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# Role of Transformational Leadership in Enhancing Followers' Psychological Empowerment

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*Journal of  
Entrepreneurship and Business*  
E-ISSN: 2289-8298

Vol. 4, Issue 2, pp. 42-53. Dec. 2016

**Nurshahira Ibrahim** (Corresponding Author)  
Institut Islam Hadhari, Universiti Kebangsaan Malaysia,  
Malaysia. Email: n.shahiraibrahim@gmail.com

Faculty of Entrepreneurship and  
Business, Universiti Malaysia Kelantan  
Locked Bag 36, 16100 Pengkalan Chepa  
Kota Bharu, Kelantan, Malaysia  
<http://fkip.umk.edu.my/journal/index.html>


**Azman Ismail**  
Faculty of Economics & Management, Universiti Kebangsaan  
Malaysia, Malaysia, E-mail: azisma08@gmail.com

Date Received: 10<sup>th</sup> October 2015  
Date Accepted: 7<sup>th</sup> September 2016

DOI: 10.17687/JEB.0402.04

**Munirah Hanim Yusuf**  
Faculty of Economics & Management, Universiti Kebangsaan  
Malaysia, Malaysia, E-mail: munirahhanim@gmail.com

**Siti Ngayesah Ab. Hamid**  
Faculty of Economics & Management, Universiti Kebangsaan  
Malaysia, Malaysia. E-mail: ctngayesah@ukm.edu.my

  
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**Abstract** - According to recent literature on organizational leadership, the ability of leaders to implement a transformational process appropriately may lead to enhanced followers' psychological empowerment in organizations. Although this relationship is significant, the role of transformational leadership as an important predicting variable has not been given sufficient emphasis in the organizational leadership model. Therefore, this study was conducted to investigate the relationship between transformational leadership and followers' psychological empowerment using 86 usable questionnaires gathered from employees at a multinational company in Sarawak, Malaysia. The results of the SmartPLS path model analysis confirm that idealized influence, individualized consideration, and intellectual stimulation act as important predictors of followers' psychological empowerment. Additionally, discussion, implications and conclusion are presented in detail.

**Keywords:** idealized influence, individualized consideration, intellectual stimulation, followers' psychological empowerment

## 1. Introduction

Leadership is a subject that attracts attention as it is associated with the ability of a leader to encourage, persuade, and influence the behavior of followers to achieve specific purposes and goals (Alotaibi, Yusoff, Al-Swidi, Al-Matari, & Asharqi, 2015; Epitropaki & Martin, 2013; Mohamad, Salleh, & Hashim, 2009). Style and patterns of leadership applied by leaders may enhance organizational effectiveness if they are able to play a thoughtful role, show high commitment in discharging responsibilities, adapt constantly with turbulent environments, and act intelligently in supervising, evaluating, and monitoring the followers' developments (Tse et al., 2013; Mohamad et al., 2009).

From a western theoretical perspective, the leadership theory was developed based on the "Great Man" concept whereby a leader is born naturally and only a man can be considered a leader (Lussier & Chua, 2013; Riaz & Haider, 2010). However, this perspective was

amended by contemporary scholars because it does not clearly distinguish the features and characteristics of effective and ineffective leaders. Then, scholars turned to the trait theory of leadership, which emphasizes on the nature and quality of a person who could be considered a leader. However, this theory also has flaws since no suitable measurement system could be used to evaluate human nature that is numerous and complex (Mat Zin, 1996; Yusof, 2010). In rectifying this deficiency, the behavioral theory was introduced where it gives more focus on distinguishing the actions of leaders and followers. However, upon further study, it is found that this theory is also unable to explain the leadership traits fully while at the same time ignoring the situational factor (Yusof, 2010). In contrary to the earlier theories, the contingency theory takes into account situational factors and its effect towards leadership effectiveness (Riaz, 2010; Yusof, 2010). Unfortunately, this theory only explains the concept of management while none of the leadership character and style that is effective in all situations is covered (Riaz, 2010).

The lacks found in the earlier theories have opened the minds of scholars to introduce a theory that coincides with the passage of time and more geared towards the development of leaders and followers. After further review, the study found that in the context of agile organizations, most theories emphasize on two main dimensions namely transactional leadership and transformational leadership. In a borderless world, many organizations shift the paradigms of their leadership from a transactional style to a transformational leadership style. This is because the transformational leadership style has obtained important attention by many leaders in creating comfortable and conducive atmospheres that may enhance the followers' potential and talents in order to achieve their organizational goals (Gupta & Krishnan, 2004; Ismail, Hassan Al-Banna, Ahmad Zaidi, Mohd Hamran, & Munirah Hanim, 2011; Mazaheri & Owrak, 2014). This transformational leadership was first introduced by Burns in 1978, which only focused on the study of political leadership. However, it was adjusted by Bass in 1985 to emphasize on the development of motivation among leaders and followers (Lan & Chong, 2015). This leadership style suggests three salient dimensions: idealized influence, individualized consideration, and intellectual stimulation. Idealized influence is often seen as leaders being able to use their influence to help followers to feel that the job that they are performing is meaningful and valuable (Attari, 2013; Chandra & Krishnan, 2009; Loshali & Krishnan, 2013). Meanwhile, individualized considerations are normally related to leaders who care about the needs and achievements of their followers (Attari, 2013). Through these approaches, the followers' find it easy to communicate and give feedback to the leader. Further, intellectual stimulation is usually referred to as leaders' emphasis on the concept of intelligence, rationality, logic, and problem solving, which need to be used in an organization with caution (Ismail et al., 2011). This approach makes full use of the followers' skills in doing a job, which could increase their potential in the organization. This encourages the followers to continuously give their commitment to the organization.

Surprisingly, a careful observation of organizational leadership reveals that the ability of leaders to implement the transformational leadership style properly may have a significant impact on employee outcomes especially psychological empowerment (Attari, 2013; Mazaheri & Owrak, 2014). Many scholars such as Honold (1997), Howell and Hall-Merenda (1999), Lashley (1999), and Ismail et al. (2011) view followers' psychological empowerment as the willingness of leaders to delegate power to their followers in managing organizational functions. According to one study by Mazaheri and Owrak (2014), followers' capabilities will help them to improve their knowledge, skills, experience, and personal motivations. Consequently, it may lead to enhanced followers'

sense of excitement, engagements, personal cooperation, and developments in organizations (Mazaheri & Owrak, 2014). Enhancement of intrinsic motivation coincides with the concept of followers' psychological empowerment. According to the studies by Balaji and Krishnan (2014), Mazaheri and Owrak (2014), Attari (2013), and Avolio, Zhu, Koh, and Bhatia (2004), psychological empowerment can be described as a four-dimensional orientation of employees related to their role, namely meaning, competence, self-determination, and the impact or outcome. Meaning is often associated with the employees' meaningfulness of work; competence is often associated with capable and skilled workers in doing a job; self-determination refers to employees who are independent and intelligent in controlling their behavior in making the right decision; and impact refers to the worker who feels he/she has an influence in making the organization's decision (Balaji & Krishnan, 2014; Mazaheri & Owrak, 2014; Boonyarit, Chomphupart, & Arin, 2010; Attari, 2013). Therefore, this process illustrates that transformational leadership can act through followers' psychological empowerment to influence the work of the organization (Balaji & Krishnan, 2014; Ozaralli, 2002; Meyerson & Kline, 2008). Many studies conclude that transformational leadership is positively and significantly associated with the followers' psychological empowerment. This is in agreement with the studies by Gumusluoglu and Ilsev (2009), Boonyarit et al. (2010), Attari (2013), Balaji and Krishnan (2014), and Mazaheri and Owrak (2014), which advocate that the capability of leaders may trigger a sense of psychological empowerment within their followers.

Within a transformational leadership model, many scholars concur that idealized influence, individualized consideration, intellectual stimulation, and followers' psychological empowerment are different, albeit of connected themes. For example, the ability of leaders to implement idealized influence, individualized consideration, and intellectual stimulation appropriately in executing jobs may result in improved psychological empowerment among the organizations' followers. Although many studies have been done, the role of transformational leadership as an important determinant has been given little attention in organizational leadership research literature (Attari, 2013). This situation is due to several factors: first, many previous studies conceptually discuss the global definitions, nature, purposes, and significance of transformational leadership. Second, previous studies use simple correlations in their research methodology, which does not give a clear precision in the results. Third, many previous studies give little attention to the importance of power in developing the transformational leadership model (Salmasi, 2014). Hence, this situation has motivated the researchers to fill the gap in literature by measuring the effect of transformational leadership on followers' psychological empowerment. This research has three main objectives: first, to measure the relation between idealized influence and followers' psychological empowerment. Second, is to measure the relation between individualized consideration and followers' psychological empowerment. Third, is to measure the relation between intellectual stimulation and followers' psychological empowerment.

## **2. Literature Review**

Several recent studies were done using the direct effects model to examine transformational leadership based on different samples, such as the perception of 163 R&D personnel and managers of 43 micro- and small-sized Turkish software development companies (Gumusluoglu & Ilsev, 2009), 154 public school teachers from a secondary school in the Central province of Thailand (Boonyarit et al., 2010), 203 nurses of Moheb

Hospital (Attari, 2013), 113 employees of a network marketing organization in southern India that only employs women (Balaji & Krishnan, 2014), and 146 employees of Al-Zahra University of Tehran including faculty members and administration, educational, and service employees (Mazaheri & Owrak, 2014). The outcomes of these surveys revealed that the ability of leaders to practice idealized influence, individualized consideration, and intellectual stimulation appropriately when executing their jobs had invoked their followers' psychological empowerment in the respective organizations (Ismail et al., 2011; Mazaheri & Owrak, 2014; Avolio et al., 2004).

The leadership research literature is consistent with the notion of the leadership theory. First, the transformational leadership theory of Burn (1978) states that in managing organizational functions, the moralities of both leaders and followers may be improved through mutual consideration. Second, the transformational leadership theory of Bass (1985) postulates that the followers can be encouraged to exceed their self interests in supporting organizational interests through communication with their leaders in managing organizational functions. Third, Kanter's (1977) theory of structural empowerment emphasizes that structure, policies, and practices is designed to distribute power to the entire organization, which allows employees at lower levels to take appropriate initiatives (Seibert, Wang, & Courtright, 2011). Meanwhile, Thomas and Velthouse's (1990) model of followers' psychological empowerment suggests four important intrinsic task motivational dimensions: meaning, competence, self-determination, and impact. This intrinsic motivation strongly encourages individuals to perform tasks without being controlled by external contingencies such as rewards and punishments. The essence of these theories explains that mutual understanding of leaders and followers, good interaction between leaders and followers, distribution of power to followers, and high intrinsic task motivation will be enhanced if leaders are able to practice the transformational style appropriately. As a result, it may lead to greater followers' psychological empowerment in organizations (Ismail et al., 2011; Khan, Khan, & Shahzad, 2013).

### **3. Methodology**

#### ***3.1. Research Design***

This study employs a cross-sectional research design because it allows the researchers to integrate the transformational leadership literature and actual survey as a main procedure to gather data. This method gathers less biased and high quality data (Cresswell, 1998; Sekaran, 2000). The location of this study is a multinational company in Sarawak. At the initial stage of data collection, the researchers had drafted a survey questionnaire based on the related literature review. Thereafter, in view that the employees have more than seven years of working experience and adequate understanding of the studied organizations' leadership style, purposive sampling was utilized. In order to verify the information and format of the actual study's survey questionnaire, feedbacks obtained from the pilot study were utilized. Moreover, in order to improve the instrument's validity and reliability, the back translation technique was utilized to translate the questionnaires into Malay and English (Van Maanen, 1983; Wright, 1996).

### **3.2. Measures**

The survey questionnaire has 2 major sections. Firstly, transformational leadership is measured using 3 elements taken from the multi-factor leadership questionnaires (MLQ-Form 5X), in which idealized influence has 5 items, individualized consideration has 3 items, and intellectual stimulation has 3 items (Bass, 1994, 1999; Bycio, Hacket, & Allen, 1995; Dionne, Yammarino, & Atwater, 2003; Hartog, Muijen, & Koopman, 1997). Secondly, psychological empowerment is measured using 4 items that were adapted from the followers' psychological empowerment literature (Ashforth, 1989; Hackman & Oldham, 1980; Jones, 1986; Tymon, 1988). All items used in the questionnaire are measured using a 7-item scale ranging from "strongly disagree" (1) to "strongly agree" (7). In view of the fact that this study is focused on employees' attitudes, the controlling variables are the demographic variables.

### **3.3. Population and Sample**

A convenience sampling technique is used to distribute 150 survey questionnaires to employees in the organization. This sampling technique was chosen, as the organization was unable to provide the employees' information due to confidentiality. As such, the researchers were unable to select the participants randomly. From the questionnaire distributed, only 86 questionnaires were usable, resulting in 57.3 percent response rate. The respondents answered the questionnaires based on consent and on a voluntarily basis.

### **3.4. Data Analysis**

The SmartPLS is chosen to analyze the validity and reliability of the instrument and to test the research hypotheses. According to Henseler, Ringle, and Sinkovics (2009), the main advantages of this statistical package are that it may produce latent variable scores, avoid small sample size problems, estimate every complex model with many latent and manifest variables, handle stringent assumptions about the distribution of variables and error terms, as well as handle both reflective and formative measurement models. The path coefficients for measuring a structural model uses the standardized beta ( $\beta$ ) and t statistics ( $t > 1.96$ ). The value of  $R^2$  is used as an indicator of the overall predictive strength of the model. The value of  $R^2$  is considered as follows: 0.19 (weak), 0.33 (moderate), and 0.67 (substantial) (Chin, 1998; Henseler et al., 2009).

## **4. Results**

Table 1 shows that a majority of the respondents were males (62.8%), aged between 26 to 30 years old (36.0%), Malay (38.4%), diploma holders (33.7%), lower-level management (70.9%), and with a working experience of more than 10 years (26.7%).

### **4.1. Validity and Reliability of the Instrument**

Table 2 shows the cross loading for different constructs. The correlation between items and factors has higher loadings than other items in the different constructs, as well as the loadings of variables are greater than 0.7 in their own constructs in the model, which are considered adequate (Henseler et al., 2009). In sum, the validity of the measurement model

met the criteria. Moreover, the values of composite reliability are greater than 0.8, indicating that the instrument used in this study has high internal consistency (Nunnally & Bernstein, 1994; Henseler et al., 2010).

Table 1. Respondents' Characteristics (N=86)

Sample Profile	Sub-Profile	%	Sample Profile	Sub-Profile	%
Gender	Male	62.8%	Job Category	Middle-level	29.1%
	Female	37.2%		Lower-level	70.9%
Age	Less than 20 years	3.5%	Race	Malay	38.4%
	21 to 25 years	24.4%		Chinese	22.1%
	26 to 30 years	36.0%		Indian	1.2%
	31 to 35 years	20.9%		Native	36.0%
	36 to 40 years	9.3%		Others	2.3%
	Above 40 years	5.8%			
Education	SPM/MCE/Senior Cambridge	23.3%	Length of Service	Less than 1 year	11.6%
	STPM/HSC	33.7%		1 to 3 years	20.9%
	Diploma	19.8%		4 to 6 years	22.1%
	Degree	8.1%		7 to 9 years	18.6%
	Others			10 years and above	26.7%

Note: SPM/MCE: Sijil Pelajaran Malaysia/Malaysia Certificate of Education  
STPM/HSC: Sijil Tinggi Pelajaran Malaysia/Higher School Certificate

Table 2. The Results of Factor Loadings and Cross Loadings for Different Constructs

Construct/Item	Cross Loading	Composite Reliability
<i>Idealized Influence</i>		0.919
Suggests new method for completing tasks	0.816	
Expresses the belief that goals will be accomplished	0.825	
Improves my eagerness to perform better	0.864	
Encourages me to accomplish better than expected	0.836	
Improves my inspiration to accomplish personal and organizational goals	0.822	
<i>Individualized Consideration</i>		0.895
Seeks differing perspective when solving problems	0.849	
Spends time teaching and coaching	0.877	
Acts in ways that build my respect	0.854	
<i>Intellectual Stimulation</i>		0.873
Encourages me to be creative and innovative	0.829	
Sets challenging standards for all tasks given to me	0.846	
Gets me to rethink ideas that I had never questioned before	0.827	
<i>Psychological Empowerment</i>		0.877
My tasks are crucial to me	0.853	
My impact on the happening in my department is large	0.786	
My job activities are personally meaningful to me	0.789	
I am highly concern about my tasks	0.771	

Table 3 shows the results of the convergent and discriminant validity analyses. All constructs have values of AVE larger than 0.5, indicating that they meet the acceptable standard of convergent validity (Barclay, Hinggin & Thompson, 1995; Fornell & Larcker, 1981; Henseler et al., 2009). In addition, all constructs have a value of AVE in diagonal were greater than the squared correlation with other concepts in off diagonal, signifying that all concepts meet the acceptable standard of discriminant validity (Yang, 2009).

Table 3. The Results of Convergent and Discriminant Validity Analyses

Variable	AVE	Idealized Influence	Individualized Consideration	Intellectual Stimulation	Followers' Psychological Empowerment
Idealized Influence	0.694	0.833			
Individualized Consideration	0.740	0.791	0.860		
Intellectual Stimulation	0.695	0.820	0.649	0.834	
Followers' Psychological Empowerment	0.641	0.423	0.350	0.407	0.800

Table 4 shows the results of the Pearson correlation analysis and descriptive statistics. The means for all variables are from 5.3 to 5.6 signifying that the levels of idealized influence, individualized consideration, intellectual stimulation, and followers' psychological empowerment are from high (4) to the highest level (7). The values of variance inflation factor for the relationship between the independent variables (i.e., idealized influence, individualized consideration, and intellectual stimulation) and the dependent variable (i.e., followers' psychological empowerment) are less than 5.0, indicating that the data are not affected by a serious collinearity problem (Hair, 2014).

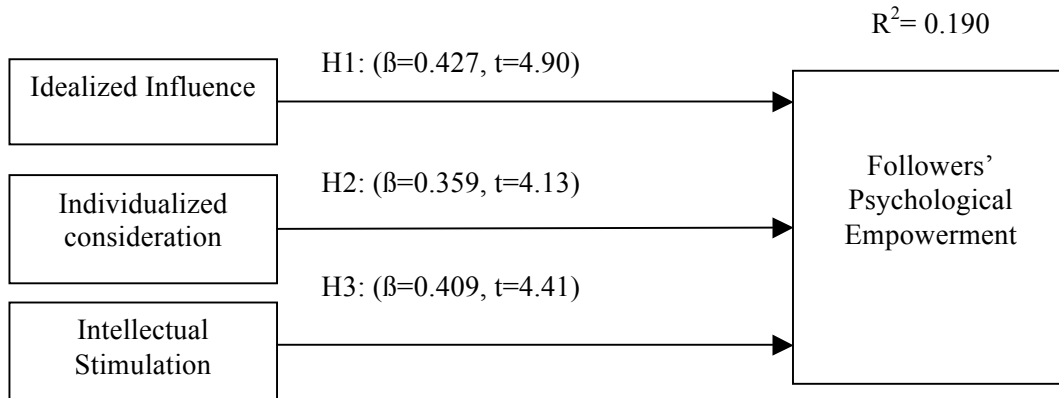
Table 4. Variance Inflation Factor Analysis and Descriptive Statistics

Variable	Mean	Standard Deviation	Variance Inflation Factor			
			1	2	3	4
Idealized Influence	5.4	0.94				4.724
Individualized Consideration	5.4	1.10				2.669
Intellectual Stimulation	5.3	0.93				3.056
Followers' Psychological Empowerment	5.6	0.78				

#### 4.2. Outcomes of Hypotheses Testing

Figure 1 presents that the inclusion of idealized influence, individual consideration, and intellectual stimulation in the analysis explains 19.0% of the variance in the dependent variable. Specifically, the result of testing the research hypotheses using the SmartPLS path model analysis reveals three important results: first, idealized influence has a positive and significant correlation with the followers' psychological empowerment ( $\beta = 0.427$ ,  $t = 4.90$ ), therefore,  $H_1$  is supported. Second, individualized consideration has a positive and significant correlation with the followers' psychological empowerment ( $\beta = 0.359$ ,  $t = 4.13$ ), therefore,  $H_2$  is supported. Third, intellectual stimulation has a positive and significant correlation with the followers' psychological empowerment ( $\beta = 0.409$ ,  $t = 4.41$ ), therefore,  $H_3$  is supported. In sum, this result confirms that idealized influence, individualized consideration, and intellectual stimulation are important determinants of the followers' psychological empowerment in the studied organization.

Additionally, a test of predictive relevance for the reflective endogenous latent variable was further conducted based on the Stone-Geisser's formulae:  $q^2 = Q^2 \text{ included} - Q^2 \text{ excluded} / 1 - Q^2 \text{ included} = 0.10$ , indicating that it is greater than zero for the reflective endogenous latent variable. This result has predictive relevance.



Note: Significant at  $*t > 1.96$

Figure 1: Outcomes of SmartPLS Path Model Analysis

## 5. Discussion and Implications

This study confirms that idealized influence, individualized consideration, and intellectual stimulation act as important determinants of the followers' psychological empowerment in the studied organization. In the context of this study, management employees have adapted the transformational process in executing their jobs to support their organizational strategy and goals. Majority of employees perceive that the levels of idealized influence, individualized consideration; intellectual stimulation, and followers' psychological empowerment are high. This situation explains that the idealized influence, individualized consideration, and intellectual stimulation in executing jobs as practiced by the management may lead to an increased followers' psychological empowerment.

This study provides three important implications: a theoretical contribution, the robustness of the research methodology, and a practical contribution. In terms of the theoretical contribution, this study reveals that idealized influence, individualized consideration, and intellectual stimulation act as important determinants of the followers' psychological empowerment in the studied organization. These findings also support and extend the studies by Gumusluoglu and Ilsev (2009), Boonyarit et al. (2010), Attari (2013), Balajian and Krishnan (2014), and Mazaherian and Owraq (2014). With respect to the robustness of the research methodology, the survey questionnaire used in this study has exceeded the acceptable standard of validity and reliability analysis. Therefore, it may lead to the production of accurate and reliable findings.

On a practical contribution, the results of this study can be used as a guide by management to improve the effectiveness of the leadership style in their organizations. This objective can be achieved if the management considers several suggestions. First, managers should be trained on the leadership style so that they could have a good performance in terms of knowledge, skills, and moral values. This training program can help to handle the needs and demands of workers who have different socio-economic backgrounds. Second, organizations could implement the participatory leadership style, which allows workers to make decisions collectively. By doing this, it can motivate workers to use creativity and innovation in carrying out their duties. Finally, the interaction between followers and leaders will enhance the positive personality of each person (e.g. satisfaction, commitment,



performance, and ethics). For example, if the organization provides a merit-based pay (such as, financial stimulus) to high performers, the leaders and followers could be motivated to concentrate more on accomplishing their goals. If managers pay attention to these recommendations, this will make it easier for an organization to achieve their objectives because this proposal provides a positive stimulus between leaders and followers.

## **6. Conclusion**

The results of this study have confirmed that idealized influence, individualized consideration, and intellectual stimulation act as important determinants of followers' psychological empowerment. This result has supported and extended the transformational leadership research literature mostly published in Western and Eastern organizational settings. Therefore, the current research and practices within the organizational leadership models need to incorporate idealized influence, individualized consideration, and intellectual stimulation as crucial dimensions of the transformational leadership domain. Further, the findings of this study have suggested that the leader's capability to practice transformational style appropriately in planning and executing organizational functions will strongly induce positive employee outcomes (e.g., competency, performance, satisfaction, commitment, trust, and positive moral values). Thus, these positive results may lead to maintaining and enhancing organizational competitiveness in an era of global economy.

This study has some conceptual and methodological limitations. First, this study only tested several transformational leadership characteristics in the hypothesized model using a direct effects method. Second, the survey data were collected only at one time during the study using a non-probability sampling technique in a single organization. Third, this study only examined the relationship between latent variables (i.e., transformational leadership and followers' psychological empowerment) and the conclusion drawn from this study does not specify the relationship between specific indicators for the independent and dependent variables. Fourth, other transformational leadership outcomes (e.g., job satisfaction, trust in leader, job performance, and organizational citizenship behavior) that are significant for organizations and employees were not discussed in this study.

This study may be strengthened if future research considers the following aspects: first, data should be collected from more than one organization because it may show similar or different results. Second, specific dimensions for transformational leadership such as coaching, mentoring, and support are found to be significant predicting variables in current leadership literature and these variables should be included in future research (Vella, Oades, & Crowe, 2013;). Third, other dependent variables such as organizational commitment and organizational citizenship behavior are found to be important outcomes of transformational leadership in organizational behavior literature and these variables should be highlighted in future research (Ahmadi, 2014; Jha, 2014). Fourth, the perception of justice, trust in leader, and satisfaction with leader are found to be important mediating variables in current organizational leadership models and these variables should be considered in order to quantify the effect size of the transformational leadership in future research (Ngodo, 2008; Chiang & Wang, 2012; Thamrin, 2012).

### **Disclosure Statement**

No potential conflict of interest was reported by the authors.

### **Funding**

No funding.

### **Acknowledgement**

N/A

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