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# Transformational Leadership, Organizational Commitment and Innovative Success

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## Abstract

Transformational leadership is important for enhancing organizational performance. An inspiring leader positively influences employee confidence, attitude and self-esteem. Therefore, this study aims to measure the association between self-esteem, transformational leadership and innovative success in the presence of affective and normative commitment. The sample size of the study was 397 and the scope of the study was restricted to the telecommunications industry in Pakistan. A self-administered questionnaire was used for collecting the required data. Structural Equation Modeling was used to test the measurement and structural models. The results suggest that self-esteem positively effects transformational leadership. Furthermore, transformational leadership has a strong, and significant effect on employees' normative and affective commitment. In addition, normative and affective commitment positively influence innovative success.

**Keywords:** Transformational leadership, Self-esteem, affective commitment, normative commitment, innovative success.

## Introduction

Burns (1978) developed the concept of transformational leadership. He was of the opinion that employee morality and motivation strongly depends on the leaders. Transformational leaders in consultation with the employees identify and implement the required changes, create a vision and stimulate organizational performance. In addition, transformational leaders work on organizational skills, project management and employee performance (Masa'deh, Obeidat & Tarhini 2016).

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The antecedents of transformational leadership and their effect on organizational performance have been examined by several researchers (Van-Knippenberg & Sitkin, 2013; Muenjohn, & Armstrong, 2015). Bass (1985) observed that transformational leaders tend to increase employee motivation through their inspirational traits. Northouse (2010) pointed out that the key determinants of an effective leader are integrity, intelligence, self-confidence and sociability.

Transformational leadership is a well-researched topic in social sciences (Mittal & Dhar, 2015). However, most researchers believe that the antecedents of transformational leadership cannot adequately explain the complete phenomenon (Masa'deh, Obeidat & Tarhini, 2016; Mittal & Dhar, 2015). For developing a deep insight on the issue it is necessary to use relevant moderating and mediating variables (Van-Knippenberg & Sitkin, 2013).

There are several motivations for undertaking this study. First, this study has developed a model of transformational leadership by incorporating self-esteem, affective and normative commitment and innovative success. Second, the developed model on transformational leadership has been successfully extended in a developing country like Pakistan where limited research is available. Third, the model can be extended in other developing and developed countries.

The following sections contain a review of the literature followed by the conceptual framework, methodology, results, discussion and conclusion.

## **Literature Review**

### **Transformational Leadership**

The transformational leadership style is effective for stimulating employee behavior (Burns, 1978; Bass, 1985). Transformational leaders share their vision with employees, provide mentoring and guidance which enhances employee performance. The four traits of transformational leadership style include, intellectual stimulation (Yammarino & Dubinsk, 1994), idealized influence (Bass & Avolio, 1993), individualized consideration (Dong, Bartol, Zhang, & Li, 2017) and inspirational motivation (Muenjohn & Armstrong, 2015).

Moreover, Bartram and Casimir (2007) report that transformational leaders' attitude and behavior towards followers has been discussed extensively in the recent literature. DeGroot et al, (2000) have reported that followers' performance significantly depends on the transformational leadership style. They also argued that transformational leadership style has a strong association with the followers' attitude, values and beliefs (LePine, Zhang, Crawford, & Rich, 2016). In addition, existing literature also found a significant association

between transformational leadership and performance (Muenjohn & Armstrong, 2015). However, the use of moderating and mediating variables on the relationship between transformational leadership and organizational performance will provide additional insights (Chan & Mak, 2014).

### **Self-esteem**

Self-esteem in an organizational setup is associated with employee competencies (Pierce & Gardner, 2004) and self-evaluation (Rosenberg, 1965). Rosenberg (1979) further extended the concept by incorporating self-worth. In many organizations, self-esteem is considered as a hierarchical factor (Simpson & Boyle, 1975) such as situation specific self-esteem (Pierce & Gardner, 2004) and task-specific self-esteem (Simpson & Boyle, 1975).

Furthermore, Matzler et al., (2015) argued that under the transformational leadership style employees perform better. As a result, they develop a sense of accomplishment which is good for their ego and self-esteem. Similarly, transformational leaders have a high self-esteem due to which they perform efficiently and effectively. This gives assurance, psychological comfort and confidence to the followers (Simpson & Boyle, 1975; House & Howell, 1992). Other studies have also emphasized the interrelationship between leaders' self-esteem and followers' self-esteem (Hu et al., 2012; Simpson & Boyle, 1975). Pierce and Gardner (2004) argued that leaders need to transmit enthusiasm and positivity in their followers which boosts employee self-esteem. Therefore, high self-esteem of transformational leaders is crucial for stimulating employee motivation and performance (Hu et al., 2012).

### **Organizational commitment**

The psychological attachment and involvement of an individual towards an organization is referred to as organizational commitment (Chan & Mak, 2014). Organizational commitment falls into three categories, i.e. affective commitment (Demirtas & Akdogan, 2015), normative commitment (Mathieu & Zajac, 1990) and continuance commitment (Chan & Mak, 2014). Affective commitment is associated with employee emotional attachment, involvement and identification within the organization (Demirtas & Akdogan, 2015). Normative commitment is an individual's desire to remain associated with the place of employment. Employees feel that leaving the organization would create extra pressure on their colleagues (Mathieu & Zajac, 1990). Continuance commitment is associated with employee's perceived cost of joining other organizations (Mathieu & Zajac, 1990).

Many studies have examined the determinants of transformational leadership and their effect on organizational commitment (Chan and Mak, 2014; Dumdum et al., 2013; Bono and Judge, 2003). Researchers are of the opinion that affective commitment (Demirtas & Akdogan, 2015), normative commitment (Mathieu & Zajac, 1990) and continuance

commitment (Chan & Mak, 2014) are significant predictors of job involvement, job satisfaction and occupational commitment (Meyer et.al., 2002). Similarly, other studies have also found a significant association between transformational leadership (Demirtas & Akdogan, 2015), core-self-evaluation (Chan & Mak, 2014) and organizational commitment (Demirtas & Akdogan, 2015).

### **Innovative success**

Innovation plays an important role in achieving success and a competitive advantage (Rosenbusch et al., 2011). It also has a significant impact on the constitutive factor of entrepreneurship (Lumpkin and Gregory, 1996; Schumpeter, 1987). Matzler et al., (2015) have argued that small organizations benefit more from innovative success than large organizations. This argument has been supported by Vossen (1998) and Nootboom (1994) by suggesting that smaller companies have agility, rapid decision-making processes and a non-rigid hierarchical structure.

Past studies have segmented innovative success into three categories. It includes inputs to innovation processes (research and development expenditure), innovation output (patents, new products) and innovation orientation (Rosenbusch et al., 2011). Therefore, a company's participation in a product innovation process will increase its chances of success. While supporting Rosenbusch et al., (2011) argument, Baker & Sinkula (2009) suggest that a company should support the process of innovation which should also reflect its vision. Studies have reported that a positive and significant association exists between innovation and leadership styles (Van-Knippenberg & Sitkin, 2013). Transformational leadership is also a strong predictor of innovation as compared to other leadership styles (Matzler et al., 2015). Leaders who believe in innovative success tend to have novel ideas for stimulating followers' innovative behavior (Bass, 1985; Bass & Riggo, 2010).

### **Empirical studies**

Soken & Barnes (2014) have examined the factors that adversely affect innovation. The results suggest that organizational success depends on promoting and nurturing innovative ideas of employees. Overstreet et al., (2013) explored the association between the leadership style, organizational innovativeness and performance. The results suggest that transformational leadership directly and indirectly affect organizational performance. Additionally, the study concluded that a dynamic leader through planned changes can promote an innovative culture in an organization. As a result, the firm would have a sustained competitive advantage over its competitors.

Mittal & Dhar (2015) found that creative self-efficacy mediates the relationship between transformational leadership and employee creativity. They also reported that knowledge

sharing moderates the relationship between transformational leadership and employee creativity. The result indicates that organizational support towards positive creativity stimulates creative performance. Kivipõld (2015) explored the association between leadership capabilities and innovative behavior in an organization. The results suggest that organizational leadership is important for enhancing employees' innovative knowledge.

Using a sample of 297 working professionals in a cross sectional study, Castelli (2008) inferred that leaders through mentoring and coaching techniques can enhance employee self-esteem. This will have two effects on the followers. They will start taking interest in their job and their performance will improve. Sidani (2007) found that followers' self-esteem significantly affects transformational leadership. Therefore, the study recommends that organizations while developing and implementing training and development programs for their employees must also focus on communication skills. This will improve employees' leadership qualities.

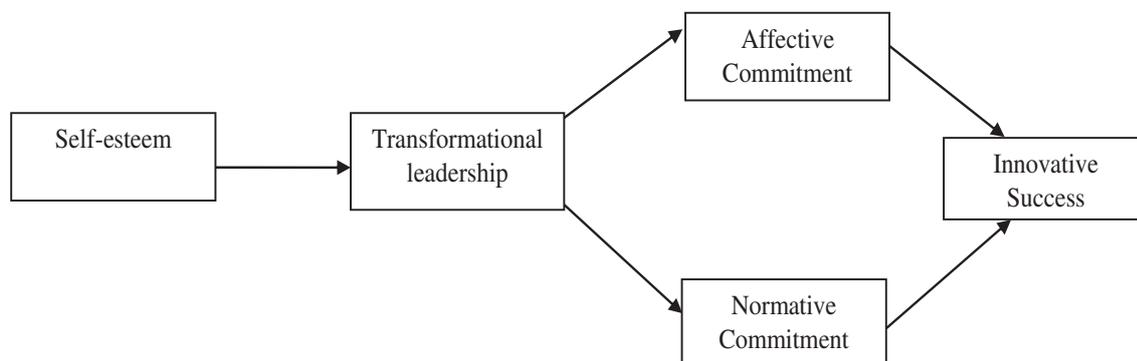
Elloy (2005) examined the influence of super-leader behavior on different aspects of organizational performance. The study found that characteristics of a super-leader has a positive effect on organizational self-esteem, job satisfaction and commitment. Similarly, Norman, Gardner & Pierce (2015) examined the relationship between self-esteem and managerial roles in a high-tech industry. They concluded that the effects of organization based self-esteem varies from one managerial role to another. In addition, they also found that self-esteem mediates the relationship between employee outcomes and management roles. Lee (2008) extended the Leader-Member Exchange (LMX) theory in determining employee innovativeness in a knowledge-based economy of Singapore. The results generated through hierarchical regression show that transformational leadership, LMX dimensions and employee innovativeness are significantly related. Additionally, the study found that transactional leadership and innovativeness are inversely correlated. De-Jong (2013) explored the effect of leader's behavior on employee innovativeness. The study found that leaders significantly influence employee's innovative behavior and stimulate ideas into actions. Afsar et al., (2014) found that self-construal moderates the relationship between employees' innovative work behavior and transformational leadership. The study also concluded that employees innovative work effects transformational leaders through psychological empowerment.

Santos-Vijande et al., (2013) examined the relationship between innovative efforts, innovative culture and employee performance using knowledge-intensive business services (KIBS). The results show that a firm's innovative culture is a significant predictor of KIBS front-line employees and customer appraisal. A study explored the association between subordinate's trust, servant leadership and job satisfaction in the service sector of China

(Chan & Mak, 2014). Evidence obtained from this study indicates that subordinates trust in leaders play a mediating role in the relationship between subordinates' job satisfaction and servant behavior. It also reported that the servant-leadership-style positively influences subordinates' job satisfaction and trust in the leader.

Furthermore, Chan & Mak (2014) found that the pride in being a follower positively effects transformational leadership. The pride in being a leader also mediates the relationship between normative commitment and affective commitment. Joo, Jun-Yoon & Jeung, (2012) assessed the aggregate effect of transformational leadership on employee affective commitment towards an organization. The results suggest that transformational leadership and core-self-evaluation positively effects organizational commitment. In addition, organizational commitment was high when leaders provide intellectual stimulation, promote group goals and share their vision. The conceptual framework is presented in Figure 1.

**Figure 1: Conceptual Framework**



## Hypotheses

The above discussion led to the following hypotheses:

- H1: Self-esteem positively effects transformational leadership.
- H2: Transformational leadership positively effects affective commitment.
- H3: Transformational leadership positively effects normative commitment.
- H4: Affective commitment positively effects innovative success.
- H5: Normative commitment positively effects innovative success.

## Methodology

### Sampling

We have focused on the telecommunications sector of Pakistan. A close-ended questionnaire was used for collecting the data. The respondents were informed that their information will only be used for academic research and their confidentiality would be maintained. We distributed 430 questionnaires of which only 397 were useable. This corresponds to a response rate of 92.32%. Non-response bias can also affect the results adversely. Therefore, we compared the responses of early and late respondents. There was an insignificant difference in the two groups. This confirms that the results of the study will not be affected by non-response bias (Berdie & Anderson, 1976).

### Scales and Measures

The questionnaire contains 29 items. Five questions on demographics were based on the nominal scale and the remaining 24 items were based on the five point Likert scale. One represents strongly disagree and five represents strongly agree. The summary of constructs is depicted Table 1.

**Table 1: Summary of Constructs**

Constructs	Author	Items	Reliability
Transformational Leadership	Podsakoff et al.,(1990)	5	.872
Self Esteem	Rosenberg (1965)	4	.847
Normative commitment:	Allen & Meyer (1990)	5	.863
Affective commitment	Allen & Meyer (1990)	5	.855
Innovative success	Matzler et al., (2015)	5	.868

All the 24-items were used for exploratory factor analysis (EFA). The factor loadings and factor structure were worked out through Varimax rotation. The results show that the KMO value was 0.71 which confirms the sampling adequacy of the study (Berdie and Anderson, 1976).

### Data analysis

### Respondents Profile

A profile of the respondents is presented in Table 2.

**Table 2: Respondent Profile**

Demographic		Number	Percentage
Age	20 Years or less	67	17
	21 to 30 Years	133	33
	31 to 40 Years	102	26
	41 plus	95	24
Marital Status	Single	107	27
	Married	290	73
Gender	Male	317	80
	Female	80	20
Education	Matric	65	16
	Intermediate	130	33
	Bachelor	177	45
	Others	25	6
Income	20,000 or Less	44	11
	21,000 to 30000	161	41
	31000 to 40000	139	35
	41000 plus	53	13

### Model fitness

We employed structural equation modeling (SEM) to test our exogenous model (self-esteem, transformational leadership, affective and normative commitment and innovative success). The study has used 5 fit indices to examine the goodness of fit of the measurement and structural models. Both of the models fitted well. The results are reported in Table 3.

**Table 3: Fit Indices**

Goodness-of-fit measures	CFI	TLI	GFI	AGFI	RMSEA	PClose
Measurement model	0.961	0.954	0.933	0.922	0.012	0.183
Structural model	0.951	0.947	0.930	0.920	0.030	0.989
Threshold values	≥ 0.90	≥ 0.80	≥ 0.901	≥ 0.80	≤ 0.05	> 0.05

## Results

The results reported in Table 4 suggest that self-esteem positively influences transformational leadership ( $\beta=0.493^{***}$ ), supporting the first hypothesis (H1). The results support earlier studies (Resick et al., 2009; Hu et al., 2012; Rubin et al., 2005; Matzler et al., 2015). Similarly, the second hypothesis (H2) examining the positive association between transformational leadership and affective commitment was accepted ( $\beta=0.501^{***}$ ). In addition, the third hypothesis (H3) examining the positive effect of transformational leadership on normative commitment ( $\beta=0.617^{***}$ ) was also accepted. The results of H2 and H3 were not entirely consistent with past studies. However, we found reasonable support from Chan & Mak (2014), who found an indirect effect of transformational leadership on normative commitment. The effect of affective commitment on innovative success was significant ( $\beta=0.268^{***}$ ), while normative commitment also had a positive effect on innovative success ( $\beta=0.415^{***}$ ), supporting H4 and H5, respectively. We found little support for H4 and H5 as sufficient literature on this relationship is not available. Moreover, Cable & Judge (1997) and Jafri (2010) report that innovative success is positively associated with employee's organizational commitment.

**Table 4: Path Analysis**

Hypothesis	Independent Variable	Regression Path	SRW	P values	Remarks
H1	Self-esteem	SE---> TL	0.493	0.000***	Supported
H2	Transformational leadership	TL--->AC	0.501	0.000***	Supported
H3	Transformational leadership	TL--->NC	0.617	0.000***	Supported
H4	Affective commitment	AC--->IS	0.268	0.000***	Supported
H5	Normative commitment	NC--->IS	0.415	0.000***	Supported

Source: Author's estimation.

Notes: SRW = Standardized regression weights.

\*\*\* 1% or 0.01 level of significance.

## Conclusion

Transformational leadership has received enormous attention from academicians, researchers and policy makers. The results indicate that affective commitment of an individual is the most significant factor of our research model. The results also suggest that leaders must strive for creating an environment that will enhance follower's emotional attachment towards the organization. This will positively affect employees' confidence level and sense of accomplishment. Moreover, our findings have useful implications for policy makers. The study suggests that leaders should adopt the transformational leadership

style and focus on creating an innovative environment in the organization. However, leaders while inspiring and motivating their followers should not ignore their emotions. Moreover, followers should understand the shared values of the leader. Thus, an effective transformational leader will stimulate affective and normative commitment which will lead to organizational success.

### **Limitations**

This study was restricted to one city of Pakistan. Future studies could be extended to other cities of the country. Our research did not consider the mediating and moderating role of affective and normative commitment towards innovative success due to the scope of our study. Future studies may analyze the mediating and moderating roles of organizational commitment. The study was restricted to the telecommunication sector of Pakistan. Future empirical studies may analyze these relationships in other industries. Since we have selected a limited number of variables in the model, future studies may include other factors such as pride in being the follower of a leader and employee job satisfaction in the model.

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