

The Role of Work Engagement in Relationship between Transformational Leadership and Job Performance in Banking Sector of Lahore (Pakistan)

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Abstract

This study investigates an underlying mechanism that clarifies the connection between transformational leadership and job performance. Specifically, it explores the mediating role of work engagement in a relationship between transformational leadership and job performance. Banking sector of Lahore (Pakistan) has been considered as target population. Different bank's branches were selected randomly for conducting the research. Overall 200 questionnaires were distributed. 170 questionnaires were used for analysis. The results of Correlation analysis show positive relationship between transformational leadership, work engagement and job performance. Moreover work engagement partially mediates the link between transformational leadership and job performance. Due to a shortage of budget, the sample of the paper is kept low, and only a few banks were taken into account, and the numbers of the questionnaire were limited. The target population of the study is only banking sector and all other sectors like textile sector, the education sector, and telecommunication sector remain to be unexplored. This study provides information for banking sector of Lahore (Pakistan) managers about why and under what circumstances employees perform the ways they do in the view of discussed variables.

Keywords: Transformational Leadership, Employee Engagement, Job Performances, Banking Sector of Pakistan.

Introduction

Due to the importance of frontline employee performance in the competitive banking sector, scholars and practitioners have long tried to determine its predictor. Among the different variables investigated in literature, previous research widely identifies supervisory behavior as playing a key role in effecting the performance of frontline employees. In service and people-oriented businesses, such as the banking sectors, managers play very important role in the success of the organization. They influence employee's emotions, behaviors and attitudes and the way how they also interact with customers. Specifically, Transformational leadership refers to an approach by which leaders motivate followers to identify with organizational goals and interests and to perform beyond expectations. Transformational leadership plays a critical role in causing changes necessary for effective management. As suggested by Kim (2014, p. 398), "transformational leaders have the ability to transform organizations through their vision for a future, and by clarifying their vision, they can empower the employees to take a responsibility for achieving that vision. Transformational leadership provide clear evidence of positive effects of this variable on front line and middle line employee's performance.

Work engagement is a motivational construct (Karatepe and Karadas, 2015), and results in a positive attitude commitment and work related performance (Schaufeli et al., 2002). Christian et al.,

(2011) showed that job involvement is an important factor in predicting employee performance. It is therefore extremely important for organization to emphasize the highest level of employee satisfaction. In the field of finance redefining employee perform purchasing intentions and loyalties (Borucki and Burke, 1999). Therefore how employees can contribute to the development of a high level of employment support is crucial to effective job creation. In addition this research will examine the boundary condition that may facilitate the relationship between change management and organizational structure and employee performance. Previous studies on the nature of change management provide evidence on the positive impact of these changes on the performance of former employees (Fuller et al., 1996; Judge and Piccolo, 2004; Lowe et al, 1996). However, the further researches are needed on the specific mechanisms by which that effects and limitations under change management can improve employee's performances (Holten et al., 2018; Pan and Lin, 2015; Patiar and Wang, 2016). Therefore, the research seeks to provide new insight into why as well as under what conditions transformational leadership improves the performance of the first line employee along with the type of job performance in terms of service repository. Competitive environment provides an opportunity to grow for banks. Whereas in Pakistan banks are unable to create work engagement environment which, results in low job satisfaction. The aim of this study was to investigate the determinates of employee engagement in Pakistan's banking sectors. Employee engagement is directly proportional to job performance. Similarly, organization is totally depending on employees because human resources are the capital of business activities. The precise purpose of this research is also comprised (a) keeping an eye on empirically test, a theoretical relationship of the antecedents of employee engagement and especially in the banking sector of Pakistan. (b) And to examine the facts leading to engagement (c) to confirm the relationship between employee engagement and its outcomes on job performance.

Job performance assesses whether a person performs a job well. Job performance studied academically as part of industrial and psychology that deals with the work place, also forms a part of human resource management. Job performance is an important criterion for organizational outcomes and success.

Literature review

Transformational leadership refers to an approach by which leaders motivate followers to identify with organizational goals and interests and to perform beyond expectations. Transformational leadership plays a critical role in causing changes necessary for effective management. As suggested by Kim (2014, p. 398), "transformational leaders have the ability to transform organizations through their vision for the future, and by clarifying their vision, they can empower the employees to take responsibility for achieving that vision." These leaders typically display four different behaviors: idealized influence, inspirational motivation, intellectual stimulation and individualized consideration (Bass, 1985, 1990).

Transformational leadership is one of the more effective leadership styles for encouraging positive in-role and extra-role behaviors from employees (MacKenzie et al., 2001). As noted earlier, transformational leaders: encourage followers to rise above their own self-interest; provide feedback; establish high standards of performance; help followers to become more creative and innovative; and pay attention to followers needs (Bass, 1985; Yukl, 1999). They also "motivate followers to achieve performance beyond expectations by transforming followers attitudes, beliefs, and values" (Rafferty and Griffin, 2004). As a result, transformational leaders can improve employee performance. Several meta-analyses have provided evidence for these positive effects (Fuller et al., 1996; Judge and Piccolo, 2004; Lowe et al., 1996). For instance, Judge and Piccolos (2004) meta-

analysis reported that transformational leadership positively correlated with group and job performance.

Work engagement is a construct that has been widely discussed in the academic field. Past studies on the banking sector pointed out that, when work engagement plays the role of an independent variable (IV), it can positively improve job performance (Karatepe, 2014; Karatepe and Ngeche, 2012), job satisfaction (Yeh, 2013), and reduce turnover intention (Karatepe and Ngeche, 2012). When work engagement plays the role of a dependent variable (DV), it is affected by other variables, such as extrinsic and intrinsic motivations (Putra et al., 2017), core self-evaluations (Karatepe and Demir, 2014; Lee and Ok, 2015), psychological climate (Lee and Ok, 2015), psychological capital (Paek et al., 2015), and tourism involvement (Yeh, 2013). Moreover, work engagement is often seen as an intermediary role. Lyu et al. (2016) pointed out that work engagement can mediate the relationship between abusive supervision and employees customer oriented organizational citizenship behavior. Karatepe and Demir (2014) believed that work engagement can mediate the impact of core self-evaluations on work-family facilitation and family-work facilitation. Karatepe et al. (2014) showed that work engagement has full intermediary effect between challenge stressors with affective organizational commitment and job performance. Karatepe (2013) also believed that work engagement has full intermediary effect between high-performance work practices and job performance and extra-role customer service. Based on the literal meaning of fun and engagement, Plester and Hutchison (2016) indicated that engagement is related to a positive psychological state and emotions such as enjoyment, joy and zeal. Similarly, fun refers to a positive perception and it is related to enjoyment, joy, casualness, entertainment and smiles. Their research showed that both fun and engagement are connected with enjoyment. We propose that work engagement plays a mediating role between transformational leadership and job performance. Extant research suggests a positive relationship between transformational leadership and employee engagement (e.g. Macey and Schneider, 2008). As noted earlier, transformational leaders inspire and intellectually stimulate their employees. They also use ideals and show individualized consideration by paying attention to their employees needs (Bass, 1990). Based on SET, frontline employees may feel obliged to repay these behaviors with higher levels of engagement. Previous empirical studies support this relationship (e.g. Salanova et al., 2011; Zhu et al., 2009). In their diary studies, Tims et al. (2011) and Breevaart et al. (2014) found a positive relationship between daily fluctuations in transformational leadership and employees daily work engagement. Similarly, Ghadi et al. (2013) and Kopperud et al. (2014) confirmed that transformational leadership positively influences the level of employees work engagement.

When employees are engaged they dedicate their resources (e.g. cognitive, emotional and physical) to work roles, thereby contributing to organizational goals (Rich et al., 2010). Thus, engaged employees “work with greater intensity on their tasks for longer periods of time, they pay more attention to and are more focused on responsibilities, and they are more emotionally connected to the tasks that constitute their role” (Rich et al., 2010, p. 620). Therefore, it is more likely that they will positively respond to customer requests and display better job performance.

Job performance is defined as the set of values and employee behavior that contribute either positively or negatively to organizational goals and accomplishment. Job performance has been define as the overall expected value from employees behavior carried out over the course of the set period time. Employee engagement, in turn, will positively predict job performance, for two reasons. First, employees who strongly identify with their organizations have positive attitudes toward them (Dutton et al., 1994). In this sense, higher levels of self-esteem may result in greater employee efforts (Walumbwa et al., 2008). So motivates employees to act in support of the organizations in-

terests (van Dick et al., 2008). In sum, these greater efforts and motivation help employees to focus more effectively on their tasks and increase their individual performance (Walumbwa et al., 2008, 2011). Previous research has shown that employees engagement relates to outcomes such as in-role behavior and job performance (Ricketta, 2005; Ricketta and Van Dick, 2005; Smidts, et al., 2001; Walumbwa et al., 2008, 2011).

Methodology

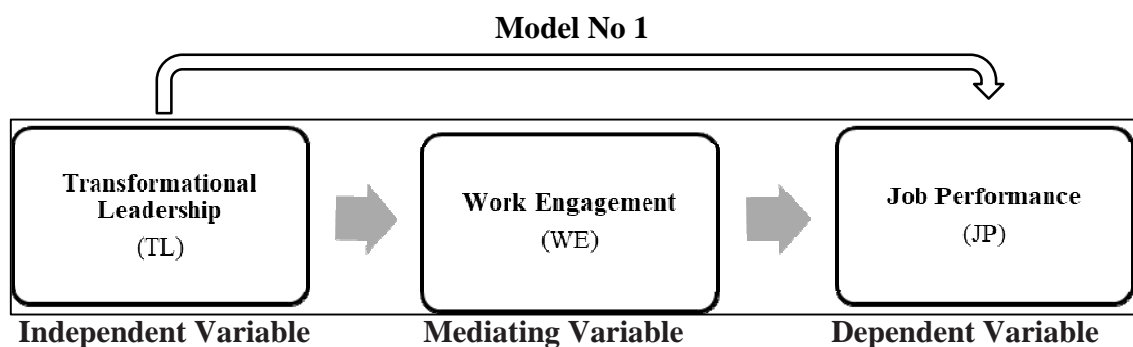
Hypotheses

H1: Transformational leadership (TL) has a positive effect on work engagement (WE) of employees in the banking sector.

H2: Transformational leadership (TL) has a positive effect on job performance (JP) of employees in the banking sector.

H3: Work engagement (WE) has a positive effect on job performance (JP) of employees in the banking sector.

H4: Work engagement (WE) positively mediates the relationship between transformational leadership (TL) and job performance (JP) of employees in the banking sector.



Research Instruments

The respondents assessed all items on 07 point Likert scales (1 = strongly disagree; 7 = strongly agree). Transformational leadership was measured using Carless et al., (2000) scale. Work engagement was measured using the Utrecht Work Engagement Scale proposed by Schaufeli et al., (2006). Job performance was measured with items from Karatepe (2013), drawing on Babin and Boles (1998).

Population

The present study focuses on the employees of banking sector of Pakistan as population. Due to shortage of time and capital, researchers selected the banks in Lahore as a sample for data collection. According to Israel, (1992) a good sample size, 200-500, is needed for simple and multiple regression which might be performed for more rigorous state impact evaluations. This research was carried out on the banking sector of Lahore, (Pakistan). Different banks branches were selected randomly for conducting the research. An organized questionnaire was applied to gather the data. Overall 220 questionnaires distributed. 170 questionnaires were returned back and fully completed and the actual response rate was 77%.

Results

Demographic information

The information is given about the respondents who had contributed in the collection of primary data. For this study following items are included to measure demographic variables, including

gender, age, managerial level, qualification, type of bank, designation. Descriptive statistics for demographic variables related to gender respondent depicts that 71% of employees' are men and, 29% of employees' are females. 61% employees had age 25-30 years. 81% are middle level managers and 19% are first line managers. Education shows that 67% of employees have bachelors degrees. There are 94% employees who worked in private banking sector and 6% employees worked in public banking sectors. Branch Manager, Human Resource Manager, Manager Operation, Branch Service Officer (BSO), Business Development Officer (BDO), Customer Service Officer (CSO) were involved in this research.

Correlation Analysis

Pearson Correlation Analysis is used in this study to observe the association between dependent and independent variables. According to statistical results the value of Pearson correlation shows that there is positive relationship between transformational leadership, work engagement, job performance

Table 1. Pearson Correlation Analysis

		Gender	MS	AG	MGL	Qualification	TWE	SIO	TOB	Designation	TL	WE	JP
Gender	Pearson Correlation	1											
	Sig. (2-tailed)												
MS	Pearson Correlation	-.201**	1										
	Sig. (2-tailed)	.008											
AG	Pearson Correlation	.001	.527**	1									
	Sig. (2-tailed)	.987	.000										
MGL	Pearson Correlation	-.047	.098	.077	1								
	Sig. (2-tailed)	.546	.204	.316									
Qualification	Pearson Correlation	.139	.240**	.202**	.261**	1							
	Sig. (2-tailed)	.071	.002	.008	.001								
TWE	Pearson Correlation	-.028	.474**	.468**	.142	.454**	1						
	Sig. (2-tailed)	.715	.000	.000	.065	.000							
SIO	Pearson Correlation	-.112	.428**	.508**	.184*	.384**	.720**	1					
	Sig. (2-tailed)	.144	.000	.000	.017	.000	.000						
TOB	Pearson Correlation	.034	.114	.050	-.019	-.066	.112	-.023	1				

		Gender	MS	AG	MGL	Qualification	TWE	SIO	TOB	Designation	TL	WE	JP
	Sig. (2-tailed)	.664	.138	.521	.811	.389	.146	.764					
Designation	Pearson Correlation	-.071	-.125	-.145	-	-.192*	-.096	-.103	-.030	1			
	Sig. (2-tailed)	.356	.106	.061	.000	.012	.215	.183	.698				
TL	Pearson Correlation	-.127	.171*	.135	.241**	.320**	.156*	.220**	-.155*	-.236**	1		
	Sig. (2-tailed)	.099	.026	.079	.002	.000	.042	.004	.044	.002			
WE	Pearson Correlation	-.099	.206**	.234**	.154*	.156*	.123	.193*	.001	-.157*	.678**	1	
	Sig. (2-tailed)	.198	.007	.002	.045	.042	.111	.012	.987	.042	.000		
JP	Pearson Correlation	-.136	.173*	.199**	.095	.002	.117	.196*	-.027	-.159*	.493**	.612**	1
	Sig. (2-tailed)	.077	.024	.009	.217	.981	.129	.010	.727	.039	.000	.000	
** . Correlation is significant at the 0.01 level (2-tailed).													
* . Correlation is significant at the 0.05 level (2-tailed).													

Regression Analysis

H1: Transformational leadership (TL) has a positive effect on work engagement (WE) of employees in the banking sector.

H2: Transformational leadership (TL) has a positive effect on job performance (JP) of employees in the banking sector.

H3: Work engagement (WE) has a positive effect on job performance (JP) of employees in the banking sector.

For the relationship of transformational leadership and work engagement, regression analysis provides the value of $\beta=0.674$, i.e., one unit change in transformational leadership may result 67.4% change in work engagement. Table 2 also indicates that value of t in **H1** is non-zero. The value of p equals to 0.000 which is less than 0.01. This means that **H1** about the relationship of transformational leadership and work engagement is accepted.

For the relationship of transformational leadership and job performance, regression analysis provides the value of $\beta=0.477$, i.e., one unit change in transformational leadership may result 47.7% change in job performance. Table 2 also indicates that value of t in **H2** is non-zero. The value of p equals to 0.000 which is less than 0.01. This means that **H2** about the relationship of transformational leadership and job performance is accepted.

For the relationship of work engagement and job performance, regression analysis provides the value of $\beta=0.595$, i.e., one unit change in work engagement may result 59.5% change in job performance. Table 2 also indicates that value of t in **H3** is non-zero. The value of p equals to 0.000 which is less than 0.01. This means that **H3** about the relationship of work engagement and job performance is accepted.

Table 2. Regression Analysis

Model		Unstandardized Coefficients		t	Sig.
		B	Std. Error		
H1	(Constant)	1.650	.280	5.887	.000
	TL	.674	.056	11.955	.000
	R ²	.460			
	F	142.92			
Model		Unstandardized Coefficients		t	Sig.
		B	Std. Error		
H2	(Constant)	2.597	.323	8.044	.000
	TL	.477	.065	7.345	.000
	R ²	.243			
	F	53.949			
Model		Unstandardized Coefficients		t	Sig.
		B	Std. Error		
H3	(Constant)	1.985	.298	6.657	.000
	WE	.595	.059	10.026	.000
	R ²	.374			
	F	100.520			

***Significant at the 0.01 level. **Significant at the 0.05 level. * Significant at the 0.10 level.

H4: Work engagement (WE) positively mediates the relationship between transformational leadership (TL) and job performance (JP) of employees in the banking sector.

Table 3. Testing mediator effect of (WE) on TL (IV) and JP (DV)

Testing Steps of Mediation	β	SE	F	R ²	Decision	β
Step 1 (Path c) Outcome: JP Predictor: TL	.477	.065	53.949	0.243	.000<.05	.477
Step 2 (Path a) Outcome: WE Predictor: TL	.674	.056	142.92	0.460	.000<.05	.674
Step 3 (Paths b and c) Outcome: JP Mediator: WE(Path b) Predictor: TL(Path c)	.500 .140	.080 .080	52.419	.386	.000<.05 .000<.05 .000<.05	.500 .140

For the mediation analysis, it was established that the predictor (transformational leadership) was related to the outcome (Job performance) which is (Step 1). The standardized regression coefficient ($\beta = 0.477$) associated with the transformational leadership on job performance was significant ($p < 0.01$). Therefore, Path c was significant, and hence condition of mediation in step 1 was met. To ascertain that transformational leadership was related to work engagement (the hypothesized mediator), the regression coefficient ($\beta = 0.674$) was significant at the ($p < 0.01$) and hence the condition of step 2 was achieved (significant Path a).

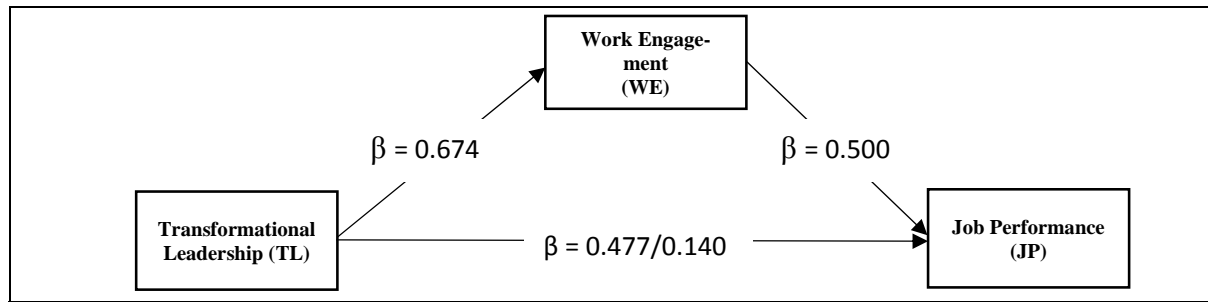


Figure 1. Mediator effect of WE on TL and JP

Now to test whether work engagement was related to job performance; job performance regressed simultaneously on both of work engagement and transformational leadership (Step 3).

The coefficient, with the relation between work engagement and job performance (controlling for transformational leadership), was also significant ($\beta = 0.595$, $p < 0.01$). Hence, the condition for Step 3 was met (Significant Path b). The third regression analysis also provided an estimate of Path c' , the relation between transformational leadership and job performance, controlling for work engagement. When path c' is zero i.e. independent variable becomes insignificant then there can be a complete mediation. Nevertheless, path c' was ($\beta = 0.140$) also significant ($p < 0.01$), though it was smaller than path c which was 0.477. Since, after controlling for work engagement, the effect of transformational leadership appeared to be significant and smaller i.e. from ($\beta = 0.477$) to ($\beta = 0.140$) and hence reduced by $0.477 - 0.140 = 0.337$ which supported partial mediation.

For the existence of complete mediation, the value of p must be insignificant for the relationship of the independent variable and dependent variable in combined effect of independent variable and mediator on dependent variable collectively. For the existence of partial mediation, the value of p must be significant for the relationships of the independent variable with dependent variable directly. In combined effect of transformational leadership and work engagement with job performance ($\beta = 0.140$) for the relationship of transformational leadership with job performance that was also significant ($p < 0.01$). That value was not insignificant, but it was less than the value of ($\beta = 0.477$) which was about the direct effect of transformational leadership on job performance. Hence it is proved that work engagement is partially mediating the relationship between transformational leadership and job performance and hypothesis was accepted.

It is important to know the amount of mediation. It was calculated from the standard of (Shrout & Bolger, 2002) which is ab/c ($0.337/0.477 = 0.706$) and it was obtained from unstandardized coefficients. Thus about 70.6% of the total effect of transformational leadership on job performance is mediated work engagement.

Conclusion

The analysis of the collected data and their statistical results shows a positive link between the transformational leadership, work engagement and job performance. Results also confirm that transformational leadership is a predictor of work engagement as well as job performance while work engagement is a good antecedent of job performance. Thus, it concludes that if service sectors, specifically banks provide transformational leadership and work engagement facility to their employees then they will be able to improve their job performance in the banking industry of Pakistan. It is recommended that bigger sample size, with a wider area of research including more banks and other sectors for various researches can be applied to make the results more generalized. In this study the transformational leadership is considered as one variable and its dimensions are not

collectively studied under one variable with its relationship with work engagement and job performance.

Limitations and Future Researches

Due to a shortage of budget, the sample of the paper is kept low, and only a few banks were taken into account, and the numbers of the questionnaire were limited. The target population of the study is only banking sector and all other sectors like textile sector, the education sector, and telecommunication sector remain unexplored. So, the ability of generalization of this research paper is limited. This is cross-sectional study data is collected from respondents at a specific point in time. This study can be applied to various areas i.e. telecommunications, educational institutions, industrial sector, hospitality sectors. Variables of this research can also be testified through a longitudinal process which can produce multiple prospects of researches in future. The sample size and population of the study can be increased in future. Likewise, the relationship of work engagement can be checked with multiple variables like knowledge management, organizational socialization and four kinds of justice individually. Similarly, variables of organizational justice with organizational performance can also be incorporated with moderator variables; age, gender, qualification, tenure

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