

Influence of Transformational Leadership, Organizational Commitment, and Work Engagement on Employee Performance: A Comprehensive Study

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Abstract

Purpose: The purpose of this study is to investigate the influence of transformational leadership on organizational commitment, work engagement, and employee performance within the context of the Indian IT Companies. The study aims to understand the direct and indirect effects of transformational leadership and identify key factors contributing to enhanced employee performance.

Study Design/Methodology/Approach: The study adopts a quantitative approach, utilizing survey data collected from 225 permanent employees of Indian IT Companies. The research employs SPSS for data analysis. The survey instruments are designed to measure transformational leadership, organizational commitment, work engagement, and employee performance. The study employs descriptive statistics to analyze the relationships among these variables.

Findings: Transformational leadership demonstrates a direct and significant positive impact on employee performance. The influence of transformational leadership on employee performance is further strengthened through increased work engagement. Surprisingly, organizational commitment does not have a direct effect on employee performance in this context.

Originality/Value: This study contributes to the existing literature by highlighting the specific dimensions of transformational leadership that significantly impact employee performance within the Indian IT Companies. The emphasis on the idealized influence dimension underscores the importance of trust-building in leadership. The findings provide valuable insights for organizational leaders seeking to enhance employee performance through effective leadership strategies, particularly in the context of the Indian IT Companies.

Keywords: Transformational Leadership, Work Engagement, Employee Performance, Organizational Commitment.

1. INTRODUCTION

The pivotal role of human resources in driving organizational activities is widely acknowledged. The performance of employees serves as a barometer for the success and competitiveness of a company. Consequently, understanding the factors influencing employee performance is crucial for organizational excellence. Transformational leadership emerges as a significant influence on employee performance. A transformational leader is characterized by dynamism, courage, intelligence, and inspiration. Leaders, through their behavior, play a crucial role in motivating employees to align with the company's vision and mission [1]. A study by [2] emphasizes that an effective leader must instill confidence in the organization's potential, fostering national and international competitiveness. However, employee performance is a multifaceted outcome influenced not only by leadership but also by organizational commitment and work engagement. Organizational commitment, as a concept

highlighted by [3] is a tool for evaluating and measuring the framework established by the organization for its employees. Despite its indirect impact, organizational commitment is believed to contribute significantly to the overall employee experience. In addition to transformational leadership, work engagement has been recognized as a crucial factor influencing employee performance. A study establish a positive relationship between work engagement and job performance, underscoring its role in organizational success. Work engagement is identified as a mediator connecting transformational leadership to job performance [4], highlighting its intermediary function in the leadership-performance nexus. Moreover, the current era witnesses a shift in leadership paradigms from transactional to transformational styles, especially in dynamic organizational environments [5]. This shift signifies the increasing importance of leadership styles that inspire and motivate in today's rapidly evolving landscape. Building upon previous studies indicating that transformational leadership influences job performance through the mediation of organizational commitment and with work engagement as a mediator, this study aims to comprehensively examine the combined impact of transformational leadership and job performance. Utilizing a quantitative approach and data gathered from 225 permanent employees of the Indian IT Industry, this research employs SPSS for analysis. In conclusion, this study contributes to the existing literature by providing insights into the interplay of transformational leadership, organizational commitment, work engagement, and employee performance within the specific context of the Indian IT Sector. Understanding these dynamics is imperative for organizations aspiring to foster an environment conducive to employee excellence and overall company success.

2. RELATED WORK

The company's human resources serve as the primary catalysts for all activities within the organization. The performance of a company is a key indicator of its superiority and competitiveness. A pivotal factor influencing overall company performance is the effectiveness of its human resources. The excellence and competitiveness of employee performance play a crucial role, impacting various facets of the organization. Hence, it becomes imperative for companies to prioritize the enhancement of employee performance. Recognizing employees as valuable assets, organizations must systematically evaluate their performance. The study underscores the significance of performance appraisal as a vital tool for assessing and measuring the organizational framework established for employees. This appraisal serves as a mechanism for documenting and retrieving individual contributions to organizational goals. Moreover, it aids in identifying individual strengths and areas for improvement, contributing to both individual development and the overall strategic planning for the company's future growth [7]. Various factors within a company play a significant role in shaping employee performance, including leaders, organizational commitment, and work engagement. Leadership, as portrayed by [8] projects an image of power characterized by dynamism, courage, intelligence, and inspiration. Leaders, along with their leadership styles, are pivotal in motivating employees to align with the company's vision and mission. Leadership involves influencing and guiding individuals or groups toward achieving common goals, with the leadership style adapted to the specific conditions and work environment of the company. A proficient leader should instill confidence in the organization's potential, fostering active participation and competitiveness on both national and international fronts. Moreover, a successful leader creates an environment where every individual within the organization can contribute to the company's progress. Effective communication of corporate cultural values is crucial, as emphasized by [9], ensuring that each member develops a deep affection for and strong attachment to the company. In essence, leadership becomes a cornerstone in shaping the collective dedication and love for the company among its members. Leadership is a complex and interactive process that necessitates collaboration between leaders and organizational members for success. Leadership theory, a key distinction lies in the concepts of transactional and transformational leadership. Transactional leadership operates by motivating employees through a system of promised rewards and threats of punishment. In contrast, transformational leadership focuses on inspiring motivation by altering the identity and goals of each individual, fostering a unified pursuit of common organizational objectives [9]

The transformational leadership style serves as a motivational force, inspiring members of the organization to work towards common goals and enhancing the performance of each employee. In the contemporary era of global competition, there has been a shift in the paradigm of organizational leadership styles from transactional to transformational leadership. This shift is attributed to the compatibility of transformational leadership with dynamic organizational environments, as highlighted [10]. Leaders who embody a transformational leadership style possess the ability to wield influence, provide intellectual and creative stimulation to their employees, and express appreciation for their work. Consequently, employees are motivated to deliver their optimal performance and exhibit loyalty to the company, contributing to an overall enhancement in performance [12]. The followers or subordinates under the guidance of a transformational leader develop a significant level of trust, loyalty, and respect for their leader. This heightened connection fosters increased motivation among subordinates to exceed expectations set by the company [13]. Beyond the impact of transformational leadership on employee performance, there are additional variables such as organizational commitment and work management that can influence the performance of organizational

members. Numerous studies affirm a positive association between transformational leadership styles and organizational commitment. A positive and significant effect of the transformational leadership style on organizational commitment.

Leadership style not only affects organizational commitment but also influences employee performance. They noted that organizational commitment acts as a mediator in the relationship between leadership style and job performance [14]. Organizational commitment partially mediates the relationship between leadership style and job performance, a study indicating that organizational commitment fully mediates the relationship between leadership style and employee performance and further supports the idea that organizational commitment can serve as a mediator between transformational leadership and employee performance. Hence, the concept of work engagement emerges as another critical factor influencing employee performance, recognized for a considerable time as a key element that companies must integrate to enhance the performance of their members [16]. Employees with high work engagement exhibit a positive impact on the organization or company. Research by [15] establishes a significant and positive relationship between work engagement and job performance, highlighting the pivotal role of work engagement in contributing to organizational success. This implies that the influence of transformational leadership on employee performance operates through the conduit of work engagement, [17, 23] also found that leadership exerts its impact on employee performance, with work engagement acting as a mediating factor. In the realm of evolving leadership concepts, transformational leadership stands out as the most ideal model for application in today's dynamic environment, characterized by rapid technological advancements [18]. Building upon prior research demonstrating that transformational leadership influences job performance through the mediation of organizational commitment and utilizing work engagement as a mediator, this study aims to investigate the combined influence of transformational leadership and job performance through these two mediation variables.

3. OBJECTIVES OF THE STUDY

- a) Examine the direct influence of transformational leadership on employee performance.
- b) Assess the mediating role of organizational commitment in the relationship between transformational leadership and employee performance.
- c) Explore the mediating impact of work engagement on the relationship between transformational leadership and employee performance.
- d) Investigate the combined effects of transformational leadership, organizational commitment, and work engagement on enhancing employee performance.

4. RESEARCH METHODOLOGY

The study adopted a cross sectional survey, using reliable instruments with a sample size of 225, taken from IT companies across India.

4.1. Demographic Profile of Respondents

Table 1: Demographic Profile

Demographic Profile of Study Participants	(N = 225)
Gender	
Male	112 (49.8%)
Female	113 (50.2%)
Age Groups	
18-30 years	75 (33.3%)
31-45 years	: 90 (40%)
46 and above	60 (26.7%)
Marital Status	
Married	135 (60%)
Unmarried	90 (40%)
Education	

Diploma CS & IT	45 (20%)
Bachelor's Degree	120 (53.3%)
Master's Degree	60 (26.7%)

This respondent profile provides a comprehensive breakdown of the sample's gender distribution, age groups, marital status, and educational background, offering insights into the diversity of the study participants.

4.2. Testing Hypotheses: Reliability Test

Following the assessment of research instrument validity and reliability through loading factors, the study employs in total, 58 statement items undergo processing in the Structural Equation Modeling (SEM) analysis, with the detailed validity and reliability of variables presented in Table 3. The model fit examination employs convergent validity, focusing on the Average Variance Extracted (AVE) value. A valid measurement is indicated by an AVE value equal to or exceeding 0.5, signifying a well-fitting model [19]. Furthermore, both the Cronbach's alpha value and composite reliability for each variable surpass 0.7, attesting that the indicators within each variable effectively measure the latent construct. Comprehensive details on the validity and reliability convergence of the model are available in Table 2.

Table 2 Validity and Reliability Convergent

Variable	Cronbach's	Composite	AVE
Transformational Leadership	0.846	0.951	0.509
Organizational Commitment	0.796	0.913	0.513
Work Engagement	0.751	0.956	0.563
Employee Performance	0.821	0.934	0.585

All above said criteria is meet and ready for next order test.

4.3. Hypothesis Testing: Result

Hypothesis testing involves the computation of both the probability (p-value) and t-statistic value. A p-value exceeding 0.05, coupled with a t-value surpassing the t-table value, supports the acceptance of the hypothesis. In the case of examining the impact of transformational leadership on employee performance, the calculated t-statistic value is 7.596. Comparing this to the t-table, where the value is greater than or equal to 1.96 [20], signifies a significant dependency of transformational leadership variables on employee performance. Detailed results of the hypothesis testing are presented in Table 3.

Table 3 Hypothesis Testing Result

	Hypothesis	P-Value	T-Statistic	Result
H1	T Leadership → Employee Performance	0.000	7.596	Ho Rejected
H2	Transformational Leadership → Organizational Commitment	0.000	9.035	Ho Rejected
H3	Organizational Commitment → Employee Performance	0.025	2.244	Ho Rejected
H4	Transformational Leadership → Organizational Commitment → Employee Performance	0.078	1.767	Ho Accepted
H5	Transformational Leadership → Work Engagement	0.000	3.667	Ho Rejected

H6	Work Engagement→ Employee Performance	0.000	9.808	Ho Rejected
H7	Transformational Leadership → Work Engagement →Employee Performance	0.000	3.573	Ho Rejected

5. STUDY FINDINGS AND IMPLICATIONS:

The study delves into the multifaceted impact of transformational leadership on organizational dynamics and employee outcomes. Firstly, it establishes a direct and significant influence of transformational leadership on employee performance, aligning with previous research by [22], emphasizing the imperative of sustaining and improving this leadership style for optimal employee performance. Secondly, the research reveals a notable impact of transformational leadership on organizational commitment, echoing the findings of [21] with organizational commitment strongly influencing employee performance. To enhance organizational commitment, leaders are advised to communicate goals, build trust, and foster a positive work culture. Thirdly, despite the direct impact of transformational leadership on organizational commitment and employee performance, the study challenges previous notions by [23] as organizational commitment does not mediate the relationship between transformational leadership and employee performance. Additionally, the study highlights that transformational leadership not only influences organizational commitment but also positively impacts work engagement, fostering a sense of belonging and dedication among employees. Lastly, work engagement emerges as a vital mediator, signifying that leaders influence employee work engagement first, subsequently impacting overall employee performance. This sequential impact underscores the crucial role of transformational leadership in shaping employee dedication and performance within the organizational context.

5. CONCLUSION

The study concludes that transformational leadership significantly influences employee performance both directly and indirectly, while organizational commitment directly impacts employee performance but does not mediate the impact of transformational leadership. Concurrently, work engagement not only has a direct positive effect on employee performance but also serves as a mediator in translating the influence of transformational leadership into enhanced performance. The study acknowledges limitations due to its restricted geographic focus on one branch, urging future research to broaden the scope for generalizability and explore additional variables such as organizational culture and trust to provide a more comprehensive understanding of the factors shaping employee performance.

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