Investigating the Effect of Transformational Leadership as a Moderator, between Employees’ Psychological Empowerment and Employees’ Job Satisfaction Relationship

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Abstract– The aim of this study was to evaluate the impact of Transformational Leadership and Psychological Empowerment on employees’ Job Satisfaction as well as to confirm the moderating role of Transformational Leadership between the relationship of Psychological Empowerment and Job Satisfaction by selecting the sample of respondents from Gujranwala Electric Power Company (GEPCO) Circle Gujrat. The data were collected using well structured questionnaire and the results have shown that Transformational Leadership is more strongly correlated as well as influencing Job Satisfaction than Psychological Empowerment. All the relationships have been found positive and significant. It has also been found that Transformational Leadership plays a moderating role between the relationship of Psychological Empowerment and Job Satisfaction.

Keywords– GEPCO, Job Satisfaction (JS), Psychological Empowerment (PE) and Transformational Leadership (TL)

I. INTRODUCTION

The business environment is rapidly changing due to globalization, technological changes, tough competition and all this has affected the world of work as well as the behaviors and attitudes of employees. The organizations who have psychologically empowered and satisfied employees, are growing rapidly, expanding their businesses as well as coping to changing business environment very well whereas dissatisfaction of employees lead to increasing turnover ratio (Naqvi, H, A, S et al., 2011). The turnover creates cost for respective organizations in shape of staffing, training of new employees. Therefore the employees are the most precious asset for organizations comparatively to all other organizational assets because of their work related attitudes and behaviors as well as they make important organizational decisions. Those organizations that consider employees an asset are developing policies and creating environment to impact the employees’ work related attitudes and reaping benefits. To cope such organizational challenges organizations are psychologically empowering their employees and satisfying them resultantly their performance level improve (Naqvi, H, A, S et al., 2011; Swidi, A, K, A et al., 2012).

The psychological empowerment and transformational leadership are the medium of job satisfaction, therefore after psychologically empowering employee and adopting the transformational leadership role by the managers, the organizations can reap benefit like employees’ positive attitude, which leads towards better organizational performance. When employees feel they are psychologically empowered their level of self confidence boosts up and they show satisfaction with their job and better performance (Liang, J, W & Zhen, H, W., 2012; Al-Zahrani, A, A et al., 2012). Those organizations whose employees are psychologically empowered and managers are practicing transformational leadership, their employees have shown the positive work attitude and their retention rate is high as well as the satisfied employees are performing well (Omar, W, A, A & Hussin, F., 2013).

II. PROBLEM STATEMENT

In electricity distribution companies, employees’ work attitudes matters greatly because it requires well trained and satisfied employees to complete its operations, failing which the efficacy of the organization decreases and organization has to face high economic cost. Managers can adopt various approaches to cope this situation and one of these is to increase the employees’ level of job satisfaction by practicing transformational leadership approach by managers and psychologically empowering employees.

Keeping in view the above, it is imperative to find out whether psychologically empowered employees and transformational leadership approach of managers are playing any important role to determine employees’ job satisfaction level of GEPCO (Gujranwala Electric Power Company) Circle Gujrat employees.
A) Significance of the Study

This study is expected to help the management of GEPCO to frame strategies to manage the employees in a better way and to help to better understand as to how to increase Job Satisfaction of employees and to retain valuable employees. The result of this study may contribute to the literature concerning work related outcome variables such as Job Satisfaction, Psychological Empowerment and Transformational leadership. In addition, many of the existing works of research and models on these subjects have been based on western samples. In Pakistan it may have the opportunity to examine applicability and generality of western theories.

III. RESEARCH OBJECTIVES

The main objective of this study is to confirm the moderating role of Transformational leadership between the relationship of Psychological Empowerment and Job Satisfaction and to explain how Psychological Empowerment and Transformational Leadership perception is playing role to determine the employees’ Job Satisfaction.

A) Sub Objectives

- To explore the relationship between Psychological Empowerment and Job Satisfaction.
- To explore the relationship between Transformational Leadership and Job Satisfaction.
- To determine whether Psychological Empowerment is more strongly correlated with Job Satisfaction or Transformational Leadership.
- To determine whether Psychological Empowerment is more strongly influencing Job Satisfaction or Transformational Leadership.

IV. SCHEMATIC DIAGRAM

Psychological Empowerment is the independent variable, Job Satisfaction is the dependent and Transformational Leadership is the moderating variable (Fig. 1).

![Schematic Diagram](image)

IV. LITERATURE REVIEW

A) Leadership

The ability to influence a group to gain some objective is called leadership (Robbins, P.S & Judge, A.T., 2000). Leadership procedure is not just concerned with a single actor whereas it engages all other constituencies of the procedure (Randall, M.L & Coakley, A.L., 2007). In a leadership process the leader influences on the behavior of others for the accomplishment of specific goal (Voon, L.M. et al., 2011; Adriana, T., 2012).

B) Transformational Leadership

The people who are engaged in transformational leadership, they transform their basic convictions, vision, focus on requirement of individuals and motivate them to sacrifice their personal interest over organizational interest. They show the extra enthusiasm to gain goals (Robbins, P.S & Judge, A. T., 2000; Luthans, F., 2005). The construct of transformational leadership has been built upon following four dimensions

- **Idealized Influence or Charisma**: they give vision and strategy, get respect, develop cohesion, synergy and reliance
- **Inspirational Motivation**: motivate and inspire, explain the clarity of goals and set high targets.
- **Intellectual Stimulation**: they encourage creativity and innovation rather than maintenance, help group members to resolve critical issues.
- **Individual Consideration**: consider each and every follower needs, highlight employee potential and capabilities and assist them for their development (Robbins, P.S & Judge, A. T., 2000; Luthans, F., 2005; Afshari, M. et al., 2012).

C) Job Satisfaction

Having constructive feelings about job after its appraisal and the primary contributors to the job satisfaction are work itself, career advancement, salary, peers, development, autonomy (Robbins, P.S & Judge, A. T., 2000). Job satisfaction indicates towards the employees’ own perception about their work (Kamal, Y & Ferdousi, M.M., 2008). The employees’ level of job satisfaction depends on different factors like supervisor’s behavior, co-workers behavior’s, salary, promotion opportunities, job, working environment and organizational characteristics (Sowmya, R.K & Panchanatham, N., 2011).

D) Psychological Empowerment

Involving employees in decision making processes, giving them autonomy to complete their tasks and ensuring that their work has great importance for organization is called employee empowerment (Robbins, P.S & Judge, A., 2000). Employee empowerment means sharing the information about vision, clarity of goals and defining the borders of decision making process (Nanda, N & Nanda, I., 2006). The construct of psychological empowerment comprised on four dimensions

- **Meaning**: employee’s value of set or pursued goals comparing with his own beliefs and standards.
- **Competence**: The faith that the individual is capable to perform certain tasks proficiently.
- **Impact**: The extent to which employee can influence on management, operation and strategic issues.
- **Autonomy**: The degree to which individual can exercise his actions regarding work related activities at his own discretion (Ghani, A.A.N. et al., 2009; Choong, O.Y., 2011).
E) Psychological Empowerment and Job Satisfaction

Psychological Empowerment can be considered as a medium to enhance job satisfaction (Patah, A. R, O, M et al., 2009). When employees found their jobs meaningfulness, they have the autonomy and decision making power their job satisfaction level increases (Patah, A. R, O, M et al., 2009). Psychological Empowerment work as a main predictor of their satisfaction with job, the high level of feelings about empowerment reasons to increase job satisfaction level whereas on the other hand low level of feelings reason to decrease in job satisfaction level (Dhladhla, J. T., 2011; Indradevi, R. D., 2011). The relationship between psychological empowerment and employees’ work related attitudes have been proved and it is found psychological empowerment is essential to increase employees’ job satisfaction and also reasons to retain them (Liang, J, W & Zhen, H, W., 2012). The employees’ psychological empowerment level can be increased by providing opportunities of participation in decision making, nurturing good environment as well as matching the vales of employees with their work ultimately reasons to increase the employees job satisfaction (Liang, J, W & Zhen, H, W., 2012; Al-Zahrani, A, A et al., 2012). When employees feel that they are powerful and can influence others ultimately they become confident and perform better as well as their job satisfaction level increases (Swidi, A, K, A et al., 2012).

F) Transformational Leadership and Job Satisfaction

The Transformational Leadership behavior is positively associated with employees’ job satisfaction (Givens, J, Roger, 2008). The transformational leadership approach reasons to increase the employees’ job satisfaction level by empowering and clarifying their roles. (Gill, A. et al., 2010). To increase the job satisfaction level of employees, the transformational leadership style of managers plays a major role (Shibru, B & Darshan, M, G., 2011). The practicing of any transformational leadership component reasons to increase the job satisfaction of peers and all components of transformational leadership has been found significantly correlated with employees’ job satisfaction (Hashim, J et al., 2010; Mohammad, S, I, S et al., 2011; Shibru, B & Darshan, M, G., 2011). There has been found positive relationship between charisma, intellectual stimulation, inspirational motivation and job satisfaction whereas on the other hand there has been found negative relationship between individual consideration and job satisfaction (Omar, W, A, A & Hussin, F., 2013).

G) Transformational Leadership as a Moderator

Transformational Leadership behavior heavily influences on the job satisfaction level of employees resultantly employees’ job satisfaction level increases and their performances improve (Givens, J, Roger, 2008). Transformational leadership style affects the employees’ job satisfaction level through intervening role of employees’ psychological empowerment and such relationship shows that the manager’s behaviour also results to increase the employees’ psychological empowerment. As the level of transformational leadership behavior will increase the perception of four components of psychological empowerment will increase besides employees’ job satisfaction level too (Dhladhla, J. T., 2011). Transformational leadership style reasons to establish the sense of meaning among employees after articulating and sharing vision and aligning task of the employees accordingly, resultantly employees’ job satisfaction level increase (Liang, J, W & Zhen, H, W., 2012). Transformational leadership has not been found a significant moderating variable between the relationship of employees’ psychological empowerment and job satisfaction whereas on the other hand there has been found a strong relationship between employees’ psychological empowerment and job satisfaction but transformational leadership affect found more stronger on job satisfaction than employees’ psychological empowerment (Swidi, A, K, A et al., 2012).

V. RESEARCH HYPOTHESIS

The following hypotheses have been developed for this research work.

H1: Psychological Empowerment will positively affect the employees’ Job Satisfaction.
H2: Transformational Leadership will positively affect the employees’ Job Satisfaction.
H3: Transformational Leadership will play the moderating role between the relationship of Employees’ Psychological Empowerment and Employees’ Job Satisfaction.

VI. METHODOLOGY

This is a cross sectional study and the target population is 520, consisting upon all GEPCO Circle Gujarat employees. Since population is heterogeneous and not uniform because employees have different Basic Pay Scales, therefore their scale wise stratum was made and stratified sampling technique was used. The allocation of the sample size for different stratusms was made by using proportional allocation. To get the appropriate representative sample a well known formula of Yamane (1967) used according to which original sample size was 226 but due to non response and errors in questionnaires filling, the sample size reached to 171 (75%).

A self administered questionnaire was distributed among employees. The questionnaire was comprised of 4 segments. The first section of the questionnaire was used to get the demographic information i.e. Age, gender, scale, qualification and experience of the respondents. The second section of questionnaire was used to measure the Employees’ Psychological Empowerment and the 12 item measurement scale was adopted from Spreitzer (1995) and Swidi, A, K, A et al (2012). The Cronbach’s Alpha value for Employees’ Psychological Empowerment was .847. The third section of questionnaire was used to assess the activities of Transformational Leadership; the 07 item measurement scale was adopted from Carless, A, A et al (2000). The Cronbach’s Alpha value for Transformational Leadership was .848. The fourth section of questionnaire was used to measure the employees’ Job Satisfaction level, the 9 items measurement scale was adopted from Spector (1985) and Swidi, A, K, A et
al (2012). The Cronbach’s Alpha value for Job Satisfaction was .863. Five points Likert scale was used to measure the variation where 1 specified for “strongly disagree” and 5 for “strongly agree”.

VII. RESULTS AND DISCUSSION

Table no: 01

<table>
<thead>
<tr>
<th>Correlation</th>
<th>1 (PE)</th>
<th>2 (TL)</th>
<th>3 (JS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Psychological Empowerment (PE)</td>
<td>1</td>
<td>.269**</td>
<td>.376**</td>
</tr>
<tr>
<td>2. Transformational Leadership (TL)</td>
<td>.269**</td>
<td>1</td>
<td>.592**</td>
</tr>
<tr>
<td>3. Job Satisfaction (JS)</td>
<td>.376**</td>
<td>.592**</td>
<td>1</td>
</tr>
</tbody>
</table>

**correlation is significant at the 0.01 level (2-tailed)

Table no: 01 is displaying the results of Pearson Correlation among Psychological Empowerment, Transformational Leadership and Job Satisfaction. The value of correlation between Psychological Empowerment and Transformational Leadership is .269**, which is pointing towards a positive and significant relationship but not much strong relationship. The correlation value between Psychological Empowerment and Job Satisfaction is .376**, which is comparatively high than Psychological Empowerment and Transformational Leadership correlation value also. The .376** value is showing that there is also positive and significant relationship between Psychological Empowerment and Job Satisfaction (Patah, A, R, O, M et al., 2009).

The value of correlation between Transformational Leadership and Job Satisfaction is .592**, this value is also showing a very good positive and moderate level significant relationship between Transformational Leadership and Job Satisfaction (Givens, J, Roger, 2008). Moreover, it has also been found that Transformational Leadership is more strongly correlated with employees’ Job Satisfaction level than Psychological Empowerment (Swidi, A, K, A et al., 2012).

Hierarchical Regression

To run Hierarchical Regression, the requisite assumptions like Linearity of phenomenon, data normality, No Autocorrelation, No Multicollinearity, Homoscedasticity, and No Outlier have been fulfilled.

The Table no: 02 is showing the overall summary of the Hierarchical regression models and the strength of the relationship between the two models and the dependent variable. The model no: 01 is displaying the results without the interaction term and the predictors are Psychological Empowerment and Transformational Leadership whereas on the other hand, in the Model no: 02 the interaction term (Transformational Leadership*Psychological Empowerment) has also been included in the model as predictor besides other predictors. R stands for multiple correlation coefficient and in the Model no: 01 its value is .634 which is high and indicating towards a strong relationship between variables (Swidi, A, K, A et al., 2012) as well as the value of R square is .401 which is explaining that how well dependent variable (Job Satisfaction) has been explained by the two independent variables (Psychological Empowerment, Transformational Leadership). The R square value is .401 which is showing that 40% variation came in dependent variable (Job Satisfaction) because of the two independent variables.

In the Model no: 02, the predictors are Psychological Empowerment, Transformational Leadership and also the Interaction term Transformational Leadership*Psychological Empowerment). Here the R value is .652 which is high and indicating towards a strong relationship between variables as well as the value of R square is .425 which is explaining that how well dependent variable (Job Satisfaction) has been explained by the two independent variables (Psychological Empowerment and Transformational Leadership) and Interaction term. The 42% variation came in dependent variable (Job Satisfaction) because of the two independent variables and interaction term. Thus change in the value of R Square from 40% to 42% (comparing model no: 01 and model no: 02) is showing that the R Square value has been increased although the increase is just 2%.

The Table no: 01 is also explaining the both model’s acceptability from statistical point of view. The F statistics for both models are showing that results are significant and P-value is less than .05. Therefore the Transformational Leadership & Psychological Empowerment has the association with Job Satisfaction (Swidi, A, K, A et al., 2012) as well as the interaction term (Transformational leadership*Psychological Empowerment).

Table no: 02

<table>
<thead>
<tr>
<th>Model Summary</th>
<th>B</th>
<th>T</th>
<th>Sig.</th>
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</thead>
<tbody>
<tr>
<td>Model 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>30.380</td>
<td>84.551</td>
<td>0.00</td>
</tr>
<tr>
<td>Transformational Leadership</td>
<td>3.197</td>
<td>8.543</td>
<td>0.00</td>
</tr>
<tr>
<td>Psychological Empowerment</td>
<td>1.410</td>
<td>3.767</td>
<td>0.00</td>
</tr>
<tr>
<td>Model 2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>30.079</td>
<td>80.916</td>
<td>0.00</td>
</tr>
<tr>
<td>Transformational Leadership</td>
<td>3.505</td>
<td>9.070</td>
<td>0.00</td>
</tr>
<tr>
<td>Psychological Empowerment</td>
<td>1.308</td>
<td>3.537</td>
<td>0.00</td>
</tr>
<tr>
<td>(Interaction) Transformational Leadership* Psychological Empowerment</td>
<td>1.127</td>
<td>2.607</td>
<td>0.01</td>
</tr>
</tbody>
</table>
The Table no: 03 is showing that all independent variables’ coefficient results are significant and indicating that these variables have contributed to the model. In the model no: 01 the coefficients value of Transformational Leadership is 3.197 and Psychological Empowerment is 1.410 which are showing that Transformational Leadership perception and Employees’ Psychological Empowerment are positively affecting Job Satisfaction (Patah, A, R, O, M et al., 2009; Hashim, J et al., 2010; Mohammad, S, I, S et al., 2011). Moreover the Transformational Leadership is more strongly affecting Job Satisfaction than Psychological Empowerment.

In the model no: 02 the coefficients value of Transformational Leadership is 3.505, Psychological Empowerment is 1.308 and the Interaction term is 1.127 which are showing that Transformational Leadership perception, Employees’ Psychological Empowerment and Interaction term are positively affecting Job Satisfaction and the results are also significant (Patah, A, R, O, M et al., 2009; Hashim, J et al., 2010; Mohammad, S, I, S et al., 2011). The Transformational Leadership contribution has been found again more in the model no: 02 than Psychological Empowerment and interaction term (Swidi, A, K, A et al., 2012). On the other hand the Interaction term \( \beta = 1.127 \) which is comparatively low than Transformational Leadership and Psychological Empowerment Betas’ values, although the results are significant for Interaction and the Transformational Leadership has played the role as a moderator term but the Transformational Leadership affect on employees’ Job Satisfaction as moderator is quite low and just nominal (2% increase in overall model). Therefore on the base of these results, we accept our all three Hypothesis H1, H2 and H3.

VIII. CONCLUSION

The results have shown that Transformational Leadership is more strongly affecting Job Satisfaction (Swidi, A, K, A et al., 2012) than Psychological Empowerment and the relationship has been found positive and significant. The Transformational Leadership has also been found stronger predictor of Job Satisfaction than Interaction term. Moreover it is also found that Transformational Leadership has played the role of moderator, although the Transformational Leadership’s affect on model is nominal but the results are significant.

The activities of Transformational Leadership are playing an important role in increasing employees’ Job Satisfaction level as well as enhancing employees’ perception of Psychological Empowerment (Swidi, A, K, A et al., 2012). The Psychological Empowerment has also been proved a good predictor of Job Satisfaction (Dhladhla, J, T., 2011) and its effect is also more on Job Satisfaction than Interaction term. Moreover it is also found that the relationship between employees’ Psychological Empowerment and Job Satisfaction is contingent on Transformational Leadership.

Implications

The results of this study will help managers to develop strategies and to make decisions that how they can increase their employees’ job satisfaction. The employees’ are very sensitive with respect to the role of their leader and when the leader will provide the vision, motivate, communicate openly, recognize the individual contribution then ultimately the employees’ level of job satisfaction will also increase (Naqvi, H, A, S et al., 2011). Enhancing employees’ Psychological Empowerment perception by giving them autonomy, independence, feeling of meaning and enhancing their competencies would also reason to increase the employees’ Job Satisfaction and ultimately the respective organizational overall productivity will increase (Liang, J, W & Zhen, H, W., 2012; Al- Zahrani, A, A et al., 2012).

Limitations of the Research

Like other studies, this work also has some limitations. In this study the direct affect of Transformational Leadership on Employees’ Psychological Empowerment has not been evaluated. The implications of demographic factors’ effect on the developed linkages might be providing a better understanding of the results but it is not in the scope of this study. There are almost 11 electricity distribution companies operating in Pakistan and all the companies differ with each other with respect to organizational culture, management practices therefore the results generalization to all electricity distribution companies is hard.

Suggestions for Future Research

The present study’s sample has been taken from one public sector organization (Electricity Distribution Company) and in future for results generalizations purpose, it is suggested to conduct a comparative study of electricity distribution companies of Pakistan. In future it is also suggested to check the direct affect of Transformational Leadership on employees’ Psychological Empowerment as well as Transformational Leadership as a mediator between Psychological Empowerment and Job Satisfaction. Then it is suggested to check the demographic linkages and other work related attitudes relationship with Transformational Leadership.

REFERENCES


