.

VI. DISCUSSION

The study intended to examine the impact of TL on various working conditions and how these conditions mediate the relation between TL and work related behaviors i-e Job satisfaction and employee wellbeing in this study. Researchers proposed that these relations can be explained by studying the perception of the followers about the meaningfulness of their work, how they feel involvement in their work and how they experience high degree of influence. The impact of TL on followers' job satisfaction was revealed through the intervention of meaningful work setting. TL was found significantly related to all proposed variables of working conditions and therefore its impact is not direct on work outcomes rather it is linked through those working conditions.

Although our all hypotheses were not confirmed but it was revealed that TL has strong relation with perception of meaningful work, job involvement. However, it was not directly related to JS and WB.

Another interesting finding was about the employee well-being (WB). It was not related to transformational leadership, neither it was associated with working environment variables.

Though, it was contradictory to the findings of previous researches which proved a significant relation between working conditions and psychological well-being (Nielsen, Yarker, Brenner, Randall, & Borg, 2008). However, it gave another dimension to future researchers. And it was not checked before in the context of banking sector, so it can be concluded that there are some other factors that contribute to well-being of banking sector employees. And these factors should be investigated in order to improve the employees' well-being.

Moreover, cultural context is also very important in the concept of well-being which must not be ignored. There may be a lot of different cultural elements that make employees exhausted, tired and tense and make different perception about their well-being. And, there is not found any other study in Pakistani cultural context and especially in banking sector, to which we can make reference. So, this research provides a new facet that needs further exploration for better understanding.

There are also so many factors that are predictors of job satisfaction that goes beyond the scope of this study. However, meaningfulness of work for employees has its importance that is proved by the results of this study.

Transformational leadership style caused involvement of employees and they perceived their work as more meaningful. This style, if adopted by managers can result in positive work related attitudes (Job satisfaction) that in turn result in good performance.

There was no relationship observed between involvement and job satisfaction, influence and job satisfaction. This lack of association between work characteristics and job satisfaction may be due to inter correlation of all three work characteristics. These working conditions may exert their influence on outcomes through connection to each other. Employee may perceive more meaningfulness of work when they have more influence on work or they feel higher level of involvement or engagement (Ghadi, Fernando, & Caputi, 2013). And then this meaningfulness leads towards job satisfaction. Though we didn't proposed these hypotheses in our initial research but modification indices guided these correlations that are very much important and have high level of association with each other.

Our findings have contradictory results to the previous researches that found direct relationship between TL and WB (Arnold, Turner, & Barling, 2007; Nielsen, Yarker, Brenner, Randall, & Borg, 2008; Nielsen & Munir, 2009), between TL & JS (Bushra, Usman, & Naveed, 2011; Shibru, 2011).

Moreover, most of the researches about well-being belong to health sector employees (Arnold, Turner, & Barling, 2007) who have more knowledge about well-being as they spend most of their time with patients. And they are more able to judge their needs regarding health and well-being as compared to any other sector employees (Nielsen, Yarker, Brenner, Randall, & Borg, 2008). Furthermore, there were found some other predictors of employees' psychological well-being in a Nigerian banking sector study. These were self-efficacy, job insecurity, perceived organizational target selling and sexual harassment (Adejuwon & Lawal, 2013) but these were beyond the scope of this research. Results of the

study indicate the relation of TL to working conditions as they are perceived by the followers.

VII. CONCLUSION

From the above discussion, it can be concluded that transformational leadership style has positive and significant influence on certain work characteristics i-e perception of meaningful work and job involvement. Moreover, if employees consider their work activates as meaningful and interesting they are more satisfied with their job. Transformational leadership causes this meaningfulness which in turn increases level of job satisfaction among employees. This study shows the indirect effect of TL on JS that is mediated by MW. Furthermore, all the work characteristics are interrelated and support each other so must be studied in relation to others. They all jointly create positivity for the organization as a whole. Though TL and work characteristics were not causing employees well-being in the result of this study, but it gave an insight to future researcher to explore the issue.

VIII. SIGNIFICANCE OF THE STUDY

This study has contribution to the knowledge of leadership that is very much in need especially in context of developing country like Pakistan. This research is important in the sense that it is empirically investigating the impact of leadership on very important employee behaviors i-e job satisfaction and employee well-being. Another valuable contribution might be for the policy making authorities of banking sector. The finding of the study might put them in a better position to make effective decision in selection of working conditions that must be provided in order to get positive results.

Results also have investigated the role of transformational leadership to increase the level of job satisfaction of bank employees with mediating role of meaningful work. This information can also be helpful for management to get knowhow about the overall satisfaction level and how it can be raised for higher productivity.

Another implication might be for the development side for training leaders. It is proved by previous researchers that TL behaviors can be taught (Nielsen & Munir, 2009). Transformational leadership style indirectly increases job satisfaction, so training to enhance this leadership style might be a cost effective way to raise level of satisfaction of employees rather than changing wide range of working conditions for a large number of employees.

Results of this study have added to the body of knowledge related to the psychological wellbeing that is not much investigated in Pakistan along with leadership style.

IX. LIMITATIONS AND FUTURE DIRECTIONS

The very first limitation of this research is that it is based on the one time data i-e Cross sectional study. However a longitudinal study may provide more authentic results. Moreover, it was conducted in limited geographic area, so its results cannot be generalized to a larger population.

The study only deals with banking sector employees, future researcher may extent it to other sectors as well. Results of this study discovered new areas for investigation and it can be explored the antecedents of well-being for banking sector employees and how the well-being can be improved.

Data was collected from the employees through self-administered questionnaires and only the perception of followers was acquired. No other source was used to get information so the data may be biased. Different sources will provide more comprehensive information that is not possible due to limited resources.

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