

Mediating the role of psychological empowerment between transformational leadership and employee engagement

Dinh Luan Nguyen^{a*}

^aUniversity of Economics and Finance, Vietnam

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ABSTRACT

Employee engagement has become an emergent topic in recent years among consulting firms and in the popular business press. Many researchers have claimed that employee engagement predicts employee outcomes (e.g. job satisfaction, intentions to quit); closely linked to employees' innovation; behavior organizational success; and financial performance (e.g. total shareholder return). However, as far as we know, the role of the leader in fostering work engagement has received limited research attention. Furthermore, most extant researches studied the effect of transformational leadership on employee engagement have been for developed economies and the role of transformational leadership and employee engagement in transitional economies such as Vietnam is still unclear. To fill the research gap above, we take advantage of Vietnam's transitional status to indicate the significant role of psychological empowerment in the circumstance of mediating role between transformational leadership and employee engagement.

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1. Introduction

We are entering a new millennium of globalisation. The effects of globalization now are known everywhere apparently. Globalization has played importance role for generating driving forces of growing global economy (Siswanto et al., 2020). The context of turbulent changing in global market place has put tremendous pressure on companies to increase efficiency as well as competitive advantages. Along with capital and other resources, workforce has considered as an important source of competitive advantage for the companies in the global arena (Hatch & Dyer, 2004). Therefore, topics related to motivational concept have received interest attentions recently, such as employee's engagement and employee's satisfaction. Employee engagement is considerable as a strategic approach for driving improvement and encouraging organizational change, which concluded that employee engagement and satisfaction were related to meaningful business outcomes at magnitude that is important to many organizations and that these correlations generalize across companies. Transformational leadership theory is a prominent representative of new theories that have occupied centre stage in leadership research in the last three decades (Avolio et al., 2002). Follower engagement, performance and development are targeted outcome of such leadership (Bass & Avolio, 1990). Accumulating evidence showed that transformational leadership is positively associated with work attitudes and behaviour at both individual and organisation. It is clearly that there is an importance for paying attention to understanding the mechanisms and processes through which transformational leadership influences on work-related attitudes such as follower engagement. The scope of research is only implemented the companies in southern of Vietnam including Ho Chi Minh, Dong Nai, Long An, Binh Duong, Binh Phuoc, Vung Tau province. This is because the first is more harmoniously culture and organisational context; the second is that limitation of resources and time frame for research implementation. Limitation

* Corresponding author.
 E-mail address: luannd@uef.edu.vn (D. L. Nguyen)

of this study is to use cross-section design and convenience sampling. The companies in remote area of Vietnam is not included in target samples since they were unreachable, so research result may not be generalized the whole Vietnam. Generalizability of the research finding should be examined in future research in other area in Vietnam and may types of organizations.

2. Literature review

2.1 Transformational Leadership (abbreviated as TRANS)

There have been several empirical studies on this theory introduced by Bass (1985). Transactional leadership motivates followers by appealing to their self-interest and exchange benefits. Transformational leadership behaviors are described in terms of specific categories of behaviors. The taxonomy was identified primarily by factor analysis of behavior description questionnaire or called Multifactor leadership questionnaire (MLQ). The original formulation of Bass (1985) consisted of three types of behaviors and then a revision theory added one more transformational behavior.

2.2 Psychological Empowerment (abbreviated as PSY)

The importance to consider Psychological process is that participative practice and employee involvement program do not reduce the feeling powerlessness or leave people the feeling that their work is meaningful and worthwhile (Conger et al., 1997) for example, let coworker determine how to do trivial tasks or unmeaningful tasks is not likely to increase coworker's feeling of self-worth or self-fulfillment. It is not empowered if delegating responsibility for meaningful tasks to coworkers for lack of skills or knowledge required to perform successfully and is worried failure. Theory of psychological empowerment attempts to explain when and why efforts to empower people are likely to be successful. According to Yukl (2009), theories of psychological empowerment have been proposed by various scholars (Conger et al., 1997). A study by Spreitzer (1995) found support for proposition that psychological empowerment includes four defining elements: (1) Meaning, (2) Competence, (3) self-determination, (4) Impact.

2.3 Employee engagement (abbreviated as EE)

Employee engagement has been defined in many ways. In the academic literature, a number of definitions of employee engagement have been provided. Here, authors adopt the definition proposed by Schaufeli et al. (2006), therefore, it is a concept that indicates the interaction, connection between individuals with each other or individuals with the organization. Many people believe that Employee Engagement is the level of employee satisfaction with the company. However, the engagement of employees with the company should be understood exactly as their passion, effort with work and organizational commitment.

2.4 Transformational leadership directly effects on Employee engagement

Transformational leadership expects to raise followers to higher levels of potential while satisfying their higher - order needs and induce them to transcend their own self-interest for the sake of organization. Therefore, it is likely expected to increase employee dedication. Similarly, an employee who receives support, inspiration and quality coaching, advising from the supervisor, is likely to experience work as more challenging, involving and satisfying, and consequently, follower to become highly engaged with the jobs (Bakker et al., 2011). In addition, Avery, McKay, and Wilson (2007) found that satisfaction with co-workers at working environment is significantly related to work's engagement of employees, while employees' feelings of involvement, cohesiveness, commitment, potency, and performance are enhanced by the transformational leadership style (Bakker et al., 2011). The study of Bakker et al., (2007) showed that supervisor support, innovativeness, information, appreciation, and organizational climate can all be considered important job resources which particularly influences on work engagement. Saks (2005) also showed findings that perceived organizational support predicts both job engagement and organization engagement, while transformational leader is likely played key influence on organization support to the follower, so transformational leadership is probably indirect enhancing job engagement of follower. Clearly, there are empirical evidences relationship between transformational leadership and follower engagement. Furthermore, there are some empirical studies on the relationship. Transformational leadership is positively associated with organizational commitment and work engagement (Schaufeli et al., 2002; Avolio et al., 2004). Daily transformational leadership is positively related to employees' daily engagement (Bakker et al., 2011). Empirical research from Hoper et al. (2012) resulted significant positive relations between transformational leadership and work engagement, etc.

On the basis of these findings and leadership theory, we predict that the transformational leadership impact on follower engagement, or we formulate hypothesis:

H₁: Transformational leadership positively affects employee engagement.

2.5 Transformational leadership directly effects Psychological empowerment

The behaviors, which generating from transformational leadership, transform their followers helping them reach their full potential and generate the highest levels of performance. Through such means, transformational leadership is likely to generate a working environment and help the followers feel empowered confident & meaningful for seeking innovative approaches to perform successfully their job. A principal aspect of transformational leadership is its emphasis on follower development

(Avolio, 2002). In addition, the theory has also consistently emphasized followers' development toward autonomy and empowerment over automatic followership (Graham, 1988). Furthermore, Bass and Avolio (1990) stated that transformational leaders enhance follower's *capacity* to think on their own & *develop new ideas*; Avolio and Gibbons (1988) posited that a major goal of transformational leaders is to develop follower *self-management* and self-development; Shamir (1991) similarly stressed the transformational effects of charismatic leaders on follower *independence*; Avolio and Gibbons (1988) specified increased follower *self-efficacy* as a developmental effect of transformational leadership. Through such behaviors of transformational leadership, it is conceivable that influenced followers likely feel that they are intrinsically motivated by the leaders. Moreover, Bono & Judge, 2003; Charbonneau, Barling & Kelloway, 2011, emphasized that a leader can increase intrinsic motivation by increasing the perception of the followers that task objectives are consistent with their authentic interests and values and this perception is absolutely possible influenced by transformation behaviors. Indeed, there is empirical study that a relationship exists between transformational leadership and psychological empowerment as mediating role of leadership outcomes (e.g., Jung et al., 2003; Avolio et al., 2004; Basyir et al., 2020). Based on the above theoretical analysis and empirical evidences, we formulated hypothesis:

H₂: Transformational leadership influences positively on psychological empowerment.

2.6 The effect Psychological empowerment on relationship of Employees engagement and Transformational Leadership

As reviewing earlier, work engagement is a positive, affective-motivational work-related state that is characterized by vigor, dedication, and absorption, while psychological empowerment emphasizes on instructs motivation and also a motivational concept composed of four dimensions: meaning, choice, competence and impact. Meaning corresponds to the value employees be assigned to their job according to their beliefs and standards. Impact refers to the degree that individual's work makes a difference in achieving the task goals and an individual believes he or she can influence organizational outcomes.

Although research is limited, studies have found supports that psychological empowerment is a significant predictor of work engagement. Autonomy, one of the core dimensions of empowerment, has been identified in recent meta-analyses and reviews to be a robust predictor of work engagement (Halbesleben, 2010; Mauno et al., 2010). Self-efficacy, a construct similar to the competence dimension of empowerment, and meaningfulness has also been found to be associated with engagement (Halbesleben, 2010; May et al., 2004). Similarly, Psychological empowerment is found to have direct influence on engagement in mediating role for influence of empowering leadership on engagement (Albrecht & Andreatta, 2010). In empirical research, Bakker et al. (2011) found that daily transformational leadership is related positively to employees' daily engagement through mediating role of Self-efficacy & optimism; Quiñones et al. (2013) stated that job resources may increase the perception of being empowered at work, which then represents an important factor to enhance work engagement, psychological empowerment is thus a pathway to promote wellbeing in organizations. Finally, Bhatnagar (2012) explored the links between psychological empowerment, work engagement, and innovation. She found that psychological empowerment fostered work engagement, which then led to higher levels of innovation (Quiñones et al., 2013). Based on the above empirical evidence supports, we formulate our hypothesis that:

H₃: Psychological empowerment is positively associated with Employee engagement.

H_{3.1}: Transformational Leadership indirectly affects Employees engagement through Psychological empowerment.

2.7 Conceptual framework

Based on literature review & discussion above, the conceptual framework of this thesis is formulated by three main domains: Transformational leadership, employee's engagement and mediating role of psychological empowerment in the relationship between transformational leadership and employee engagement. The theoretical structure is shown in Fig. 1

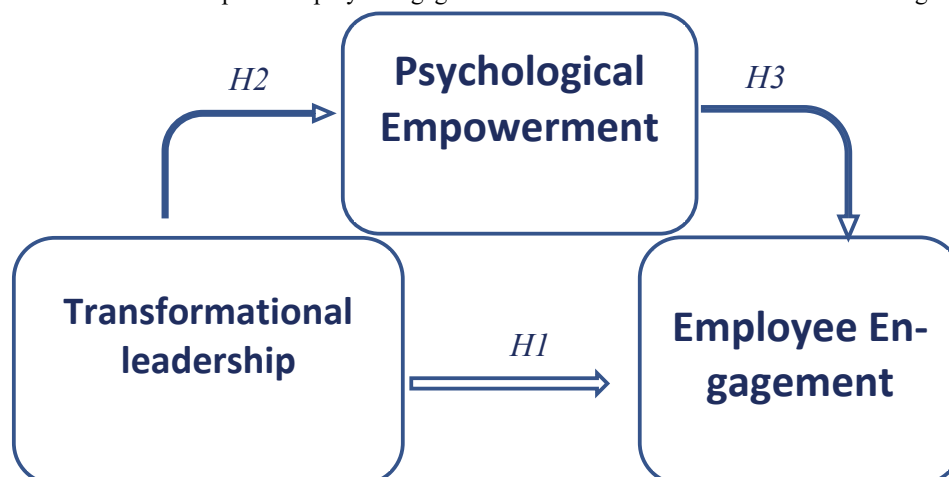


Fig.1. Conceptual frame work

3. Research methodology

3.1 Reliability and Validity Test

First and foremost, reliability test desires to confirm or examine the consistency among various items in one concept by looking at Cronbach's alpha values. The criteria of Cronbach's alpha are as follows:

- Cronbach's Alpha coefficient < 0.5: Unacceptable
- 0.5 < Cronbach's Alpha coefficient < 0.6: Poor
- 0.6 < Cronbach's Alpha coefficient < 0.7: Acceptable
- 0.7 < Cronbach's Alpha coefficient < 0.8: Good
- Cronbach's Alpha coefficient > 0.8: Excellent

The last goal is which researcher craves to check the item-total correlation to other in the same factor. Develis (1991) declared that the value of item-total correlation must greater than 0.3. If under, it immediately eliminates from the measurement scales. Confirmatory factor analysis (CFA) is a test that examines the model fit in this study. To run the CFA test, firstly, having the result EFA and suddenly researcher takes the structure explored the pattern matrix of EFA to CFA to verify this structure again and create the model fit among these factors. In deep, "EFA explains how the theoretical specification of the factors meets the original data" (Hair et al., 2010).

To get model fit, research will analysis these values such as CMIN/df, CFI, GFI, TLI, AGFI, RMR, RMSEA, and HOLTER.

3.2 Path analysis

Multiple linear regressions are a statistic technique to explore relationship between a dependent variable and independent variables by a linear equation to observed data. From the equation, it could be clear how well an independent variable contributes to explanation of the dependent variable. With the objective of testing whether factors of service innovation affect indirectly to two dependent variables of perceived value and guest satisfaction to loyalty, Path Analysis is conducted. The path analysis provides estimates of the magnitude and significance of the hypothesized causal connections between sets of variables. This is best explained by considering a path diagram.

4. Findings

3.3 Reliability and Validity Test

Table 1
Reliability Test

Variables	items	EFA loading value	Cronbach alpha value	KMO
TRANS	TRANS 2	.857	0.875	Kaiser-Meyer-Olkin = .835. Sig = .000
	TRANS 3	.853		
	TRANS 4	.788		
	TRANS 5	.720		
	TRANS 1	.671		
PSY	PSY 3	.811	0.840	
	PSY 1	.751		
	PSY 2	.734		
	PSY 4	.692		
	PSY 5	.657		
EE	EE 3	.853	0.773	
	EE 2	.754		
	EE 1	.738		
	EE 4	.724		

According to Table 1, with the Cronbach alpha value reach 0.856 (>0.6, Nunnally & Berntein, 1994) means that all variables have acceptable level of internal consistency.

Table 2
Model fit indicators

Indicators	Criteria	Model
χ^2/df	< 3	2.522
GFI	> 0.8	0.977
CFI	> 0.9	0.988
TLI	> 0.9	0.923
RMSEA	≤ 0.08	0.035

Table 2 indicated all indices to test the goodness of fit for the model are satisfactory. GFI, CFI and TLI are above 0.9. The root mean square error of approximation (RMSEA) has a value of 0.035. This index is bounded lower than 0.08 which indicated quite good). The goodness of fit result showed that the model fits the data quite well (Hair et al., 1998)

3.4 Path analysis

Table 3

Path analysis result

Hypotheses	Coefficient (β)		Sig.	Result
	Direct	Indirect		
H1 TRANS \rightarrow EE	.096	-	.039	Supported
H2 TRANS \rightarrow PSY	.433	-	.000	Supported
H3 PSY \rightarrow EE	.192	-	.000	Supported
H3.1 TRANS \rightarrow PSY \rightarrow EE	-	.143	.000	Supported

The result of multiple regression analysis shows that the PSY was significantly related to two important predictors: TRANS and EE. As a result, according to Table 3, it shows that there is a direct effect of PSY and EE. Therefore, the factors of Transformational leadership and Employee Engagement are indirectly affected with the intervening of Psychological Empowerment factor.

4. Conclusion

In today's increasingly dynamic work environment, employees always expect certain autonomy in their work place. Therefore, accordingly to the research results, it indicated that the psychological empowerment had played a significant role as intermediate variable between the transformational leadership and Employee Engagement components. In an economy where external factors can change at any time, one of the methods to ensure a company's sustainable competitiveness and increase its success rate is to focus on its employees. Business leaders are often advised not to become micromanagement, i.e. not to interfere deeply with the day-to-day operations of their employees and to demonstrate this by putting trust in their employees, or empowering to help them make their own decisions. In addition to the essential soft skills of talented leaders, a good way for good leaders to empower their employees is also essential. As a role of transformational leadership, leaders should always move towards of putting people at the center of every activity. Trusting and empowering employees leading to leaders will have plenty of time to focus on long-term plans and strategies for the Company. The empowered person will face many challenges but in him will feel his ability is trusted by the Leader, creating conditions for employees to practice independence, self-determination of work within the rights. Therefore, it increases the sense of responsibility of the team and also encourages employees to be creative and inspiring at work, so that the responsibility in the work will be improved. At the same time, empowerment also increases the level of engagement of employee. The most important factor when giving employees the right to self-determination is to have a rigorous way to associate their responsibilities with the overall results and goals of the business. The mission of the business in this situation is to establish a long-term development strategy, while providing a specific working and development context for the employees. Strategies must be highly practical, need to be measured and continually responded to minimize unnecessary risks, affecting the overall goals of the organization. Staff and teams working at this time should be aware of their rights and responsibilities. The freedom and autonomy they gain must adhere to the picture the company is aiming for. All activities that benefit the common goal that the organization is pursuing will be fully supported to develop. On the contrary, excessive freedom that damages the growth flywheel will have to be removed immediately.

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