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Nurshahira Ibrahim

*Institut Islam Hadhari, Universiti Kebangsaan Malaysia, 43600 UKM Bangi, Selangor, Malaysia,*  
n.shahiraibrahim@gmail.com

Azman Ismail

*Faculty of Economic & Management, Universiti Kebangsaan Malaysia, 43600 UKM Bangi, Selangor, Malaysia*

Nurasilah Kithuru Mohamed

*Institut Islam Hadhari, Universiti Kebangsaan Malaysia, 43600 UKM Bangi, Selangor, Malaysia*

Siti Salwa Salim

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## Effect of Psychological Empowerment and Transformational Leadership on Organizational Commitment

Nurshahira Ibrahim<sup>1\*</sup>, Azman Ismail<sup>2</sup>, Nurasilah Kithuru Mohamed<sup>1</sup>, Siti Salwa Salim<sup>1</sup>,  
and Munirah Hanim Yusuf<sup>2</sup>

1. Institut Islam Hadhari, Universiti Kebangsaan Malaysia, 43600 UKM Bangi, Selangor, Malaysia

2. Faculty of Economic & Management, Universiti Kebangsaan Malaysia, 43600 UKM Bangi, Selangor, Malaysia

\*E-mail: n.shahiraibrahim@gmail.com

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### Abstract

According to recent literature that relates to organizational leadership, transformational leadership consists of three important elements: idealized influence, individual consideration, and intellectual stimulation. Extant studies in this area highlighted that the ability of the leaders in implementing these transformational processes (to execute organizational functions) may have a significant impact on individual outcome especially organizational commitment. Although this relationship has been studied, the mediating role of psychological empowerment has taken a less prominent part in organizational leadership model. The purpose of this paper is to examine the influence of psychological empowerment in the relationship between transformational leadership and organizational commitment. A survey method was employed to gather data from employees who worked at a foreign manufacturing company in free trade zone, Malaysia. Results of SmartPLS path model analysis confirm that psychological empowerment does act as an important mediating variable in the relationship between transformational leadership and organizational commitment in the studied organizations. In the succeeding sections, discussion, implications and conclusion are elaborated.

### Dampak Pemberdayaan Psikologis dan Kepemimpinan Transformasional terhadap Komitmen Organisasi

#### Abstrak

Berdasarkan kajian yang sudah ada yang berkaitan dengan kepemimpinan dalam berorganisasi, kepemimpinan transformasional terdiri dari tiga unsur yang penting: pengaruh ideal, pertimbangan individual dan stimulasi intelektual. Penelitian yang sudah ada fokus dalam kemampuan para pemimpin untuk benar-benar menerapkan proses transformasional dalam melaksanakan fungsi-fungsi organisasi yang mungkin memiliki dampak yang signifikan pada aspek psikologis individu terutama dalam komitmen berorganisasi. Meskipun hubungan ini telah dipelajari, peran mediasi pemberdayaan psikologis kurang ditekankan dalam model kepemimpinan berorganisasi. Tujuan dari makalah ini adalah untuk menguji pengaruh pemberdayaan psikologis dalam hubungan antara kepemimpinan transformasional dan komitmen berorganisasi. Metode survei digunakan untuk mengumpulkan data dari karyawan yang bekerja di sebuah perusahaan manufaktur asing di zona perdagangan bebas, Malaysia. Hasil analisis model jalur SmartPLS mengkonfirmasi bahwa pemberdayaan psikologis bertindak sebagai variabel mediasi penting dalam hubungan antara kepemimpinan transformasional dan komitmen organisasi dalam organisasi yang dikaji. Selanjutnya, diskusi, implikasi dan kesimpulan akan turut dijelaskan.

*Keywords: organizational, psychological empowerment, commitment transformational leadership*

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### 1. Introduction

An organization's efficiency and smooth management depend on the credibility and role of a leader (Ganguli

& Krishnan, 2005; Ramachandran & Krishnan, 2009). Leadership is often associated with leaders who have authorities and use several styles in influencing and encouraging their followers to accomplish organizational

goals (Alotaibi, Yusoff, Al-swidi, Al-Matari & Asharqi, 2015; Manaf & Latif, 2014). In organizational context, effective leadership is viewed as a leader's ability to control and manage his followers in realizing organizational vision and mission (Loshali & Krishnan, 2013; Manaf & Latif, 2014). The effectiveness of leadership style is essential to an organization and its employees as it can improve the performance of the organization and enhances personal outcomes of the followers (Loshali & Krishnan, 2013; Shonubi, 2014).

There is ample evidence that supports the advantages of transformational leadership to both the employees and organization. For example, a study carried out by Shonubi (2014) found that transformational leadership practices had resulted in professional teachers to improve in educating their students by emphasizing on the quality of teaching; hence, resulted in improved academic achievement among their students. This is supported by a research done by Ghorbani & Yekta (2012). It was found that transformational leadership in an organization resulted in favourable changes to the employees. For example, they are creative and innovative when handling crises, which in turn enhance the productivity of the organization. This finding is also consistent with studies by Manshadi, Ebrahimi & Abdi (2014) which revealed that the implementation of transformational leadership resulted in positive outcomes to employees; whereby they are in better control of their emotions, have better awareness as well as working diligently and improving their skills. Thus, these indirectly lead to the attainment of organizational objectives.

In recent years, numerous studies have focused on transformational leadership because this style of leadership is said to be essential in dynamic organizations (Bass & Avolio, 1994; Hartog, Muijen & Koopman, 1997; Ismail, Hassan Al-Banna, Ahmad Zaidi, Mohd Hamran & Munirah Hanim, 2011; Verma & Krishnan, 2013). It is found that it can change the management, structure, and relationships of leaders as well as the followers in the organization (Alotaibi, *et al.* 2015). Transformational leadership is often associated with leaders of followers who potentially possessed certain skills (such as, technical, interpersonal, and decision making skills); thus, encouraging the growth of an organization (Lussier & Achua, 2013; Shonubi, 2014). Transformational leadership can be classified into three important dimensions, namely idealized influence or charismatic, intellectual stimulation, and individualized. Idealized influence can be divided into two factors – attributed and individualized influence behaviour (Chadna & Krishnan, 2009; Kandalla & Krishnan, 2004; Loshali & Krishnan, 2013). An idealized influence leader helps his subordinates to feel that their works are meaningful (Chadna & Krishnan, 2009; Loshali & Krishnan, 2013). Intellectual stimulation is often related to a leader who emphasizes the concept of intelligence,

rationality, logic, and problem solving in an organization (Ismail, *et al.* 2011). Thus, he encourages his followers to be more creative (Avolio, Zhu, Koh & Bhatia, 2004; Jung, Wu & Chow, 2008), innovative, imaginative, and recognize their values, beliefs, and mind set (Avolio, *et al.* 2004). Individualized consideration is when a leader cares about the needs and achievement of his followers. These concerns can further develop these leaders to being coaches and mentors. Consequently, the followers will respect the leader, their commitment to the organization will increase, and organizational goals are attained (Amiri, Ranjbar & Nikman, 2015; Khan, Khan, & Shahzad, 2013).

Extant studies on organizational leadership show that the ability of leaders to properly implement transformational leadership may invoke the employees' sense of psychological empowerment. For example, according to Khan, *et al.* (2013), implementation of each dimension of transformational leadership styles (idealized influence, individual consideration and intellectual stimulation) will produce employees with high confidence level in making decisions, and it will make them more accountable for their responsibilities (Shah, *et al.* 2011). Psychological empowerment can be described through four different dimensions: meaning, competence, self-determination, and impact or outcomes (Attari, 2013; Balaji & Krishnan, 2014; Mazaheri & Nowrak, 2014). Meaning is often associated with the employees' sense of meaningfulness in performing their jobs; competence is often associated with capable and skilled workers; self-determination refers to employees who are independent and intelligent in controlling their behaviour while making decisions; and impact refers to the employees who feel that they are influential to the decisions made by the organization (Attari, 2013; Balaji & Krishnan, 2014; Boonyarit, Chomphupart & Arin, 2010; Mazaheri & Owraq, 2014). In general, psychological empowerment is often associated with a leader who is willing to delegate his power to his followers in managing organizational functions (Attari, 2013; Mazaheri & Owraq, 2014). Psychological empowerment is considered as a continuous variable used in the management system which is only utilized in a particular work environment (Balaji & Krishnan, 2014). Within the scope of transformational leadership, multidimensionality of psychological empowerment can serve as a mediating effect in the relationship between socio-structural and individual behaviour in strategic organizational management (Gagne, Senecal & Koestner, 1997). As a result, employees will feel more meaningful, powerful, and passionate in achieving organizational strategies and goals (Ahmadi, 2014; Balaji & Krishnan, 2014).

Surprisingly, a careful observation on effective leadership styles reveals that relationship between transformational leadership and psychological empowerment may lead to enhanced organizational commitment (Kark, Shamir &

Chen, 2003; Avolio, *et al.* 2004; Boonyarit, *et al.* 2010; Ismail, *et al.* 2011; Shah, Nisar, Rehman & Rehman, 2011; Ahmadi, 2014). There are three important components to organizational commitment that influence employees' behaviour: affective, continuance, and normative commitment. According to Chadna & Krishnan (2009) and Ramachandran & Krishnan (2009), affective commitment refers to an employee's emotional attachment to, identification with, and involvement in the organization. Continuance commitment refers to an employee's perceived costs of leaving the organization (such as reduction in pay, pension, benefits or facilities) (Verma & Krishnan, 2013). Normative commitment refers to an employee's obligation to remain in an organization. A substantial number of studies have noted that organizational commitment refers to the loyalty and performance of the employees in executing their tasks within the organization up to the attainment of organizational goals (Batool, 2013; Thamrin, 2012). Employee commitment is a very important element to both manager and organization because it leads to a successful organization (Shah, *et al.* 2011). Therefore, the implementation of transformational leadership is an appropriate action taken by managers in encouraging their employees to continue improving their commitment to the organization. Indirectly, enhancing employee commitment can improve the performance of the manager and the organization. Thus, the implementation of this leadership style is very important toward establishing interpersonal skill between leaders and followers (Lussier & Achua, 2013).

Within transformational leadership model, most researchers think that transformational leadership, psychological empowerment, and organizational commitment are different, but they are actually highly interrelated concepts (Kark, Shamir & Chen, 2003; Avolio, *et al.* 2004; Boonyarit, *et al.* 2010; Ismail, *et al.* 2011; Shah, *et al.* 2011; Ahmadi, 2014). For example, the implementation of transformational leadership, which evokes the sense of psychological empowerment among the followers, may lead to enhanced organizational commitment. Although studies have been done, little is known about the role of psychological empowerment as a mediating variable in the transformational leadership models (Bartram & Casimir, 2007; Ismail, *et al.* 2011; Klidas, Van Den Berg & Wilderom, 2007). Most scholars argue that this condition may be due to several factors: first, previous studies described too many characteristics of transformational leadership as conceptual discussion of definition, nature, purpose and importance of this leadership. Second, many previous studies used simple correlations in their research methodology and less emphasis on the relationship of mediating or moderator. Third, previous studies were more interested in studying the perception of transformational leadership as a whole. Accordingly, the above approach did not produce much information that could be useful to guide

practitioners in understanding the strategic actions to improve the effectiveness of transformational leadership in a competitive organization. Consequently, it is not being highlighted in the leadership literature (Meyerson & Kline, 2008). Thus, this has motivated us to further explore the issue. This study has two important objectives: firstly, to examine the correlation between transformational leadership and psychological empowerment; secondly, to examine the role of psychological empowerment as a mediating variable in the correlation between transformational leadership and organizational commitment.

**Transformational leadership and psychological empowerment.** A lot of previous studies used the direct effects approach to examine transformational leadership by using different samples, such as perceptions of 163 R&D personnel and managers at 43 micro- and small-sized Turkish software development companies (Gumusluoglu & Ilsev, 2009) and 113 employees of a network marketing organization in Southern India that employed only women (Balaji & Krishnan, 2014). These surveys found that leaders who properly practiced idealized influence, individual consideration, and intellectual stimulation in implementing organizational functions were successful in motivating their followers toward enhanced psychological empowerment in the organizations. Thus, it can be hypothesized that:

H1: There is a positive relationship between transformational leadership and psychological empowerment.

**Transformational leadership, psychological empowerment and organizational commitment.** More importantly, studies that examined the transformational leadership used the indirect effects model based on various samples, such as the perceptions of a group of bankers in several US banking organizations (Kark, *et al.* 2003), 520 staff nurses working at a large public hospital in Singapore (Avolio, *et al.* 2004), 154 public school teachers from a central province of Thailand (Boonyarit, *et al.* 2010), 118 usable questionnaire gathered from employees of a US firm in East Malaysia (Ismail *et al.*, 2011), 88 employees of six telecom companies in Pakistan (Shah, *et al.* 2011), and 310 employees of the Interior Ministry of Malaysia (Ahmadi, 2014). Findings from these studies indicated that the ability of the leaders to appropriately practice idealized influence, intellectual stimulation, and individualized consideration in executing organizational functions invoked their followers' sense of psychological empowerment, and this could lead to enhanced organizational commitment.

The empirical studies are consistent with the spirit of leadership theory. First, Burns' (1978) transformational leadership theory highlights that mutual understanding of leaders and followers in managing organizational functions may increase their moralities. Second, Bass'

(1985) transformational leadership theory posits that interaction between leaders and their followers in managing organizational functions can inspire the followers to go beyond their self-interests in supporting the organization's interests. Third, Leader-member Exchange (LMX) theory (Gerstner & Day, 1997) explains that leaders who practice high-quality relationships may further enhance the performance of the already positive employees (Luissier & Achua, 2013; Krishnan, 2004, 2005). Additionally, Thomas and Velthouse's (1990) model of psychological empowerment suggests that intrinsic task motivation may increase the employees' interest and pleasure in doing their jobs, without thinking about the extrinsic outcomes. The spirit of this theory shows that interactions between leader and follower and intrinsic motivation task consist of idealized influences, intellectual stimulation, and individual consideration. For example, the ability of leaders to appropriately implement idealized influences, intellectual stimulation, and individual stimulation in executing job functions will strongly evoke the followers' psychological empowerment, and it results greater organizational commitment (Kark, *et al.* 2003; Avolio, *et al.* 2004; Boonyarit, *et al.* 2010; Ismail, *et al.* 2011; Shah, *et al.* 2011; Ahmadi, 2014). Thus, it can be hypothesized that:

H2: Psychological empowerment mediates the effect of transformational leadership on the organizational commitment.

## 2. Methods

This study used a cross-sectional research design that allowed us to integrate the transformational leadership literature and the actual survey as a procedure to collect data for this study. The use of this procedure can help us collect accurate, less biased, and high quality of data (Cresswell, 1998; Sekaran, 2000). This study was conducted at a foreign manufacturing company invested in Free Trade Zone, Malaysia. At the initial stage of data collection, we had drafted the survey questionnaires based on the related literature review. A purposive sampling technique was used to select the employees because they had work experience of more than seven years and sufficient knowledge about leadership style practiced in the studied organizations. The information gathered from this pilot study helped us to improve the content and format of the survey questionnaires for the actual study. A back translation technique was used to translate the survey questionnaires into English and Malay in order to increase the validity and reliability of research findings (Cresswell, 1998; Sekaran & Bougie, 2010).

The survey questionnaire had 3 sections. Firstly, transformational leadership had 12 items which were divided to three dimensions namely idealized influence (5 items), individualized consideration (4 items), and

intellectual stimulation (3 items). These items were modified from the Multi-Factor Leadership Questionnaires (MLQ-Form 5X) (Bass and Avolio, 1997). Secondly, the psychological empowerment had 4 items that were adapted from psychological empowerment literature (Ashforth, 1989; Hackman & Oldham, 1980; Jones, 1986; Tymon, 1988). Thirdly, the organizational commitment used 7 items that were developed by Mowday, Steers and Porter's (1982) organizational commitment scale. All items used in the questionnaire, described in Table 3, were measured using a 7-item scale ranging from "strongly disagree" (1) to "strongly agree" (7). Demographic variables were used as a controlling variable because this study focused on employees' attitudes.

The targeted population of this study was about 1,009 employees who worked in a foreign manufacturing company invested in Free Trade Zone, Malaysia. For confidential reasons, the name of this organization is kept anonymous. This study was conducted in this company because of several reasons: first, we wanted to investigate how the effectiveness of transformational leadership styles was adopted by the leader in this company. Second, we wanted to examine how transformational leadership styles became acceptable to the majority of workers, who were encouraged to support the company's strategic mission. However, at the stage of data collection, we met the HR manager to obtain their opinion on the rules for distributing the questionnaire within their organization. Unfortunately, due to personal and confidential information, we were not allowed to distribute questionnaires for a random survey of their employees in different departments. A convenience sampling technique was used to distribute 150 survey questionnaires to employees in the organization. This sampling technique was chosen because the list of registered employees was not given to the us for confidential reasons, and this situation did not allow us to randomly select participants in the organization. Of the number, only 77 usable questionnaires were returned, yielding a response rate of 51.3 percent. Further, the SmartPLS version 3.0 was employed to analyse the validity and reliability of instrument and test the research hypotheses. The main advantages of using this method is to produce latent variable scores, avoid small sample size problems, estimate every complex model with many latent and manifest variables, hassle-stringent assumptions about the distribution of variables and error terms, and handle both reflective and formative measurement models (Henseler, Ringle & Sinkovics, 2009).

## 3. Results and Discussion

SPSS package was used for data screening and normality test. Meanwhile, SmartPLS package was used for the analysis of the instruments of ratification of the current

study to test the measurement model and the next test direct effects model, and the model variables mediate through structural model testing. Table 1 shows that majority respondents were males (63.6%), between 26 to 30 years old (32.5%), Malay (39.0%), diploma holders (35.1%), employees of lower-level management (70.1%), and had work experience of more than 10 years (28.6%).

**Validity and reliability of the instrument.** Table 2 shows the results of convergent and discriminant validity analyses. All constructs had values of AVE larger than 0.5, indicating that they met the acceptable standard of convergent validity (Barclay, Hinggin & Thompson, 1995; Fornell & Larcker, 1981; Henseler, *et al.*, 2009). Besides that, all construct had the value of  $\sqrt{\text{AVE}}$  in diagonal greater than the squared correlation with other concepts in off diagonal, signifying that all concepts met the acceptable standard of discriminant validity (Yang, 2009).

Table 3 shows the factor loadings and cross loading for different constructs. The correlation between items and factors had higher loadings than other items in the different constructs; the loadings of variables were greater than 0.7 in their own constructs in the model, which could be considered adequate (Henseler *et al.*, 2009). In sum, the validity of the measurement model met the criteria. Besides that, the values of composite reliability were greater than 0.8, indicating that the instrument used in this study had high internal consistency (Nunally & Berstein, 1994; Henseler, *et al.* 2009).

Table 4 shows the results of reliability analysis for the instrument. The values of composite reliability and Cronbach's Alpha were greater than 0.7, indicating that the instruments used in this study had high internal consistency (Henseler, *et al.*, 2010; J.C. Nunally and I.H. Berstein, 1994).

Table 5 shows the results for level and collinearity for each construct. The mean values for all variables ranged from 4.6 to 5.6, signifying that the levels of idealized

influence, individualized consideration, intellectual stimulation, psychological empowerment, and organizational commitment were high. While the test of Variance Inflation Factor (VIF) between the independent variable (i.e., idealized influence, individualized consideration and intellectual stimulation), the mediating variable (i.e., psychological empowerment) and the dependent variable (i.e., organizational commitment) were less than 5.0, indicating that the data were not affected by serious collinearity problem (Hair, *et al.* 2006). Thus, these statistical results provide further evidence of validity and reliability for the constructs used in this study.

**Table 1. Respondents' Characteristics (N=77)**

Sample Profile	Sub-Profile	Percentage
Gender	Male	63.6%
	Female	36.4%
Age	Less than 20 years	3.9%
	21 to 25 years	23.4%
	26 to 30 years	32.5%
	31 to 35 years	23.4%
	36 to 40 years	10.4%
	Above 40 years	6.5%
Race	Malay	39.0%
	Chinese	22.1%
	Indian	1.3%
	Native	35.1%
	Others	2.6%
Education	SPM/MCE/Senior Cambridge	22.1%
	STPM/HSC	14.3%
	Diploma	35.1%
	Degree	20.8%
	Others	7.8%
Length of Service	Less than 1 year	11.7%
	1 to 3 years	19.5%
	4 to 6 years	23.4%
	7 to 9 years	16.9%
	10 years and above	28.6%
Job Category	Middle-level management	29.9%
	Lower-level management	70.1%

Note: SPM/MCE: Sijil Pelajaran Malaysia/Malaysia Certificate of Education

**Table 2. The Results of Convergent and Discriminant Validity Analyses**

Variable	AVE	Idealized Influence	Individualized Consideration	Intellectual Stimulation	Psychological Empowerment	Organizational Commitment
Idealized Influence	0.605	0.778				
Individualized Consideration	0.564	0.673	0.751			
Intellectual Stimulation	0.633	0.744	0.616	0.796		
Psychological Empowerment	0.615	0.637	0.497	0.514	0.784	
Organizational Commitment	0.654	0.410	0.388	0.337	0.470	0.808

**Table 3. The Results of Factor Loadings and Cross Loadings for Different Constructs**

Construct/Item	Individual Consideration	Idealized Influence	Intellectual Stimulation	Psychological Empowerment	Organizational Commitment
Individual Consideration	0.702	0.473	0.349	0.356	0.311
Seeks differing perspective when solving problems					
Spends time teaching and coaching	0.847	0.589	0.523	0.446	0.305
Talks enthusiastically about what needs to be accomplished	0.709	0.438	0.508	0.294	0.273
Acts as ways that build my respect	0.737	0.504	0.476	0.374	0.280
Idealized Influence					
Considers the moral and ethical consequences of decisions	0.588	0.797	0.516	0.458	0.320
Suggests new ways of looking at how to complete tasks	0.562	0.741	0.600	0.419	0.122
Expresses the confidence that goals will be achieved	0.509	0.793	0.522	0.578	0.415
Increases my willingness to work harder	0.459	0.778	0.671	0.530	0.403
Increases my motivation to achieve individual and organizational goals	0.523	0.777	0.589	0.465	0.283
Intellectual Stimulation					
Encourages me to think more creatively and be more innovative	0.587	0.675	0.797	0.441	0.333
Sets challenging standards for all tasks given to me	0.469	0.518	0.770	0.387	0.212
Gets me to rethink ideas that i had never questioned before	0.403	0.571	0.819	0.395	0.251
Psychological Empowerment					
My impact on the happenings in my department is large	0.504	0.515	0.375	0.766	0.370
My job activities are personally meaningful to me	0.371	0.380	0.403	0.710	0.399
I have a great deal of control over the happenings in my department	0.297	0.570	0.439	0.777	0.391
I have significant autonomy in determining the way of doing my job	0.385	0.515	0.392	0.876	0.312
Organizational Commitment					
I feel obligated to remain with my current employer	0.165	0.308	0.252	0.422	0.749
I would feel guilty if I leave my organization now	0.126	0.107	0.145	0.282	0.721
I am proud to tell others that I am part of this organization	0.404	0.421	0.294	0.349	0.859
In my work, I feel that I am making significant efforts, not just for myself but for the organization as well	0.387	0.382	0.370	0.329	0.743
This organization really inspires the very best in me in the way of job performance	0.408	0.359	0.306	0.424	0.888
I am willing to put in a great sense of effort beyond that normally expected in order to help this organization becoming more successful	0.409	0.341	0.264	0.460	0.876
I find that my values and the organizations' values are very similar	0.257	0.570	0.265	0.343	0.805

**Outcomes of testing hypothesis 1.** Figure 1 presents the outcomes of testing a direct effects model using the SmartPLS path model analysis. It shows that the inclusion of transformational leadership explained 42% of the variance in the dependent variable. Specifically, the

outcomes of testing the research hypotheses using the SmartPLS path model analysis revealed three important results: first, idealized influence was significantly correlated with psychological empowerment ( $\beta=0.517$ ,  $t=2.93$ ); therefore, H1a was supported. Second, individualized

**Table 4. Composite Reliability and Cronbach's Alpha**

Construct	Composite Reliability	Cronbach's Alpha
Idealized Influence	0.884	0.837
Individual Consideration	0.837	0.741
Intellectual Stimulation	0.838	0.711
Psychological Empowerment	0.864	0.789
Organizational Commitment	0.929	0.911

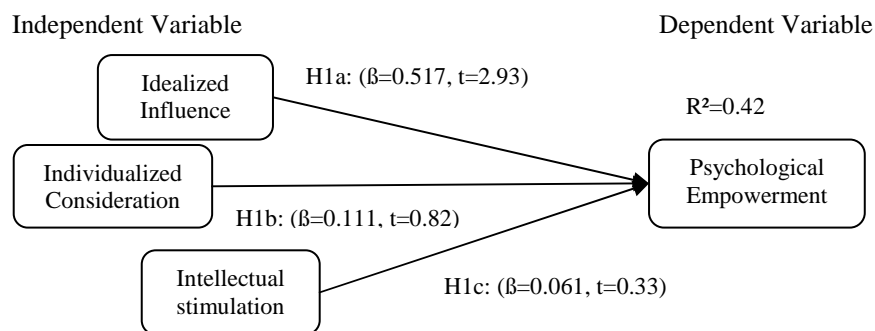
Note: Significant at \*\* $p < 0.01$

**Table 5. Pearson Correlation Analysis and Descriptive Statistics**

Variable	Mean	Standard Deviation	Variance Inflation Factor (VIF)				
			1	2	3	4	5
Idealized Influence	5.5	0.67					2.688
Individualized Consideration	5.6	0.64					1.934
Intellectual Stimulation	5.4	0.77					2.368
Psychological Empowerment	5.5	0.72					
Organizational Commitment	4.6	1.06					1.000

Note: Significant at \*\* $p < 0.01$

Reliability Estimation is shown in a Diagonal



Note: Significant at \* $t > 1.96$

**Figure 1. The Outcomes of SmartPLS Path Model Showing the Relationship between Transformational Leadership and Psychological Empowerment**

consideration did not have correlation with psychological empowerment ( $\beta=0.111$ ,  $t=0.82$ ); therefore, H1b was not supported. Third, intellectual stimulation did not have correlation with psychological empowerment ( $\beta=0.061$ ,  $t=0.33$ ); therefore, H1c was not supported. In sum, this result confirms that idealized influence is not an important determinant of psychological empowerment. While, individualized consideration and intellectual stimulations are important determinants of psychological empowerment in the studied organization.

From the result of hypothesis testing, the test of predictive relevance using Stone-Geisser's test to analyse Q2 was carried out as follows:  $q2 = Q2_{included} -$

$Q2_{excluded}/1 - Q2_{included} = 0.214$ . In the structural model, if the value of Q2 is greater than zero for a certain reflective endogenous latent variable, the path model has predictive relevance for this particular constructs. Therefore, these findings generally supported the expected accuracy model of SmartPLS since the value of Q2 was greater than zero (Hair *et al.* 2014).

**Outcomes of testing hypothesis 2.** Figure 2 presents the outcomes of testing a mediating model using SmartPLS path model analysis. The inclusion of transformational leadership and psychological empowerment in the analysis explained 22% of the variance in organizational commitment. Specifically, the results of



testing the research hypothesis using the SmartPLS path model analysis displayed three important findings. First, relationship between idealized influence and psychological empowerment was significantly correlated with the organizational commitment ( $\beta=0.47, t=4.99$ ); therefore, H2a was supported. Second, relationship between individualized consideration and psychological empowerment was significantly correlated with the organizational commitment ( $\beta=0.47, t=4.99$ ); therefore, H2b was supported. Third, relationship between intellectual stimulation and psychological empowerment was significantly correlated with organizational commitment ( $\beta=0.47, t=4.99$ ); therefore, H2c was supported. In sum, the results confirmed that psychological empowerment does act as an important mediating variable in the relationship between transformational leadership and organizational commitment.

From the result of hypothesis testing, the test of predictive relevance using Stone-Geisser's test to analyse Q2 was carried out as follows:  $q2 = Q2_{included} - Q2_{excluded} / 1 - Q2_{included} = 0.128$ . In the structural model, if the value of Q2 is greater than zero for a certain reflective endogenous latent variable, the path model has predictive relevance for this particular constructs. Therefore, these findings generally supported the expected accuracy model

of SmartPLS since the value of Q2 was greater than zero (Hair, et al. 2014).

**Outcomes of testing variance accounted for (VAF).** For the result of hypothesis testing, the test of predictive relevance using Iacobucci and Dunhachek (2003) test to analyse variance accounted for (VAF) value, which represents the ratio of the indirect effect to the total effect, was carried out as follows:  $VAF = a*b/a*b+c$ . The result of hypothesis H2a confirmed that idealized influence of psychological empowerment has a significant relationship with organizational commitment of  $VAF = 0.4107$ . This means that 41.07% of the impact of idealized influence and organizational commitment could be explained by psychological empowerment as mediating variables. VAF value that is greater than 20% but less than 80% indicates a relationship that can be categorized as partially mediated (Hair, et al. 2014).

For the result of hypothesis testing, the test of predictive relevance using Iacobucci and Dunhachek (2003) test to analyse variance accounted for (VAF) value, which represents the ratio of the indirect effect to the total effect, was carried out as follows:  $VAF = a*b/a*b+c$ . The result of hypothesis H2b confirmed that the relationship between the individualized consideration of psychological

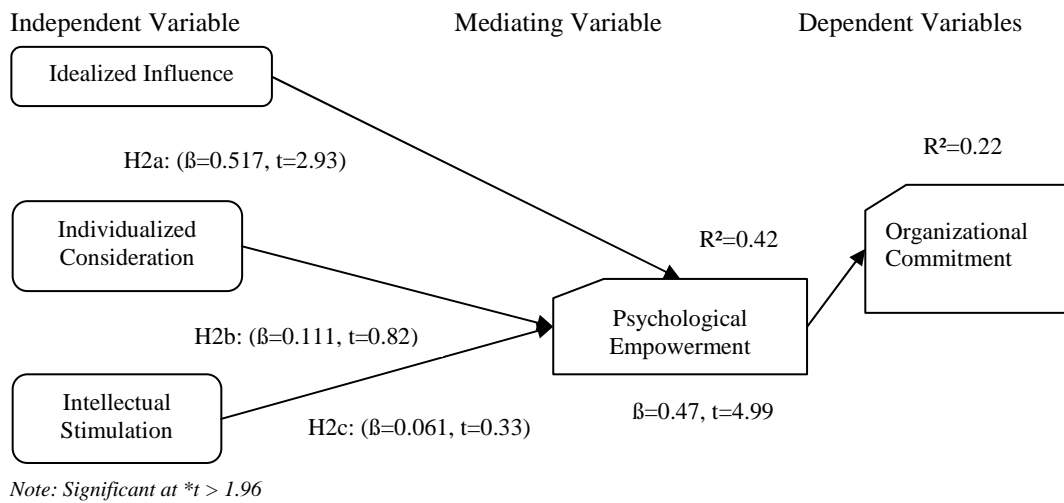


Figure 2. The Outcomes of SmartPLS Path Model Showing the Psychological Empowerment Mediates Effects of Transformational Leadership on the Organizational Commitment

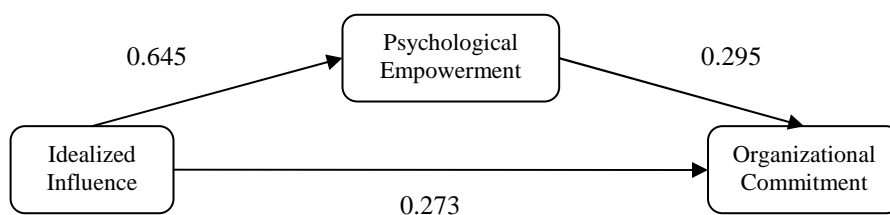


Figure 3. The Result of Variance Accounted For (VAF) for the Hypothesis H2a

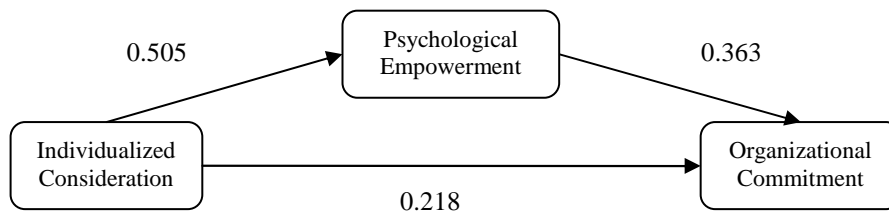


Figure 4. The Result of Variance Accounted For (VAF) for the Hypothesis H2b



Figure 5. The Result of Variance Accounted For (VAF) for the Hypothesis H2c

empowerment has a significant relationship with organizational commitment of  $VAF = 0.4568$ . This means that 45.68% of the impact of individualized consideration and organizational commitment could be explained by psychological empowerment as mediating variables. VAF value that is greater than 20% but less than 80% indicates a relationship can be categorized as partially mediated (Hair et al., 2014).

For the result of hypothesis testing, the test of predictive relevance using Iacobucci and Dunhachek (2003) test to analyse Variance Accounted For (VAF) value, which represents the ratio of the indirect effect to the total effect, was carried out as follows:  $VAF = a*b/a*b+c$ . The result of hypothesis H2c confirmed that the relationship between the intellectual stimulation of psychological empowerment has a significant relationship with organizational commitment of  $VAF = 0.6628$ . This means that 66.28% of the impact of intellectual stimulation and organizational commitment could be explained by psychological empowerment as mediating variables. VAF value that is greater than 20% but less than 80% indicates a relationship can be categorized as partially mediated (Hair, et al. 2014).

This study shows that psychological empowerment does act as an important mediating variable in the relationship between transformational leadership and organizational commitment. A comprehensive review on the results of the questionnaires revealed that psychological empowerment strongly mediates the effects of transformational leadership and organizational commitment, and this may be due by several internal factors. First, the management (such as a boss or a supervisor) had sufficient time to interact and monitor the work of employees who had been empowered to

achieve work targets. Second, respondents argued that the granting of psychological empowerment was a democratic approach in which they could train people to make rational decisions while performing their functions. Third, respondents also felt meaningful as a result of the implementation of psychological empowerment and the concern shown by the manager. As such, these motivations indirectly encouraged them to stay and to be fully committed to the organization.

The implications of this study can be divided into three major aspects: theoretical contribution, robustness of research methodology, and contribution to practitioners. In terms of theoretical contribution, the findings of this study confirm that psychological empowerment does act as an important mediating variable in the relationship between transformational leadership practices and organizational commitment. These findings supported and broadened transformational leadership studies by Kark, et al. (2003), Avolio, et al. (2004), Boonyarit, et al. (2010), Ismail, et al. (2011), Shah, et al. (2011), and Ahmadi (2014). With respect to the robustness of research methodology, the survey questionnaire exceeded the acceptable standard of validity and reliability analyses; hence, leading to accurate and reliable findings.

In terms of practical contribution, the results of this study can be used as guidelines by the management to improve the effectiveness of transformational leadership style in organizations. This objective can be achieved if the management considers the following aspects: first, the leadership style of managers should be strengthened through training programs so that their performance can be improved in terms of knowledge, skills, and moral values. Second, the implementation of participatory leadership style allows the employees to jointly

participate in decision-making process. Finally, skilled communication between followers and leaders will further enhance their positive personal outcomes (e.g., satisfaction, commitment, performance, and ethics).

The conclusion drawn from the results of this study should consider the following limitations. First, there was only a one-time data collection during the entire study period. Second, the sample for this study was taken from only one organization. Third, survey was the only method used in data collection. Other methods such as interviews and observations, which were not used in this study, could be more accurate. Fourth, this study focused only on transformational leadership which only examined several dimensions (i.e., idealized influence, intellectual stimulation and individualized consideration). Finally, other transformational leadership outcomes (e.g., satisfaction, organizational citizenship behaviour, performance, trustworthiness, perceptions of justice, culture, followers' creativity, and quality of service employees), which are important to the organization and its employees, were not discussed in this study. These limitations may decrease the ability of generalizing the results of this study to other organizational settings.

#### 4. Conclusions

This study tested a theoretical framework that was developed based on the transformational leadership research literature. The instrument used in this study met the acceptable standards of validity and reliability analyses. The results of SmartPLS path model analysis confirmed that psychological empowerment does act as a mediating role in the relationship between transformational leadership and organizational commitment. The results also supported and extended the transformational leadership research literatures, most of them are of Western and Eastern organizational settings. Therefore, current research and practices within organizational leadership models need to incorporate psychological empowerment as a crucial dimension to transformational leadership domain. This study further suggests that the ability of leaders to appropriately practice the idealized influence, idealized consideration, and intellectual stimulation in planning and implementing job functions will strongly enhance employees' positive outcomes (e.g., competency, performance, satisfaction, commitment, trust, and positive moral values). Moreover, other variables should also be incorporated because this study only utilized one mediating variable, which is the role of psychological empowerment. Other factors such as trust, justice of procedures, leader-employee relationship, and communication can also be taken as variables in order to examine their mediating effect as well as the association between transformational leadership and organizational commitment (Shah, et al. 2011; Ismail, et al. 2011). Therefore, these positive outcomes may lead to maintained and

supported organizational strategic vision and mission in an era of global competition.

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