Effect of Transformational Leadership on Employee Creativity through Organizational Commitment

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Abstract: Organizations are progressively focusing on emerging transformational leadership in their leaders as it leads to better organizational outcomes. Though transformational leadership has been observed in prior literature, only a small number of studies emphasized the role of transformational leadership style in raising employee creativity. This study aims to investigate the effect of transformational leaders on employee creativity in Pakistani organizational context. Data from 253 employees of commercial banks in Pakistan revealed that transformational leadership is positively related to employee creativity. Furthermore, results indicate that employee organizational commitment mediated the relationship of transformational leadership and employee creativity. These results suggest that managers can enhance creativity of employees by adopting transformational leadership style. This style will help the managers to increase the commitment of their subordinates with organization.

Keywords: Transformational Leadership; Employee Creativity; Organizational Commitment

1. INTRODUCTION

In today’s dynamic competitive world it is a challenge for organization to attract and retain creative employees. In the past few decades, the scholars of organizational behavior diverted their attention towards this concern. They studied the factors which attract and retain more creative employees in the organization \(^1\), \(^2\). According to \(^3\) leadership is a vital situational factor that has considerable influence on employee creativity. Leadership specialists intensively studied the transformational leadership in previous years \(^4\), \(^5\) and linked it with follower creativity \(^6\). Transformational leaders are those who articulate the future vision of organization which could be shared with employees and peers, stimulates their employees intellectually, and give more attention to the difference among the people \(^7\). In the study \(^8\) discussed that transformational leaders positively effect and enhance the creativity of their subordinates. Though, regardless of academic significance of transformational leadership and employee creativity, limited number of studies examine that how transformational leaders enhance the creativity of subordinates. Therefore, the goal of this study was to address this significant issue in context of underdeveloped country.

Academics highlighted the significance of highly committed employees in organization \(^9\) as committed employees are competitive advantage of the organization. Extend literature discussed the potential precursors of organizational commitment \(^10\), \(^11\). Out of which leadership is one of the substantial antecedents, which modify employee behaviors \(^12\). Especially, transformational leadership as it has great influence on employee commitment \(^13\). Organizational commitment of employee refers to his/her feelings about an organization \(^14\). In his study \(^15\) also argued that researchers need to divert the attention towards the mechanisms through which transformational leader effects the work related attitudes i.e. commitment of employees. Whereas, in the study by \(^16\) discussed that highly commitment workforce most likely engage in extra-role activities i.e. innovativeness or creativity. Therefore, in present study researchers not only theorized but also empirically examined the mediating role of organizational commitment through which transformational leader effect the creativity of employees.
The goal of current study is twofold. First, to scrutinize the relationship among transformational leadership and employee creativity in Pakistani banks. Second, to inspect the underlying mediating mechanism of organizational commitment in the relationship of transformational leadership and employee creativity. Data is collected from employees working in commercial banks of Pakistan. Hierarchical multiple regression analysis is conducted to examine the relationship of transformational leadership and employee creativity. Process macro is used to examine the mediating effect of organizational commitment. Additionally normal theory test is performed to check the significance of mediating effect.

Nowadays organizations are more concerned about the relationship of leaders and follower. Leaders of developed countries strictly follow the transformational leadership style which enhance the commitment and creativity of their employees. But in case of developing countries, it is perceived that intentionally or unintentionally leaders don’t effort for highly committed and creative workforce. Therefore, this study is the solution to find out the reality. The other most important significance of the study is that it will contribute to the literature in several manners. First, by exploring the relationship of transformational leadership with employee creativity. Second, by exploring the mediating effect of organizational commitment in this relationship as to the best of knowledge, this study is the first which examine the mediating effect of organizational commitment in the relationship of transformational leadership and employee creativity. In this paper second section discusses the literature review and hypotheses development. Third section represents the method of this paper. Fourth section discusses the findings of the study. Fifth section contains concluding remarks of study.

2. LITERATURE REVIEW

2.1. Transformational Leadership and Employee Creativity

Transformational leadership is the combination of leaders’ behaviors which have four constructs including intellectual stimulation, charisma or idealized influence, inspirational motivation, and individualized consideration [17]. Transformational leaders could set the creativity expectancy through engaging their workforce in intellectual stimulation. Transformational leaders are inspirational and role model for their employees [18]. Hence, by teaching leader can enhance the creative skills of employees to develop new ideas.

Creativity is generation of novel and valuable ideas related to the goods, services, procedures, and processes [2]. Transformational leaders could also show empathy, support and consideration to their employees through individualized consideration, which help to reduce employee fear and result into high employee creativity [19], [20].

Numerous old studies in different regions of world evident the positive relationship among transformational leadership and employee creativity [21], [22]. In their study [8] also found similar results that transformational leadership have positive relationship with creativity at both individual level (i.e. employees) and organizational levels. In their China based study by [23] argued that transformational leaders enhance the creativity of employees over the time and inside a field sets which allow the leader employee interactions. They also found that transformational leaders positively influence the creativity and creative self-efficacy of employee. In their empirical study [24] found that the transformational leaders of international Taiwanese hotels predict employee creativity. Indian study by [25] found that transformational leaders can enhance the creativity of employee at job. In a study by [26] argued that only two dimensions of Chinese transformational leadership model, including moral modeling and Individualized consideration, have positive association with employee creativity. Henceforth, based on previous literature it is proposed that transformational leaders of underdeveloped country (Pakistan) positively contributes to employee creativity.

H1: Transformational leadership has positive relationship with employee creativity

2.2. Transformational Leadership, Organizational Commitment, and Employee Creativity

Why transformational leaders enhance the creativity of their subordinates? This type of question indicates the presence of mediating variable in the relationship of transformational leadership and subordinate creativity. In this paper researchers proposed that organizational commitment mediates this relationship. The justification of choosing organizational commitment as mediator is based on previous work that have proven that committed employee is one who show creativity and look
forward for more innovation \[27\] and employee commitment with organization results from transformational leadership \[28\].

![Figure 1. Research Model](image)

Furthermore, \[29\] in his study found that highly committed Turkish employees show more creativity. In their study \[30\] argued that organizational commitment positively influence employee creativity. Likewise, \[31\] found organizational commitment as a significant predictor of employee creativity in Chinese context.

From Canadian and Dutch sampled in the study by \[32\] concluded that transformational leaders with their intellectual stimulation, inspirational motivation, individualized consideration, and idealized influence could enhance the organizational commitment of employees. In the study \[33\] also found similar results that transformational leadership positively affect the organizational commitment of elementary school teachers. US and Israel based study researchers \[34\] evident the relationship between transformational leaders and their follower organizational commitment. In the Korean study by \[35\] found significant positive relationship between transformational leadership and affective organizational commitment of employee. Similarly, in an Iranian study by \[36\] found that transformational leadership is positively linked with follower organizational commitment. Therefore, based on above discussion it is proposed that highly committed employees working under transformational leaders show more creativity.

H2: Organizational commitment mediates the relationship of transformational leadership and employee creativity.

3. MATERIAL AND METHODS

3.1. Participants and Procedure

Two hundred and fifty three employees working in 14 banks of Pakistan participated in current study. The 14 banks represented commercial banks which are listed in Karachi stock exchange. A total of 350 surveys were distributed between employees by personal visit, out of which 253 were returned, with the response rate of 72.3%. Of the participants, 39.1% of the sampled employees were female, and 60.9% of the employees were male. Approximately 57.7% of the employees were between 20-30 years, 34.8% were between 31-40 years, and 7.5% were above 41 years. Moreover, 9.1% employees were Ph.Ds.’ 21.7% were MS, 56.5% were bachelor qualified, and 12.6% were studied till college. Additionally, 31.2% had less than 1 year experience, 35.6% had 1-6 years, 18.6% had 7-12%, and 14.6% had 13 years & above experience.

3.2. Measures

Employees reported all the measures including transformational leadership, creativity, and commitment. The adopted scale was originally written in English. 5-point Likert scale (1 = strongly disagree; 5 = strongly agree) were used to measure all the scales.

3.2.1. Transformational Leadership

In present study, 14-item scale established by scholars \[37\] is adopted. Sample items comprised “My leader provides a clear vision of who and what our team is” (Vision), “My leader is driven by higher purposes or ideals” (Idealism), “My leader shows enthusiasm for my efforts” (Inspirational motivation), and “My leader emphasizes the value of questioning team members” (Intellectual stimulation).
3.2.2. Employee Creativity

Thirteen item scale developed by [38] is used to measure employee creativity. Sample items comprised “My employee suggests new ways to achieve goals or objectives”, “My employee comes up with new and practical ideas to improve performance”, and “My employee searches out new technologies, processes, techniques, and/or product ideas”.

3.2.3. Organizational Commitment

9-item scale of [39] adopted to measure commitment with organization. This scale consists of three components of commitment. Sample items contained “I feel myself to be part of the hospital (involvement), “I am quite proud to be able to tell people the hospital I work for” (identification), and “to know that my own work has made a contribution to the good of my ward would please me” (loyalty).

3.2.4. Control variables

Age, experience, and educations are controlled in this study; previous studies also used these variables as control variables [13].

4. RESULTS

4.1. Descriptive Analysis

Table 1 illustrated the mean, standard deviation (SD), and correlations between variables. Results depict that transformational leadership is positively related to employee creativity (r = .46, p < .01) and organizational commitment (r = .60, p < .01). Moreover, employee creativity is positively related to organizational commitment (r = .52, p < .01).

Table 1. Means, Standard Deviations, and Correlations

<table>
<thead>
<tr>
<th></th>
<th>M</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>1.49</td>
<td>0.64</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Qualification</td>
<td>2.73</td>
<td>0.79</td>
<td>-.06</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Experience</td>
<td>2.17</td>
<td>1.03</td>
<td>.55**</td>
<td>-.02</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transformational Leadership</td>
<td>4.47</td>
<td>0.29</td>
<td>-.13*</td>
<td>.031</td>
<td>-.01</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee creativity</td>
<td>4.33</td>
<td>0.33</td>
<td>-.16**</td>
<td>.02</td>
<td>-.04</td>
<td>.46**</td>
<td></td>
</tr>
<tr>
<td>Organizational commitment</td>
<td>4.45</td>
<td>0.51</td>
<td>-.17**</td>
<td>.06</td>
<td>-.06</td>
<td>.60**</td>
<td>.52**</td>
</tr>
</tbody>
</table>

Note: significance level *p < .05; **p < .01.

4.2. Confirmatory Factor Analyses

CFA is conducted to inspect the construct distinctiveness of key variables of this study, earlier to hypotheses testing. In the CFA the four components of transformational leadership, employee creativity, and organizational commitment were included. The χ2/df, comparative fit index (CFI), incremental fit index (IFI), standardized root mean square residual (SRMR), root mean square residual (RMR), and root mean square error of approximation (RMSEA), are reported. According to [40] and, [41] the value of SRMR, RMR, and RMSEA less than 0.08 shows a good fit. The value of x2/df lower than 2.5 [42] and the value of CFI and IFI greater than 0.9 [43] exhibit a good fit. Results indicate that the proposed model consists of transformational leadership, employee creativity, organizational commitment, fits the data well (χ2/df = 1.434, CFI = .906, IFI = .908, RMSEA = .042, SRMR = .0575, RMR = .031).

4.3. Hypotheses Testing

4.3.1. Relationship of Transformational Leadership on Employee Creativity

To test the hypothesis 1 hierarchical multiple regression is used. In the whole analysis control variables were entered first, and then independent variables were entered. The value of Durbin Watson was 2.090, which indicate that no autocorrelation exist in sample. All the values of VIF (variance inflation factors) in regression are less than 2, indicating that there is no issue of multi collinearity in analyses.

Hypothesis 1 stated that transformational leadership has positive effect on employee creativity. The results of hierarchical multiple regression analysis for hypothesis 1 are given in Table 2. Results of
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step 1 in table 2 indicate that, after controlling age, qualification, and experience, transformational leadership showed significant positive relationship ($\beta = .441$, $p < .001$) with employee creativity, which indicate support for hypothesis 1.

Table 2. Hierarchal Multiple Regression Results for Hypotheses Testing

<table>
<thead>
<tr>
<th>Variables</th>
<th>OC</th>
<th>Employee Creativity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Step 1</td>
<td>Step 2</td>
</tr>
<tr>
<td>Age</td>
<td>-.088</td>
<td>-.131*</td>
</tr>
<tr>
<td>Qualification</td>
<td>.036</td>
<td>-.005</td>
</tr>
<tr>
<td>Experience</td>
<td>-.010</td>
<td>.036</td>
</tr>
<tr>
<td>TL</td>
<td>.587**</td>
<td>.441**</td>
</tr>
<tr>
<td>OC</td>
<td>.374**</td>
<td>.222**</td>
</tr>
<tr>
<td>F</td>
<td>36.444**</td>
<td>17.758**</td>
</tr>
<tr>
<td>R^2</td>
<td>.370</td>
<td>.223</td>
</tr>
<tr>
<td>Adjusted R^2</td>
<td>.360</td>
<td>.210</td>
</tr>
</tbody>
</table>

Note. TL = Transformational leadership, OC = Organizational commitment. Standardized coefficients are reported. Significance level * $p < .05$, ** $p < .01$.

4.3.2. Mediating Effect of Organizational Commitment

Hypothesis 2 proposed that Organizational commitment mediates the relationship of transformational leadership and employee creativity. To check the mediation four conditions of [44] are necessary to accomplished, which are; (i) significant relation among mediating and independent variables; (ii) significant relation among dependent and independent variables; (iii) significant relation between dependent and mediating variables; and (iv) weaker or non-significant relation between dependent and independent variables in the presence of mediator. The results of mediating analysis are reported in table 2.

Second column results of table 2 show that, after controlling age, qualification, and experience, transformational leadership ($\beta = .587$, $p < .001$) significantly related to organizational commitment. Thus, condition 1 of mediation is accomplished. Results of step 1 showed that transformational leadership ($\beta = .441$, $p < .001$) is significantly related to employee commitment, hence condition 2 of [44] is supported. Results of step 2 showed the relationship of organizational commitment ($\beta = .374$, $p < .001$) and employee creativity is significant, which show that condition 3 is fulfilled. Similarly, step 2 results indicate that when organizational commitment is taken into account, the effect of transformational leadership ($\beta = .222$, $p < .001$) on employee creativity become weaker, although still significant, which indicate partial mediation. To further evaluate the significance of organizational commitment as mediator, normal theory test for indirect effect is applied. Results showed intervening effect of organizational commitment (effect = .2432, $z = 5.0304$, $p < .000$) was significant. Altogether, Hypotheses 1 and 2 were supported.

5. Conclusion

Employee creativity is a novel, exciting part of inquiry in the organizational behavior literature. Current study aimed to understand the direct and indirect (via organizational commitment) relationship of employee creativity with transformational leadership in Pakistani commercial banks. Hierarchal multiple regression and normal theory test are used for testing direct and mediating effect organizational commitment for the relationship of transformational leadership and employee creativity, respectively. Findings indicate the relationship between transformational leadership and employee creativity. Leaders could enhance their followers’ creativity by adopting transformational leadership style. The findings also direct that the mediation of organizational commitment exist in the relationship of transformational leadership and employee creativity. Transformational leader through intellectual Stimulation, idealized influence, inspirational motivation, and individualized consideration, could enhance creativity of highly committed employee. Present study suggests to familiarize transformational leadership style among leaders to retain and attract highly committed as well as creative workforce.

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