ORGANIZATIONAL 
RELATIONSHIP BETWEEN 
TRANSFORMATIONAL LEADERSHIP AND 
EMPLOYEE ENGAGEMENT 
IN PUBLIC SECTOR ENTERPRISES: 
REVIEW OF LITERATURE AND PROPOSED 
RESEARCH AGENDA

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Abstract: Several studies have examined the relationship between leadership and employee engagement, however, only a few have attempted to study the linkage specifically between the multidimensional constructs of transformational leadership and employee engagement. Transformational leaders have been defined as being charismatic in their ability to influence employees to go above and beyond what is expected of them, for the greater good of the organization. Engagement has been discussed in terms of employee vigor, dedication, and absorption at work. The main purpose of this paper is to explore the relationship between transformational leadership, Leader-Member Exchange (LMX) and employee engagement with a view to understand how process of leadership influences engagement. LMX brings out the quality of relationship which employee shares with immediate supervisor. The paper aims to highlight how this nurtures engagement.

Key Words: Transformational leadership, Employee Engagement, Leader-Member-Exchange (LMX)

Introduction: Transformational leadership is one of the most dominant paradigms in the contemporary leadership literature (Judge & Piccolo, 2004). It is linked with several employee outcomes. Thus a transformational leader is a morally mature leader who motivates followers’ behaviours and attitudes to generate higher levels of moral reasoning in followers (Burns, 1979). The relationship between transformational leadership and employee engagement at work has attracted much scholarly attention (Zhu et al., 2009; Salanova et al., 2011). Specifically, Schaufeli and Bakker (2004) refer to engagement as a “positive, fulfilling, work related state of mind that is characterized by vigour, dedication and absorption” (p. 295).

One of the more recent conceptual articles in the engagement literature (Bakker et al., 2011) contends that the direct relationship between transformational leadership and engagement has different strengths under different conditions.

Enhancing employee engagement is a challenging and complex undertaking: various studies have suggested that the relationship quality an employee shares with immediate
supervisors, known as LMX, plays a pivotal role in fostering engagement (Macey & Schneider, 2008). The principle of LMX theory is that leaders develop different types of exchange relationships with direct reports, a phenomenon labelled LMX differentiation (Liden et al., 2006). The quality of these relationships influences important leader and member attitudes a behaviours (Bhal et al., 2009; Gerstner & Day, 1997; Sparrowe & Liden, 1997). LMX has largely taken over from leadership style and trait-based approaches to describing the influence of leaders on members in contemporary research (Walumbwa, Cropanzano & Goldman, 2011).

Table 1 Lists the study variables and their definitions as provided in the literature.

TABLE 1: Study Variables and their Definitions

<table>
<thead>
<tr>
<th>Transformational Leadership (TL) (Independent Variable)</th>
<th>Transformational leaders attempt and succeed in raising colleagues, subordinates, followers, clients or constituencies to a greater level of awareness about issues of consequence (Bernard Bass et al. Leadership and Performance Beyond Expectations, Free Press, NY, 1985, p. 17).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Engagement (EE) (Dependent Variable)</td>
<td>Engagement is a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption. (Schaufeli et al. 2002, p. 74)</td>
</tr>
<tr>
<td>Leader-Member-Exchange (LMX)</td>
<td>Defined as the quality of exchange relationship between the supervisor and each of his or her subordinates (Dienesch &amp; Liden, 1986).</td>
</tr>
</tbody>
</table>

Literature Review

Employee Engagement

The past decade has witnessed a sharp annual increase in scientific studies focusing on ‘work engagement’ or ‘employee engagement’ (Bakker et al., 2011; Schaufeli, 2013). According to Schaufeli (2013), Kahn (1990) published the first scholarly article on engagement in 1990. Bakker et al. (2011) stated that contemporary organizations’ needed employees who were psychologically connected to their work, willing and able to invest themselves fully in their roles and who were committed to high performance standards.

Kahn termed engagement as the “harnessing of organization members’ selves to their work roles: in engagement, people employ and express themselves physically, cognitively, emotionally and mentally during role performances” (p. 694). In other words, engaged employees put a lot effort into their work because they identify with it. Engaged employees are fully present, and draw on their whole selves in an integrated and focused manner to promote their role performance.

On the other hand Schaufeli et al. (2002), described employee engagement as having three components - Vigor, Dedication and Absorption. Vigor aspect in engagement deals
with stimulating and energetic experience that the employee has in his job. Dedication aspect relates to employee's devotion, commitment and involvement in the job. Absorption is characterized by high attention that the employee pays to his job. Absorption implies that the employee is so engrossed with the job that the time flies away and finds it difficult to disconnect from the job.

**Transformational Leadership**

Leadership is a construct of enormous breadth and complexity. Leadership theorist James MacGregor Burns has observed, “Leadership is one of the most observed and least understood phenomena on earth.” McCloskey describes Transformational leader who help followers see the vision so clearly and embrace the values so passionately that they move themselves to sustained, even sacrificial extra mile effort as a way of life’

Bass (1985) cited in Yulk (1994) asserts that transformational leadership has an additive effect on followers to do more than originally intended by “making them more aware of the importance of task outcomes, inducing them to transcend their own self-interests for the sake of the organizations or team and activating their higher order needs”. Bass conceptualized transformational leadership by highlighting the four sub-dimensions referred to as the 4I’s.

The four sub-dimensions of transformational leadership have been proven to have construct validity in assessing transformational leadership style. These sub dimensions as described by Devi and Narayanamma (2016) are:

- **Idealized influence:** Degree to which the leader acts as a role model for their followers.
- **Inspirational motivation:** Challenge followers to leave their comfort zones, communicate optimism about future goals, and provide meaning for the task at hand.
- **Intellectual stimulation:** Encouraging the followers to be innovative, creative and never criticize the followers publicly for the mistakes committed by them.
- **Individualized consideration:** Degree to which the leader attends to each follower's needs, acts as a mentor or coach to the follower and listens to the follower's concerns and needs.

Judge and Piccolo (2004) stated that there have been more studies conducted on Bass’s view of transformational leadership than about all the other popular theories of leadership combined.

**LMX and Mediation Role**

LMX exemplifies somewhat differential social exchange practice involving supervisors on the one hand and subordinates on the other. The manner in which supervisors and
subordinates relate to each other has significant bearing on organizational outcomes. Indeed it has been traditionally viewed as a function of dyadic characteristics (Liden et al., 1997; Bauer & Green, 1996). Dyadic relationships and work roles are developed and negotiated over time through a series of exchanges between leader and member (Bauer & Green 1996). Increasing employee engagement is a challenging and complex undertaking; some researchers suggest that the relationship quality an employee shares with immediate supervisors, also termed as LMX, play a pivotal role in fostering engagement (Macey & Schneider, 2008). The principle of LMX theory is that leaders develop different types of exchange relationships with direct reports, a phenomenon labelled LMX differentiation (Liden et al., 2006). The quality of these relationships influences important leader and member attitudes and behaviours (Bhal et al., 2009; Gerstner & Day, 1997; Sparrowe & Liden, 1997).

The mediating role of LMX in the relationship between transformational leadership (independent variable) and OCB (dependent variable) is premised on the notion that a high-quality LMX relationship reflects an affective bonding accompanied by largely unstated mutual expectations of reciprocity. Such a relationship evolves from a predominantly transactional exchange into a social exchange as mutual trust, respect, and loyalty are earned (Graen & Uhl-Bien, 1995). Employee engagement is the dependent variable sharing with LMX a high quality relationship. LMX can be seen as a resource that fosters employee engagement. Previous meta-analysis indicates a relationship between LMX and employee engagement (Christian, Garza & Slaughter, 2011). Similarly, Agarwal, Datta, Blake-Beard, and Bhargava (2012) identified a positive relationship between LMX and engagement.

**Establishing Linkage: Leadership, LMX and Engagement**

**Table 2**: Depicting various studies with their focus and outcome on relationships between Leadership, LMX and Engagement:

<table>
<thead>
<tr>
<th>AUTHOR</th>
<th>TL</th>
<th>EE</th>
<th>LMX</th>
<th>OUTCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saks (2006)</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>Differentiated into job and Org engagement, SET will lead to higher engagement</td>
</tr>
<tr>
<td>Macey and Schneider (2008)</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>Transformational Leadership(TL) will have direct effect on Engagement</td>
</tr>
<tr>
<td>Schaufeli and Bakker (2011)</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>Argues that the direct relationship between transformational leadership and engagement has different intensities under different conditions.</td>
</tr>
<tr>
<td>Yukl, O’Donnell and Taber (2008)</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>Many studies have examined outcomes and antecedents of leader-member exchange (LMX), but few studies have explored how LMX is related to specific types of leadership behaviors.</td>
</tr>
<tr>
<td>AUTHOR</td>
<td>TL</td>
<td>EE</td>
<td>LMX</td>
<td>OUTCOME</td>
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</tr>
<tr>
<td>Zhu, Avolio, and Walumbwa (2009)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Showed that managers were more engaged in their work when their executive showed more transformational leadership behaviors, especially for those followers who scored high on positive follower characteristics.</td>
</tr>
<tr>
<td>Bhal, Gulati and Ansari (2009)</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>The study adds to the literature by testing the proposed model in the Indian context, thus providing some empirical cross-cultural validity to LMX-subordinate-related work outcomes relationships.</td>
</tr>
<tr>
<td>Tims, Bakker, and Xanthopoulou (2011)</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>Transformational leadership was related to follower work engagement through follower optimism.</td>
</tr>
<tr>
<td>Xu and Thomas (2011)</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>Theoretically, leadership is a key antecedent of engagement, yet there is no research directly linking leader behaviors and follower engagement. Leadership behaviors facilitate employee engagement.</td>
</tr>
<tr>
<td>Aryee and Walumbwa (2012)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Results were all positive and significant with the paths from transformational leadership to work engagement.</td>
</tr>
<tr>
<td>Yasin, Ghadi and Fernando (2012)</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>Results from structural equation modelling reveal that the transformational leadership style influences followers’ attributes of work engagement.</td>
</tr>
<tr>
<td>Shuck &amp; Herd (2012)</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>Transformational leadership can conceptualize engagement, a result of cognitive and emotional engagement in leadership context.</td>
</tr>
<tr>
<td>Devi and Lakshmi Narayanamma (2016)</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>Findings revealed that there is significant positive correlation of transformational leadership and employee engagement.</td>
</tr>
</tbody>
</table>

**Leadership and Employee Engagement**

Leadership has been identified as a key driver of employee engagement. Studies have, for example, demonstrated that transformational leadership (Tims, Bakker & Xanthopoulou...
2011), is directly related to how engaged individuals are with their job. Theoretical work has suggested a key role for transformational leadership in engagement (Macey and Schneider, 2008). The concept of transformational leadership has four components: Idealized influence, with followers trusting and identifying with their leader; inspirational motivation, by which leaders provide meaning and challenge in followers’ work; intellectual stimulation, whereby leaders invigorate followers’ ingenuity in a pressure free context; and individualized consideration, in which leaders support followers’ specific needs for achievement and growth (Bass, 1985; Bass et al., 2003). These leadership behaviours have clear links with engagement constructs. Trust in the leader, support from the leader, and creating blame-free environments are components of psychological safety which enable employee engagement (Kahn, 1990).

Leadership research shows consistent links between transformational leadership and constructs that are debated by some to be part of engagement, such as motivation, job satisfaction, organizational commitment, proactive behaviours, and organizational citizenship behaviours. In a meta-analysis, Judge and Piccolo (2004) showed that transformational leadership is strongly and positively correlated with follower job satisfaction and follower motivation. Xu and Thomas (2011) investigated the relationship between leadership and engagement among 414 employees in New Zealand. They found that leadership behaviors overlap considerably in their relationship with employee engagement. Aryee and Walumbwa (2012) studied the extent to which transformational leadership contributes to employees’ work engagement among 193 subordinate-supervisor participants in China. Outcome revealed indirect effects of transformational leadership on work engagement i.e., responsibility, meaningfulness, and innovative behaviour.

One of the more recent conceptual articles in the engagement literature (Bakker et al., 2011) argues that the direct relationship between transformational leadership and engagement has different intensities under different conditions. The role of front line managers in both the public and private sectors as pivotal to employee engagement is documented in both the practitioner and research literatures (Alimo Metcalfe & Alban-Metcalfe, 2002, 2006; Frank et al., 2004). Employees will stay if they have a good relationship and open communication with their immediate manager. However, there is evidence that many of our leaders are not successful in this endeavour. Employees need leaders that care about them and will help them achieve their goals and much of that engagement must be done by first line managers (Bates, 2004).

**Transformational Leadership and LMX**

It is commonly understood that leaders treat high LMX followers with greater support, consideration, and fairness (Yukl, 2006), yet how the LMX relationship impacts follower perceptions is still in nascent stage. The environment of the LMX relationship will impact employee perceptions about the leader’s behaviour. In particular, when engaged in a high-quality LMX relationship, employees will observe that the leader engages effectively. Furthermore, these employees will form an impression that the leader is
treating them well and looking out for their best interests; thereby, motivating the employees to reciprocate effort back to the leader.

Most research on the relationship of leader behavior to LMX has been focused on transformational leadership. LMX helps develop through three sequential stages, “stranger,” “acquaintance,” and “partner,” each of which relies successively less on instrumental transactional exchange and more on social exchanges of a “transformational” kind (Graen & Uhl-Bien, 1995). In the stranger stage, the leader “offers” expanded role responsibilities and assesses whether the follower successfully fulfills them. Additional responsibilities and assistances are given as the follower meets these added role responsibilities. The transformation characteristic of mature LMX relationships occurs when there is a shift in the motivation of followers from a desire to satisfy immediate self-interest to a desire to satisfy longer-term interests of the work unit. Transformational leaders, because of their charismatic appeal, are effective than their purely transactional counterparts in enhancing follower receptivity to social exchange offers and thereby building higher-quality LMX. Transformational leaders are particularly effective in eliciting personal identification from their followers and getting them to accept offers of expanded role responsibilities. Followers with strong personal identification with their leaders enhance their sense of self-worth by internalizing their leaders’ values and beliefs and by behaving in accordance with them.

**Employee Engagement and LMX**

Increasing employee engagement is a challenging and complex undertaking; however the relationship quality an employee shares with immediate supervisors, known as LMX, plays a pivotal role in fostering engagement (Macey and Schneider, 2008). The principle of LMX theory is that leaders develop different types of exchange relationships with direct reports, a phenomenon labelled LMX differentiation (Liden et al., 2006). The quality of these relationships influences important leader and member attitudes and behaviours (Bhal et al., 2009 ;).

The positive relationship between LMX and engagement can be explained using the Social Exchange Theory (SET). SET suggests that commitments are generated through a series of interactions between parties (e.g. between a leader and subordinate) in a state of reciprocal inter dependence. When an immediate supervisor provides opportunities for development, fair supervision, meaningful work, and autonomy, subordinates feel obliged to repay leaders with higher levels of organisational commitment, citizenship behaviours (Bhal, 2009). Another way for individuals to reciprocate is through engagement. Engagement is payback or reciprocation for what an employee receives. The quality of relationships between supervisors and subordinates is often studied via LMX theory. These relationships are characterised as high quality, reflecting trust, respect, and loyalty, or low quality, reflecting mistrust, low respect, and a lack of loyalty. Subordinates with a strong, high-quality relationship with immediate managers experience psychological safety, the belief that the environment is safe to take interpersonal risks. Psychological safety is important for fostering engagement because it enhances vigour, a core dimension of engagement.
Assessment of the Reviewed Literature

Present study is founded on the notion that the immediate supervisors (i.e. managers or team leaders) are a major influence on the work experience of employees. The notion is supported by assessing the relationship between supervisors’ behaviour and subordinates’ work outcomes and to determine if the relationship between the perceived behaviour of supervisors and the work experience of subordinates is mediated by the interpersonal exchange relationship between both parties. According to Walumwba et al. (2011), LMX is often introduced as a variable mediating the relationship between predictors and outcome. LMX has become a popular and important model for viewing and understanding the superior-subordinate relationship (Wayne, Shore & Liden, 1997).

Research Propositions

Research Proposition 1a  Transformational leadership as perceived for supervisor will be associated with positive levels of Vigor.

Research Proposition 1b  Transformational leadership as perceived for supervisor will be associated with positive levels of Dedication.

Research Proposition 1c  Transformational leadership as perceived for supervisor will be associated with positive levels of Absorption.

Research Proposition 2  Of the four transformational leadership dimensions Individual Consideration will have a strongest relationship with employee Vigor.

Research Proposition 3  Of the four transformational leadership dimension Idealised Influence and Motivation will have a strongest relationship with employee Dedication.

Research Proposition 4  Of the five transformational leadership dimension intellectual Stimulation will have a strongest relationship with employee Absorption.

Research Proposition 5  LMX relationship mediates the relationship between Transformational leadership and employee engagement.

Conceptual Framework

According to Walumwba et al. (2011), LMX is often introduced as a variable mediating the relationship between predictors and outcome LMX has become a popular and important model for viewing and understanding the superior-subordinate relationship (Wayne, Shore & Liden, 1997). It is envisaged that a better understanding of these interrelationships will enable the researcher to explain the influence of these constructs on one another, and to use this information to inform leadership practices and organisational interventions focused on sustaining organisational performance and competitiveness through effective engagement of work force.
Research Gaps and Way Forward

Reviewed studies were consistent in arguing that leadership is significantly correlated with and/or is affecting employees’ employee engagement directly, or via mediation. Although presenting an overarching portrait about their relationship, these arguments are still an incomplete answer to questions such as “whether the positive relationship is present over time?” and “which one really causes the other?” Leadership behaviour has the potential to influence engagement significantly. (Aryee, Walumbwa, Zhou, & Hartnell, 2012; Breevaart, Bakker, Hetland, Demerouti, Olsen, & Espevik, 2014; Christian, Garza, & Slaughter, 2011; Serrano & Reichard (2011) showed that engagement correlated positively with organisation performance, thus improved engagement should benefit the organisation and its outputs. While employee engagement research is emerging and several models suggest leadership as crucial in the development of employee engagement, there remains a gap in understanding what transformational leadership behaviours could influence engagement (Shuck & Herd, 2012). Ayree et al. (2012) and Ghadi, Fernando, and Caputi (2013) directed future research to identify other mediators to explain the link between Transformational Leadership and employee engagement. LMX has been taken as the mediator since there is a large body of academic literature to draw upon in to support the relationship between the constructs contained herein.

Bibliography


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