Transformational Leadership and Employee Engagement in Hospitality Sector in Sri Lanka

By T. J. R. Thisera & E.P.I. Sewwandi

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GJMBR-A Classification:  JEL Code: J54

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Transformational Leadership and Employee Engagement in Hospitality Sector in Sri Lanka

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I. Introduction

A n engaged workforce upgrades innovation, productivity, and bottom-line performance (Harward Business School Publishing, 2013). There is a general belief about the positive relationship between employee engagement and business performance (Harter, Schmidt, & Hayes, 2002). Many researchers (e.g., Hemsley, 2008; Smith & Markwick, 2009) have found that engagement affects employees’ attitudes, absence, turnover, individual, group and organizational performance, quality of customer experience and customer loyalty. Similarly, Maynard (2016) stated that employee engagement is one of the key priorities in businesses since an engaged employee is productive by two times than a disengaged employee and they provide better customer service which leads high profits and returns.

Unfortunately, there can be seen an employee engagement crisis in today’s world, with potentially lasting impacts for the global economy (Mann & Harter, 2016). For examples, Gallup researchers have mentioned that truly engaged workplaces are rare today and show that it is just 13% (O’Boyle & Harter, 2015). The remaining 87% of employees are either not engaged or indifferent or even worse, actively disengaged and potentially hostile to their organization. Further, Gallup researchers identified that less than one-third of employees in the United States engage in their jobs and workplaces. Crabtree (2013) mentioned that only one in eight workers is mentally committed to the jobs and contributes positively for the organization. In Sri Lanka, 62% of employees disengaged while 24% of employees actively disengaged (http://www.gallup.com, 2014).

When looking at the hospitality sector in Sri Lanka, researchers conducted a few discussions using managerial level employees to verify whether employees in this sector are engaged or not. Majority of them mentioned that disengagement of employees is a burning issue that they are facing today. They highlighted that many employees do enjoy their privileges but do not fully contribute to the success of the organization. One of them mentioned that their organization conducts many programmes focusing on improving engagement of their employees to reduce disadvantages of disengagement of employees.

Empirical research studies (e.g., Attridge, 2009; Zhang, Avery, Bergsteiner, & More, 2014; Macey & Schneider, 2008; Roux, 2010; Wang & Walumbwa, 2007; Zhang, 2011) have shown different antecedents of employee engagement. The impact of leadership on employee engagement has been empirically tested. When looking at the scholarly attention on transformational leadership and employee engagement in Sri Lanka (e.g., Jayarathe & Shermila, 2015) is very limited, especially in the hospitality sector. Thus, Slatten and Mehmetoglu (2011) have mentioned that there is a high demand for research intervention on employee engagement in the hospitality industry and highlighted the need for more research in this sector while showing the contribution of research findings towards theory and practice for the industrial betterment. Hence, this study examines whether the transformational leadership impacts on employee engagement. The following section focusses on literature review.

II. Literature Review and Hypotheses Development

Though the concept of employee engagement is relatively new in research and practice, it has become a widely discussable area in managing human resources in organizations (Macey & Schneider, 2008). They defined engagement as the extent to which employees feel passionate about their jobs, are committed to the organization, and put discretionary effort into their work. Further, it was defined as positive, fulfilling, work-related state of mind that is characterized...
by vigor, dedication, and absorption (Schaufeli, Salanova, Gonzalez-Roma, & Bakker, 2002). Although there are many overlapping definitions and identification for engagement with some other concepts (e.g., job involvement, organizational commitment) in practice, the academic literature clearly defines and distinguishes this concept from other related constructs (Saks, 2006).

Employees who are engaged in their job show a positive attitude towards the work physically, mentally and cognitively. Such employees have the desire to invest themselves fully in their tasks (Kahn, 1990, Maslach & Leiter, 1997) and it affects their performance (Kahn, 1990). Further, Kahn (1990) explains that engagement and investment of the self into one’s work may lead to mindfulness, intrinsic motivation, creativity, authenticity, non-defensive communication, playfulness, ethical behavior, increased effort and involvement and overall a more productive and happy employee. An engaged employee tends to have a better understanding on how to meet customer needs. Therefore, customer loyalty towards the organization tends to be better (Pont, 2004). Further, it causes to increase engaged customers towards the organization (Bates, 2004). Therefore, employee engagement is a source of sustainable competitive advantage (Macey & Schneider, 2008), and it can make a real difference for a company’s survival (Song, Kolb, Lee, & Kim, 2012).

When looking at the antecedents of engagement, Kahn (1990) identified three psychological conditions (i.e., meaningfulness, safety, and availability) that affect the level of work engagement. Similarly, May, Gilson, and Harter (2004) found that meaningfulness influences the engagement of employees than safety and availability. Many other researchers (e.g., DeMerouti, Bakker, Nachreiner, & Schaufeli, 2001; Hakanen, Schaufeli, & Ahola, 2004; Schaufeli & Bakker, 2004) have examined the impact of job resources (e.g., feedback, rewards, job control, participation) on employee engagement based on the job demand-resource model. Ruyle, Eichinger and De Meuse (2009) have pointed out eleven (11) factors (i.e., strategic alignment, trust in senior leadership, immediate manager working relationship, peer culture, personal influence, nature of my career, career support, nature of the job, development opportunities, employee recognition and pay fairness) as influential factors on employee engagement. Moreover, they mentioned that the immediate manager working relationship is the most significant factor which drives employee engagement and retention. The following section discusses the empirical evidence on transformational leadership and employee engagement.

a) **Transformational leadership and employee engagement**

Transformational leadership is one of the new leadership theories which was introduced by James MacGregor Burns (1978) in his book of “Leadership.” Burns (1978) mentioned that transformational leadership involves shifts in the beliefs, the needs and the values of followers. Transformational leaders operate out of deeply held personal value system that includes values such as justice and integrity (Bass, 1985; Bums, 1978). Burns (1978) refers to these values as end values which cannot be negotiated or exchanged between individuals. By expressing their standards, transformational leaders can unite followers while changing followers’ goals and beliefs. This form of leadership results in the achievement of higher levels of performance among individuals (Bass, 1985). Bass, Avolio, Jung, and Berson (2003) described four I’s (i.e., Idealized influence, inspirational motivation, individual consideration, and intellectual stimulation) as dimensions of transformational leadership. The idealized influence which means being a role model for their followers (Hinkin & Tracey, 1999) influences on ideology, influence over ideals, and influence over “bigger-than-life” issues (Bass, 1990). The second dimension, inspirational motivation is shown by a leader when he/she acts in a way that causes subordinates to perform better by instilling a sense of meaning in their work (Avolio & Bass, 2004). Hinkin and Tracey (1999) mentioned that transformational leaders behave in ways that motivate and inspire people around them by providing meaning and challenge to their followers’ work. Individual consideration is usually emphasizing the role as a coach or mentor, he/she tends to be concerned for each of their subordinates’ independent needs (Avolio & Bass, 2004) while acknowledging that every employee has his/her own needs and abilities (Hinkin & Tracey, 1999). The fourth dimension, intellectual stimulation is exhibited when a leader asks questions to increase innovation and creativity (Avolio & Bass, 2004). A transformational leader stimulates followers to enhance their innovation and creativity in different ways (e.g., questioning assumptions, reframing problems, and approaching old situations in new ways). Followers are encouraged for creativity, new approaches, ideas (Hinkin & Tracey, 1999).

Transformational leadership is significantly influencing followers’ work attitudes and behaviors (Castro, Perinan, & Bueno, 2008; Avolio, Zhu, Koh, & Bhatia, 2004), high potentials’ leadership (Wijewantha & Kialasapathy, 2015). Empirical studies (e.g., Avolioet al., 2009; Batista-Taran, Shuck, Gutierrez, & Baralt, 2009; Breevaart et al., 2013) provide evidence for the impact of transformational leadership on employee engagement. Transformational leaders emphasize broadening followers’ responsibilities for taking on greater workplace challenges (Avolioet al., 2009). When reviewing literature, researchers could find only a few empirical studies (e.g., Hayati, Charkhabi, & Naami, 2014) which examined the dimensional impact of transformational leadership on employee engagement.
Leaders with idealized influence which means acting as a role model (Hinkin & Tracey, 1999) admire, respect and trust followers. This kind of leaders builds loyalty and devotion while paying less attention to their self-interests (Bass & Bass, 2008). Shamir, House, and Arthur (1993) mentioned that subordinates perform effectively and are energized to sacrifice and move beyond their self-interests to make a better contribution towards organizational performance. When leaders set themselves as examples for followers, followers’ sense of values and contributions will enhance, and as a result, engage their whole self in work. Further, Lievens et al., (1997) has found that charisma which represents idealized influence and inspirational motivation of leader has a positive impact over the followers. Similarly, Schults and Bezuidenhout (2013) found that charisma strongly predicts affective engagement of employees. Through inspirational motivation, leaders create a future with a vision that appeals to subordinates and makes them a significant part of the organization (Piccolo & Colquitt, 2006). A leader with intellectual stimulation encourages followers to think out of the box and make creative solutions for problems (Bass & Bass, 2008). Moreover, Bass (1985) mentioned that leader encourages employees to go beyond the basic needs to the needs of the organizational mission and purpose through this behavior. Researchers (e.g., Avolio & Bass, 2002; Bass & Bass, 2008) have shown that when leaders do not criticize followers’ contribution, then followers tend to become dedicated. Further, leaders who display intellectual stimulation behavior can influence employees’ involvement in work. When leaders demonstrate genuine consideration and care for each follower, they are more likely to motivate positive leader-follower relationships, and it improves the sense of belonging to the organization (Zhu, Avolio, & Walumbwa, 2009). If leader provides essential personal resources (e.g., care, consideration and respect) to followers, followers are likely to perceive that the workplace as more supportive and this creates a sense of obligation to reciprocate positively to this support. Saks (2006) found that individualized consideration behaviors of the supervisor enhance employees’ attributes of engagement at work.

Based on this evidence, the following hypotheses are suggested.

**H1:** There is a positive impact of transformational leadership on employee engagement

**H1a:** There is a positive impact of idealized influence on employee engagement

**H1b:** There is a positive impact of inspirational motivation on employee engagement

**H1c:** There is a positive impact of intellectual stimulation on employee engagement

**H1d:** There is a positive impact of individual consideration on employee engagement.
V. Results

Table 1: Descriptive statistics

<table>
<thead>
<tr>
<th>Construct</th>
<th>Mean</th>
<th>SD</th>
<th>Skewness</th>
<th>Kurtosis</th>
<th>TL</th>
<th>EE</th>
</tr>
</thead>
<tbody>
<tr>
<td>TL</td>
<td>5.53</td>
<td>1.16</td>
<td>-1.29</td>
<td>.87</td>
<td>.969</td>
<td></td>
</tr>
<tr>
<td>EE</td>
<td>4.87</td>
<td>.81</td>
<td>-1.48</td>
<td>2.31</td>
<td>.571</td>
<td>.908</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed), and Cronbach’s alpha values appear on the diagonal.

Table 2: Regression analysis

<table>
<thead>
<tr>
<th>Regression</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
<th>Model 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent variable</td>
<td>TL</td>
<td>II</td>
<td>IM</td>
<td>IS</td>
<td>IC</td>
</tr>
<tr>
<td>Beta</td>
<td>.40</td>
<td>.30</td>
<td>.51</td>
<td>.37</td>
<td>.27</td>
</tr>
<tr>
<td>β</td>
<td>.57</td>
<td>.48</td>
<td>.67</td>
<td>.58</td>
<td>.43</td>
</tr>
<tr>
<td>Std. Error</td>
<td>.07</td>
<td>.07</td>
<td>.07</td>
<td>.06</td>
<td>.07</td>
</tr>
<tr>
<td>P value</td>
<td>.00</td>
<td>.00</td>
<td>.00</td>
<td>.00</td>
<td>.00</td>
</tr>
</tbody>
</table>

Model Summary

| R          | .57     | .48     | .67     | .58     | .43     |
| R²         | .32     | .23     | .45     | .34     | .19     |
| Adjusted R²| .31     | .22     | .44     | .33     | .17     |


Results revealed that the impact of transformational leadership on employee engagement is positive and significant. Transformational leadership explains 32% of variance ($R^2 = .32$) of employee engagement. Beta is .40 and $p$-value is 0.00 ($p < 0.05$). It implies that there is a positive impact of transformational leadership on employee engagement. Hence, H1 is supported.

As shown in Table 2 – Model 2, beta is 0.30. Therefore, idealized influence positively related to employee engagement. Further, it explains the variance ($R^2$) of employee engagement by 23%. $P$ value of 0.00 ($p < 0.05$). Hence, H1a is supported.

Inspirational motivation has a positive impact on employee engagement since the beta value is 0.51 with a significant value of 0.00 which is less than 0.05. $R^2$ is 0.45 and it denotes that the variance of employee engagement is explained by inspirational motivation is 45%. Accordingly, H1b is supported; there is a positive impact of inspirational motivation on employee engagement.

As shown in Table 2 - Model 4, intellectual stimulation positively influences (Beta = 0.37) on the engagement of employees. It is significant ($p = 0.00 < 0.05$). Further, it explains the variance of engagement by 34%. Hence, H1c is supported.

Finally, results suggest that impact of individual consideration on employee engagement is positive and significant (Beta = 0.27, $p = 0.00 < 0.05$). $R^2$ is 0.19 therefore, the variance of employee engagement explained by individual consideration is 19 percent. Accordingly, the H5 is also supported.

VI. Discussion

This study examined the impact of transformational leadership on employee engagement in the hospitality industry in Sri Lanka. Findings of this study are consistent with earlier studies (e.g., Breevaart et al., 2013; Datche & Mukulu, 2015; Tims, Bakker, & Xanthopoulou, 2011) where transformational leadership impacts positively on employee engagement. Hypothesis 1 which states that there is a positive impact of transformational leadership on employee engagement is accepted, it only explains 32% of employee engagement. The study conducted by Datche and Mukulu (2015) has shown a similar variance (32%) in employee engagement explained by immediate superior’s transformational leadership in the civil sector in Kenya. These findings imply that there may have other affecting factors (e.g., job resources (Bakker, 2009), personal resources (Xanthopoulou, Bakker, Demerouti, & Schaufeli, 2009)) other than the transformational leadership on the engagement of employees in the hospitality sector.

There can be seen limited attempts (e.g., Hayati et al., 2014; Datche & Mukulu, 2015; Mansor, Mun, Farhana, Nasuha & Mansor, Mun, Farhana, & Tarmizi,
2017) to test the dimensions’ impact over engagement. Hayati et al. (2014) examined the dimensional impact of transformational leadership on each dimension (i.e., vigor, dedication and absorption) of engagement. They found that all dimensions of transformational leadership positively influence each dimension of engagement. As the current study also found, all dimensions (i.e., idealized influence, inspirational motivation, intellectual stimulation, and individual consideration) of transformational leadership positively affect employee engagement.

Idealized influence allows followers to identify with their leaders. As Hinkin and Tracy (2009) explained, the leader becomes a role model for his/her followers. Leader highly concentrates on followers’ needs than thinking about personal needs. Leaders who act as role models foster loyalty and devotion while paying less attention to their self-interests (Bass and Bass, 2008). It causes subordinates to perform effectively, and they are energized to sacrifice and move beyond their self-interests to make a better contribution towards organizational performance (Shamir et al., 1993). Bezuidenhout and Schults (2013) found that charisma related positively with employee engagement. In the present study, idealized influence explains the engagement of employees in the hospitality sector by 23%. However, there are counter-arguments (e.g., Datche & Mukulu, 2015, Mansor et al., 2017) over the positive impact of idealized influence on engagement.

Further, it revealed that inspirational motivation positively influences engagement of employees while consisting with empirical findings (e.g., Datche & Mukulu, 2015, Mansor et al., 2017). Moreover, current study findings show a positive impact of intellectual stimulation and individual consideration on engagement. Similar findings have been shown in empirical studies (e.g., Datche & Mukulu, 2015; Mansor et al., 2017). Employees will be highly engaging in their job when their leaders stimulate them to be positive (Datche & Mukulu, 2015; Hayati et al., 2014; Mansor, et al., 2017).

VIII. Conclusion

This study examined the impact of transformational leadership on employee engagement. Further, it focused on each dimension’s impact over the executive-level employees’ engagement in the hospitality sector in Sri Lanka. The study revealed that transformational leadership, and each dimension (i.e., idealized influence, intellectual stimulation, inspirational motivation, and individual consideration) positively impacts on employee engagement. Findings suggest that organizations can enhance the employee engagement by developing transformational leaders.

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Nielsen, & D. M. Pane (Eds.), Proceedings of the Eighth Annual College of Education & GSN Research Conference (pp. 15-20). Miami: Florida International University. http://coeweb.fiu.edu/research_conference/