

# The Relationship of Transformational Leadership and Empowerment with Job Satisfaction: The Mediating Role of Ethics and Social Responsibility

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## ABSTRACT

This paper aims to examine transformational leadership and employee empowerment influence on job satisfaction among small medium enterprises employees of Pakistan. This study adopted survey research that is a design of non experimental field study. 250 questionnaires were given in 25 firm's HR departments (10 questionnaires in each firm). 22 firms respond and 220 questionnaires were usable for our research. The positive relationship between transformational leadership, employee empowerment and job satisfaction were examined. While the mediating variable ethics and social responsibility showed the positive relationship. The main objective of this research was to analyze the effects of independent variables (i.e. transformational leadership and employee empowerment) on job satisfaction. The data was collected by descriptive study and survey conducted on textile sector of SMEs in the city of Multan, Pakistan. The basic signification of this paper is SMEs, particularly in the developing domestic and collectively owned small firms, in Pakistan. That may seem positively paying greater considerations and social responsibility to transformational leadership and empowerment practices for gaining their future progress promisingly in job satisfaction.

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## Introduction

The main objective of this research is to analyze the effects of transformational leadership and employee empowerment on job satisfaction as well as mediating role of ethics and social responsibility in the SMEs of Pakistan. If the employee's level of job satisfaction is low, it can create complications for firm's performance which includes different functions like impoverished customer service quality, low rate of production and increased expense on labor. There is a possibility to gain customer loyalty by providing them superior service quality which can be achieved by employee's good performance. It is possible if employee feel satisfied towards their job, to then they also advance in work performance. In previous studies, it is proven that transformational leadership and empowerment works as effective mechanism to increase levels of job satisfaction in the employees, which in result improve their performance level. (Berson & Linton, 2005; Karia & Hasmi Abu Hassan Asaari, 2006).

The first concept of "transformational leadership" was introduced by James MacGregor Burns (Burns, 1978). In the literature of management, the word "empowerment" starts to appear in the beginning of 1980's (Collins, 1999). The term "empowerment" specifies towards worker development of confidence in their capability of taking action on their choices and to involve them in strategic "decision-making" process. Several define empowerment as one's power to form decisions related to workplace and also to accept the consequences of output of their decision process (Campion, Medsker, & Higgs, 1993). It also involves managing authority and also

authorizing power to their worker to improve the quality of customer service (Wynne, 1993). Even though "empowerment" is the main focus of management and it's a part of processes for more than two decades. Additionally, most of the empirical researches conducted on "empowerment" were on manufacturing industry, but there is a little empirical evidence on service firms. Moreover, some researches also covered hospitality organization (Hartline & Ferrell, 1996; Lam, Baum, & Pine, 2001; Lashley, 1999, 2000; McDougall & Levesque, 1999).

There is increased attention towards social responsibility in the corporate environment. It has been developing in management sector of firms, also in managing rule and regulations by the governments and generally in the society. Until now, there is an argument in place that there is very little evidence found to determine whether everyone in the organization. That is playing an important part and involved in enhancement of ethical and social responsibility (Sachs, Post, & Preston, 2002; Wood, Chonko, & Hunt, 1986). Moreover, it is believed that top manager's performance is very critical in order to embrace corporate social responsibility in the organization (Hunt, Kiecker, & Chonko, 1990; Wood et al., 1986). The organization ability to emphasize on welfare of society and also to develop social responsibility, workers cannot be successful if their managers don't embrace and willing to make compromises such as on corporate profits, other benefits and needs of the organization (Waldman et al., 2006). Certainly, it's a part of top managers work to distribute and make influence on its employees, which helps to introduce ethical and social responsibility through all the

organization(Singhapakdi, Gopinath, Marta, & Carter, 2008). The importance of manager role is cleared in the application of corporate social responsibility in the business. Still, there are previous empirical researches present which advise to explore the more aspects of it, for obtaining better understanding(Waldman & Siegel, 2008). This research also covers more depth study that how managers and employees play a key role for applying the concept of “ethical and social responsibility” in an organization. Also, to study its effects as a mediator between job satisfaction and other independent variables (i.e. transformational leadership and empowerment) in a work environment.

## **Literature Review**

### ***Transformation leadership***

The main objective of transformational leaders is to enhance the ability of their followers to open their minds towards new ideas. That start brainstorming, engage in development of new plans, examine and analyze the operating system as well as develop self-determination in their workers(Avey, Hughes, Norman, & Luthans, 2008). Transformational leadership has a good impact on empowerment (Appelbaum, Karasek, Lapointe, & Quelch, 2015). Furthermore, it usually give various good results to the firm, which includes improved performance, development of self-efficacy and lower rate of threat towards appraisal (Appelbaum et al., 2015). One of the most beneficial traits of transformational leadership is that it develops self-efficacy in followers. That also helps to develop social skills, find their right place in the group and to find attachment towards their work (Appelbaum et al., 2015). In addition, it also improves job satisfaction(Spreitzer, 1995). Through empirical research some researchers found out that transformational leadership is an effective way to enhance empowerment in the followers. Moreover, they mentioned that empowerment can be developed by transformational leaders which also seem to have positive impact on the innovativeness and the efficiency of employee (Cyboran, 2005). Additionally, many researchers concluded from both quantitative and qualitative researches that the combination of empowerment and transformational leadership mostly improves the chances of higher rate of success levels in employee performance(Al-Husseini, 2006). Through transformational leadership employees develops to discover worthiness in their work and get attach to their work. Development of finding “meaningfulness” in work environment can also leads to job satisfaction (Brossoit, 2001). Some other empirical research also suggested that transformational leadership considerably have a correlation with a firm’s commitment level (Ismail, Mohamed, Sulaiman, Mohamad, & Yusuf, 2011).

### ***Job Satisfaction***

Job satisfaction in this described as worker’s enjoyable exciting attitude that is achieved by the assessment of their work outcome or promoting the accomplishment of one’s work “meaningfulness” which means gaining value towards work(Locke, 1969). Transformational leadership works as a mechanism which promotes the job satisfaction in employees. Employee level of job satisfaction also depends on their capability of wisely understanding the mission and also developing better understanding of their firm operations. Transformation leadership helps to develop clear understanding of aims, targets and assignments for workers, which also helps to reduce the level of tension in the work environment, hence improves job satisfaction (Gill, Mand, Culpepper, Mathur, & Bhutani, 2011). Some researchers also

suggested that leadership promote the level of job satisfaction in the employees boosting positive work attitude as well as by defining their work roles (Sadia Cheema, 2015) .

### ***Empowerment***

Empowerment plays a key part to enhance job satisfaction in employees (Appelbaum et al., 2015). Employee capability to enhance discipline at workplace as well as perception of empowerment in the work environment(Bühler & Land, 2003; Innstrand, Espnes, & Mykletun, 2004). Empowerment also promotes the “decision-making” ability in the workers (BOWEN & Lawler). Empowerment as it develops job satisfaction it also advances employees desire to stay committed with their firm(Nedd, 2006). Furthermore, studies found positive influence of empowerment on job satisfaction(Dickson & Lorenz, 2009). The concept behind empowerment is that it helps improves the overall performance of the employees, work towards their welfare and help them to be more optimistic towards their jobs (de Klerk & Stander, 2014). Empowerment enhance employee’s positive attitudes towards their work (Islam, Ur Rehman Khan, Norulkamar Bt. Ungku Ahmad, Ali, & Ahmed, 2014). Kanter first introduced the literature of “Employee Empowerment” about thirty years ago (de Klerk & Stander, 2014). The Rapid change in global competition, large number of new multinational organizations emerging and changing trends of business have demanded their employees to be proactive and always prepared for downfalls; as a result human resources departments gain more and more interest in empowerment (Islam et al., 2014) . When an employee gain confidence that they can achieve positive results, such employees are pleased to execute their task; likely they work more responsibly and persistently on problems (Zhang & Bartol, 2010). Few described empowerment as a positive trait of management (de Klerk & Stander, 2014).

Based on different researchers and analysis, they all implied definition of the empowerment somehow as a process or psychological form revealed in four acknowledgments; worthiness, self-efficiency, impact and self-determination. (1)Precisely, worthiness is a state where someone consider himself meaningful while performing his job. (2) Self-efficiency concerns as competence, ones capability to achieve or perform the task successfully. (3) Self-determination refers to the self sufficiency or self government, which indicate perception to have a freedom to make choices to perform their work for dedication. (4) Impact concerns as to ones attitude as making a change in the performance (Zhang & Bartol, 2010). Additionally, empowerment has important emotional, attitudinal and behavioral effect on the employees who experience empowerment, many studies have described positive relationship between empowerment and employee performance, such as their commitment towards their job, job satisfaction and positive attitude, such as betterment in performance(Jafri, 2015). Empowerment is an important element as it motivates employees to be more creative. Particularly when employee feel invaluable and worthy while performing their tasks; they eager to work harder, enthusiastic to find more solution to the problems through research from varies sources (Zhang & Bartol, 2010).

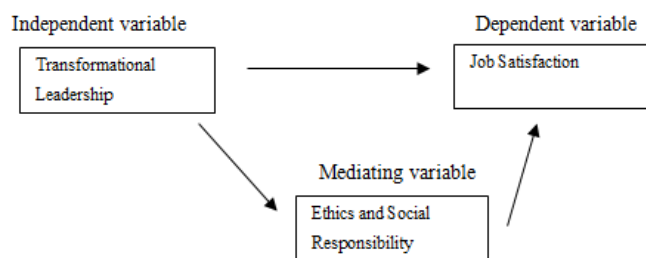
### ***Ethics and Social Responsibility***

An organization’s social and ethical responsibility involves matter that creates firm’s procedures, mechanism and regulations that promote welfare of the society or environment or somehow add some contribution towards the society (Bartov & Li, 2015). Additionally, increasing profits for the

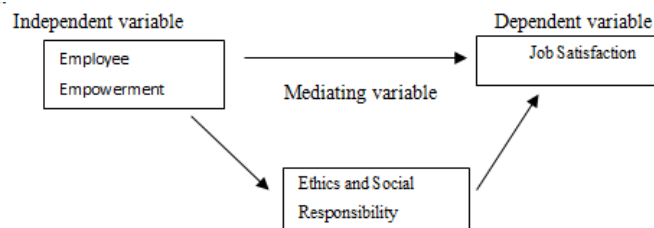
owners, by ensuring and analyzing each and every operation is followed by proper rules & regulations, maintaining its ethical measures and also international values. Another objective of social responsibility of cooperation is to emphasize the positive influence on the organization, its employees, customers, society and everyone else connected to it. In the late 1970's, few research indicate that social responsibility of the firm correlated with manager's strategic attitude (Carroll, 1979; Jensen & Meckling, 1976). Other suggested that managers may use this strategy to improve their place in the organization or for other "personal agendas" (McWilliams, Siegel, & Wright, 2006). Few researches later on also provide evidence that support this theory of "personal agendas" (Petrovits, 2006; Prior, Surroca, & Tribó, 2008). Furthermore, investigation come forward that socially responsible firms are more careful and strategic towards management process of acquiring money, for this purpose they prefers the transparency of financial records between the firms and its investors (Kim, Park, & Wier, 2012).

On the bases of our literature review, following are the model diagrams for this study:

#### Model 1



#### Model 2



#### Hypotheses

H1: There is a positive relationship between Transformational leadership and Job satisfaction

H2: Ethics and social responsibility mediates the relationship between transformational leadership and job satisfaction.

H3: There is a positive relationship between Employee empowerment and Job satisfaction.

H4: Ethics and Social responsibility mediates the relationship between Employee empowerment and Job satisfaction.

#### Methodology

##### Sampling procedure

The research focus was on textile industries of SMEs in Multan, Pakistan. The data was collected from textile industries from official website (<http://www.smeda.org.pk>). The population data was collected from management level to employee level. There were given 250 questionnaires in 25 firms HR departments (10 questionnaires in each firm). 22 firms respond and 220 questionnaires were usable for our research. The survey was kept confidential regarding to respondents

##### Research Design and Measures

Descriptive study was used, and a survey research with significance level of  $p < 0.05$  to accept or reject the null hypothesis of study in SMEs of Pakistan. The measurement

tools were taken from three studies for comparison that were from earlier researches on management, psychology and marketing. Transformational leadership scale was adopted by Dubinsky (Dubinsky, Yammarino, Jolson, & Spangler, 1995). While ethics and social responsibility scale were adopted by (Singhapakdi, Kraft, Vitell, & Rallapalli, 1995; Singhapakdi, Vitell, Rallapalli, & Kraft, 1996). The employee empowerment and job satisfaction scales were adopted by (Hartline & Ferrell, 1996).

All items were pre-tested for construct validity of variables. There was provided to all respondents an interval level of measurement and used a five point Likert scale for each item of questionnaire.

Seven out of twelve items multi-factor leadership scale were used and these were adopted by Dubinsky for measuring transformational leadership (Dubinsky et al., 1995). All these scale items were applied and the reliability of items was retested. The results showed that the Cronbach alpha was 0.89 on the response of 42 employees that took part in the pretest of scale items.

Four items out of eight items scale were selected for employee empowerment which measures to managerial degree to give freedom, trust and encouragement to their employees for decision making. The items were selected by Hartline and Ferrell, tolerance of freedom scale (Hartline & Ferrell, 1996). These four scale items were applied to 42 employees and the reliability of these four items was retested. The results showed in the pretest of Cronbach alpha (0.89) in measuring employee empowerment items.

The ethics and social responsibility scale items were adopted by Singhapakdi for measuring the mediating variable (Singhapakdi et al., 1995; Singhapakdi et al., 1996). There were used 16 items for ethics and social responsibility and all are described in appendix below. The Cronbach alpha on response of 42 employees was 0.89 that took participation in pretest of these scale items.

There were selected 5 items out of 8 items that were adopted by Hartline and Ferrell for measuring the dependent variable which is job satisfaction (Hartline & Ferrell, 1996). The reliability of these five items was retested and the Cronbach alpha was 0.82 on the response of 42 employees who did participate in this study.

##### Data analysis

All items were measured on responses that were skewness, central tendency, variance and kurtosis. There was skewness from +0.191 to +1.024 ranges for all scale items that is identified to a high range of excellence in many studies during statistics appropriate to Norman distributions approach. There was used confirmatory factor analysis (CFA) all items that were contained in our study. There was used principal component as an extraction measurement, adopted by Varimax rotation of all items with Eigen value that is more than 1. The data can be distributed in four factors. All these four factors give details of 63.80% of all these items variance (table 1).

There were loaded all the scale items on the expected factor in terms of convergent validity (table 2).

**Table No 1. Rotation Sums of Square Loadings Total Variance Explained**

| Component | Variance | % of variance | Cumulative |
|-----------|----------|---------------|------------|
| 1         | 4.2      | 25.8          | 25.9       |
| 2         | 3.6      | 20.6          | 46.7       |
| 3         | 2.5      | 16.4          | 62.6       |
| 4         | 2.7      | 16.7          | 63.8       |

**Table No 2. Extraction Method and Principal Component Analysis**

| Items | Component 1 | Component 2 | Component 3 |
|-------|-------------|-------------|-------------|
| TL1   | 0.682       | 0.194       | 0.267       |
| TL2   | 0.712       | 0.112       | 0.268       |
| TL3   | 0.713       | 0.231       | 0.246       |
| TL4   | 0.756       | 0.245       | 0.212       |
| TL5   | 0.745       | 0.267       | 0.155       |
| TL6   | 0.712       | 0.126       | 0.207       |
| TL7   | 0.688       | 0.178       | 0.205       |
| EE1   | 0.312       | 0.126       | 0.756       |
| EE2   | 0.266       | 0.144       | 0.814       |
| EE3   | 0.325       | 0.198       | 0.686       |
| EE4   | 0.245       | 0.245       | 0.645       |
| ESR1  | 0.168       | 0.697       | 0.224       |
| ESR2  | 0.246       | 0.816       | 0.192       |
| ESR3  | 0.178       | 0.768       | 0.160       |
| ESR4  | 0.201       | 0.835       | 0.077       |
| ESR5  | 0.245       | 0.728       | 0.198       |
| ESR6  | 0.206       | 0.788       | 0.213       |
| ESR7  | 0.256       | 0.856       | 0.201       |
| JS1   | 0.645       | 0.213       | 0.213       |
| JS2   | 0.752       | 0.252       | 0.189       |
| JS3   | 0.756       | 0.146       | 0.266       |
| JS4   | 0.823       | 0.176       | 0.258       |
| JS5   | 0.841       | 0.247       | 0.089       |

**Note**

Rotation method: Varimax and Kaiser Normalization

Rotation converged in 4 iterations

Extraction Method: Principal component analysis

The results showed the items clusters of Cronbach alpha were namely: transformational leadership (0.8867), employee empowerment (0.8268), ethics and social responsibility (0.8865), job satisfaction (0.8587).

All the questions divisions were examined in order to enable the weighted factor calculation of scores. There were weighting all scale items loaded equally that were seven items of transformational leadership, four items of employee engagement, seven items of ethics and social responsibility and five items of job satisfaction.

We used Pearson correlation that was already taken in regression model. Results showed that transformational leadership is positively correlated to job satisfaction. In addition, ethics and social responsibility mediates the relationship positively with employee empowerment and transformational leadership to job satisfaction.

**Table No 3. Pearson Correlation analysis**

|     | TL      | EE      |
|-----|---------|---------|
| ESR | 0.497** | 0.462** |
| JS  |         | 0.652** |

**Note**

\*\* Correlation is significant at the 0.01 level (two-tail)

TL= Transformational leadership

EE= Employee empowerment

ESR= Ethics and Social responsibility

JS= Job satisfaction

**Results**

The results showed that there is a positive relationship between transformational leadership and job satisfaction

**Table 4. Regression Coefficients**

|          | B     | Std.Error | Beta  | T       | Sig.    |
|----------|-------|-----------|-------|---------|---------|
| Constant | 1.421 | 0.062     |       | <0.0005 | N.S.    |
| TL       | 0.487 | 0.062     | 0.487 |         | <0.0005 |

$R^2 = 0.244$ ; SEE = 0.872; F = 63.35; ANOVA's Test Sig. = <0.0005

Regression Equation: JS = 1.421 + 0.487TL

**Note**

SEE= standard error of the estimate

Further results showed the significance of positive relationship between employee empowerment and job satisfaction (table 5).

**Table No 5. Regression Coefficients**

|          | B     | Std. Error | Beta  | T       | Sig.    |
|----------|-------|------------|-------|---------|---------|
| Constant | 3.568 | 0.064      |       | <0.0005 | N.S.    |
| EE       | 0.462 | 0.064      | 0.462 | 7.088   | <0.0005 |

$R^2 = 0.204$ ; SEE = 0.894; F = 50.24; ANOVA's Test Sig. = <0.0005

Regression Equation: JS = 3.568 + 0.462EE.

Table 4 and Table 5 identifies that ANOVA tests are also significant at <0.0005.

**Conclusion**

The main objective of this research was to analyze the effects of independent variables (i.e. transformational leadership and employee empowerment) on job satisfaction. Also, examine the mediating effect of ethical and social responsibility on SMEs of Multan, Pakistan. The data was collected by descriptive study and survey conducted on textile sector of SMEs in the city of Multan, Pakistan. The results are concluded by managers and employee's opinion and judgement, which indicate "transformational leadership" perceived by manager and also empowerment, have association with job satisfaction which is perceived by employees. Findings of this research is also similar to the suggestions of previous researches which theorize that transformational leadership performed by managers eventually advance the job satisfaction level in employees which increase positive work attitude in employees as well as clarification of their work value (Berson & Linton, 2005). Similarly, many other researchers mentioned in their studies that employee empowerment also increase the level of job satisfaction in employees (BOWEN & Lawler; Nedd, 2006)

Since the result of this research suggests it as well as these results are also supportive of previous different researches. Therefore we concluded that relationship between these variables is positive and correlated in nature. For future studies we will recommend the same study with different population and sample size. We can use other dimensions of leadership e.g. transactional and charismatic leadership. We strongly suggest the study of empowerment as a mediator between leadership and job satisfaction.

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## Appendix

### Questionnaire Items

#### Transformational Leadership items

1. To what extent does your immediate manager/supervisor encourage you to be "team player?"
2. To what extent does your immediate manager/supervisor get the group to work together towards the same goal?
3. To what extent does your immediate manager/supervisor show respect for your personal feelings?
4. To what extent does your immediate manager/supervisor inspire others with his/her plans for the future?

5. To what extent does your immediate manager/supervisor transmit a "sense of mission" to you?
6. To what extent does your immediate manager/supervisor enable you to think about old problems in new ways?
7. To what extent does your immediate manager/supervisor let you use your intelligence to overcome obstacles?

#### Employee Empowerment items

1. To what extent does your immediate manager/supervisor permit you to use your own judgment?
2. To what extent does your immediate manager/supervisor encourage you to handle problems?
3. To what extent does your immediate manager/supervisor trust your judgment?
4. To what extent does your immediate manager/supervisor allow you freedom in your work?

#### Ethics and Social Responsibility Items

1. Being ethical and socially responsible is the most important thing a firm can do.
2. Whilst output quality is essential to corporate success, ethics and social responsibility is not.
3. Communication is more important to the overall effectiveness of an organization than whether or not it is concerned with ethics and social responsibility.
4. Corporate planning and goal setting sessions should include discussions of ethics and social responsibility.
5. The most important concern for a firm is making a profit, even if it means bending or breaking the rules.
6. The ethics and social responsibility of a firm is essential to its long-term profitability.
7. The overall effectiveness of a business can be determined to a great extent by the degree to which it is ethical and socially responsible.

#### Job Satisfaction Items

1. To what extent are you satisfied with your job security (stable work)?
2. To what extent are you satisfied with your current salary or wages?
3. To what extent are you satisfied with your immediate manager/supervisor?
4. To what extent are you satisfied with your organization's policies?
5. To what extent are you satisfied with advancement opportunities in your organization?