



LEADERSHIP IN THE CHANGING WORLD: AN IMPACT OF TRANSFORMATIONAL LEADERSHIP ON EMPLOYEE RETENTION IN ITES COMPANIES

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ABSTRACT Employee retention is considered as one of the burning issue in the present corporate world. Employee retention is a key issue towards a long-term existence of organizations that employees who make significant contributions to the organization must be saved to ensure the goals and visions of organizations are achieved. When valuable employees leave their organizations, they take with them substantial intellectual knowledge that could not simply be replaced by existing individuals in the organizations. The major objective of the study is to find out the relationships between Transformational leadership characteristics such as idealised behaviour, Inspirational motivation, Individualized consideration and intellectual stimulation with employee retention. The respondents include 199 executives from operational level from selected ITES companies in Bangalore. IBM Amos 20 and IBM SPSS Statistics 20 are used to analyse the data. From the analysis it is found that the idealised behaviour, individual consideration and inspirational motivation and intellectual stimulation have a strong influence on employee retention. The organisation can increase their retention rate by promoting these transformational leadership characteristics.

KEYWORDS : Transformational leadership, Employee retention

Introduction

In the face of intense competition, transformational leadership is the key to increase the competitive advantage of a firm. Transformational leadership facilitates the generation of new ideas and thoughts concerning the products, services, process and procedures of the organization. Transformation leadership facilitates autonomy among the employees and whereby help in enhancing their creativity. This in turn leads to the employees attachment towards the company and thereby facilitates retention.

Employee retention is considered as one of the burning issue in the present corporate world. Employee retention is a key issue towards a long-term existence of organizations that employees who make significant contributions to the organization must be saved to ensure the goals and visions of organizations are achieved. When valuable employees leave their organizations, they take with them substantial intellectual knowledge that could not simply be replaced by existing individuals in the organizations.

Employee turnover or the process in which an individual makes a decision to stay or leave can be dysfunctional and detrimental to an organization. It would result in increasing the operating cost from the hiring and training angle. (Hom and Griffith, 1995). Generally it is the "smartest and the most talented employees who keep switching their jobs when they find no recognition or growth or autonomy in the organization.

The concept Employee retention means the ability of an organization to retain or hold back its employees. Responsibility and accountability for retaining talent need to move out to the front lines and into the hands of leaders. Leaders and their skill in building a climate of retention, a culture that speaks to employees in a way that encourages them to stay, will be an organization's best defence against unwanted turnover. Leaders are therefore the secret weapon in keeping valued talent longer. A two way communication is regarded as a core management competency and a key management responsibility. Leaders should adopt a style that would establish and confirm their leadership authority by means of appearing competent and trustworthy.

On the other hand transformational leadership is a style of leadership where the leader is charged with identifying the needed change, creating a vision to guide the change through inspiration, and executing the change in tandem with committed members of the group. It also serves to enhance the motivation, morale, and job performance of followers through a variety of mechanisms; these include connecting the follower's sense of identity and self to the project and the collective identity of the organization; being a role model for

followers in order to inspire them and raise their interest in the project; challenging followers to take greater ownership for their work, and understanding the strengths and weaknesses of followers, allowing the leader to align followers with tasks that enhance their performance. So all the employees are working for the development and enhance their performance and morale support and etc from the leaders, by this study we are going to know what the impacts of transformational leadership on employee retention are.

Literature Review

According to Hsin-Kuang Chi, Chun-Hsiung Lan and Battogtokh Dorjgotov (2012), Transformational leaders can encourage creativity and changes in employees and continuous facilitation of their development. If best workers are not retained within the concern, an organisation can be negatively influenced from the business operations to the strategic level and the leadership styles influencing the employee retention in the organisations (K.Chitra). Yin-Fah, Foon, Chee-Leong, and Osman's (2010) research showed that organizations are waking up to the problems of losing their good employees: when employees leave; they take away valuable knowledge that could easily be profited by other organizations. Organizations are at a loss financially when new hires leave because leadership was not able to provide the appropriate initiative to motivate employees to stay. According to Bass's (1985) theory, transformational leaders increases the followers' needs, changes the followers self-interest, positively affect the confidence of the follower, elevate the expectations, support, and encourage the behavioural changes of the follower. Transformational leaders motivate the followers to attain a higher level of personal achievement that aid with gaining the trust needed to build a good relationship. According to Walsh, Dupre, and Arnold (2014), through personality and persuasion, transformational leaders can influence the employees in a positive way by reinforcing their creativity and performance.

Wells and Peachey (2011) stated that transformational leadership entails making employees feel valued and recognized to make work meaningful for them. Leadership is a function of knowledge, skills, and attributes; it is clear that leadership skills is not necessarily innate but can be developed and trained through leadership development programs (Boyatzis, 2008; Riggio, 2009). Transformational leaders could also influence employees' way of thinking about work, productivity, and their own well-being. Walsh, Dupre, and Arnold indicated that if employees feel good about themselves, they can be empowered to succeed in the work environment and perform their job effectively.

Employees are more likely to stay with an organization when they strongly feel that their immediate boss shows interest and concern for

them, if they know what is expected of them, if they are given a role that fits their capabilities and if they receive regular positive feedback and recognition. The quality of relationship an employee has with his or her immediate managers elongates employee stay in an organization (Ferreira, 2007). Good employees are not easy to find. Retaining good workers with knowledge and skills to contribute should be kept for the organization's own benefit. The corporate world is slowly realizing that good employees are costly and difficult to replace (Yin-Fah, Foon, Chee-Leong, and Osman's 2010).

Objectives

The major objective of the study is to find out the relationships between idealised behaviour, Inspirational motivation, Individualized consideration and intellectual stimulation with employee retention.

Methodology

Questionnaires (N = 250) were sent to the employees of select ITES sectors in Bangalore. These employees included executives from operational level. One hundred and ninety nine responses (79.60) were received it include 111 male and 88 female employees. IBM Amos 20 and IBM SPSS Statistics 20 are used to analyse the data.

Measures

The data is collected using multifactor leadership questionnaire and through e-mail and by using telephone. The transformational leadership contain four dimensions such as idealised behaviour, intellectual stimulation, inspirational motivation and individualized consideration. Each dimension is measured by four factors. Compounding a total of sixteen variables is measuring the transformational leadership. The Cronbach's Alpha reliabilities for the scale obtained are 0.834.

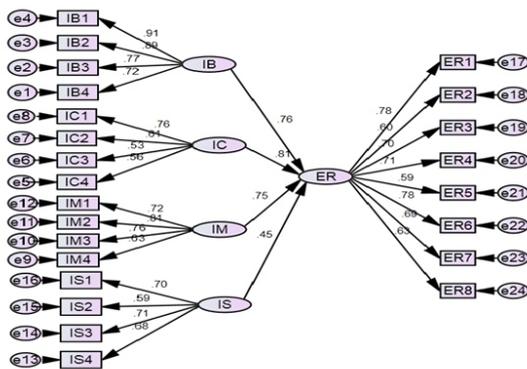
Reliability Statistics	
Cronbach's Alpha	N of Items
.834	16

The employee retention measured by eight items, and the Cronbach's Alpha reliabilities for the scales obtained are 0.821

Reliability Statistics	
Cronbach's Alpha	N of Items
.821	8

Analysis and result

For analysis the structural equation model have been used to know the relationship between leadership variable with employee retention. The model showing the relationship between leadership variable and employee retention are given below.



IB- Idealised behaviour, IM- Inspirational motivation, IS- Intellectual stimulation, IC- Individualized consideration and ER- Employee Retention.

Standard Estimates							
Chi square	Df	Ratio	P-Value	GFI	CFI	TLI	RMSEA
1088.433	249	4.371	0.000	0.931	0.944	0.916	0.072

The structural equation model shows a good fit of proposed model. The factor loading of respective variables are beyond the critical level of 0.7, it indicate that the factor have significant a relationship with latent variable. Such as the transformational leadership style showing a strong positive relationship with employee retention. So that the transformational leadership have an significant impact on employee retention.

On the other hand the intellectual stimulation has also significant relationship with employee retention but less related with employee retention while compared to idealised behaviour, inspirational motivation and individualized consideration. 'Goodness of Fit index (GFI) obtained is 0.931 as against the recommended value of above 0.90, The Adjusted Goodness of Fit Index (AGFI) is 0.91 as against the recommended value of above 0.90 as well. Comparative Fit index (CFI) and Tucker Lewis Index (TLI) are 0.94 4and 0.916 respectively as against the recommended level of above 0.90. RMSEA is 0.072 and is just above the recommended limit of 0.06. Hence the model shows an overall acceptable fit.

The model is an over identified model. The confirmatory factor analysis showed an acceptable overall model fit and hence, the theorized model fit well with the observed data. The model indicate a good fit between observe variables and the model.

From the analysis it is found that the idealised behaviour, individual consideration and inspirational motivation and intellectual stimulation have a strong influence on employee retention. The organisation can increase their retention rate by promoting these transformational leadership characteristics. Transformational leadership style has an negative impact on employees intention to quiet from the organisation.

Discussions:

The purpose of this study was to investigate the influence of transformational leadership on retention. ,Theoretically, our findings implied that transformational leadership would facilitate employee retention by enhancing employee's creativity level, which could be positively led by the charismatic influence, individualized consideration, inspirational motivation, and intellectual stimulation of transformational leader. However, such leading can be effectively driven by the proper nature of support (task or relations) that is provided by the transformational leader.

It was observed from the previous studies that it is difficult to retain an employee because he develops dissatisfaction within the organization. However, traditional sequential models have not fully explored the role of leadership in the retention process. Over the past 20 years, much of the scholarly interest in leadership and its effect on outcome variables has revolved around Bass's (1990) conceptualization of transformational and transactional leadership. While a transactional leader manages by contract and reward through an exchange process, allocating rewards for good performance, a transformational leader is more visionary and appeals to the higher order psychological needs of employees of feeling valued and worthwhile in an organization.

Based on our findings, it is observed that intellectual stimulation has also significant relationship with employee retention but less related with employee retention while compared to idealised behaviour, inspirational motivation and individualized consideration

The attributes of transformational leadership can be extended to accommodate the work needs of any employee. This is because high creativity of these employees could be further induced by the transformational leader to give more discretion to act and support for individual initiatives (Bass, 1985) and to give enhanced feelings of responsibilities (Deci and Ryan, 1985)as well as to emphasize the importance of subordinates' contributions of ideas for building organizational success (Vera and Crossan, 2004).once employees develop this feeling they get more attached to the organization and it becomes easy to retain the employees provided hygiene factors are available. Our results also indicate that employee creativity can be enhanced by leaders' adequate support. Thus, we believe employees can be lead effectively if leaders are of the right transformational style and providing both task and relation support to the employees. Practically, findings of this study are important to be applied to ITES industry because ITES employees, to a large extent, rely on the socio-emotional support and recognition of transformational leader to build long-term and close interactive relationship with the organization. Moreover, these findings are highly relevant to IT companies, such as research & development and media firm (Shin and Zhou, 2003, 2007), which rely on employee's creativity as assets to enlarge market share and promote organizational effectiveness when compared to other non-service organizations. In addition, owing to the fact that transformational leadership is likely to promote followers' creativity, organizations, practitioners may find it valuable to invest in transformational leadership training for supervisors or use personality

test to screen for high caliber candidates who have high potentials for being a good transformational leader. When this type of leadership was controlled in this study, only leader relations' support has a direct effect on employee creativity. Given the salience of leader task and relations support as moderators in the relationship between transformational leadership and employee creativity, transformational leaders are encouraged to provide task support, for example, by assigning work projects that are within the capabilities of followers, clarifying task roles, and providing adequate job resources. Finally, transformational leaders are encouraged to provide relations support, for example, by being candid in communication, being open to, and appreciative of followers' creative ideas, placing greater trust in them, showing a high degree of empathy about their work needs, and providing them with more job autonomy and in turn facilitates retention.

Transformational leaders try to inspire and instill their thought process among the employees, and transform the organizations vision make through these employees. Through the support they provide it fosters social support, teamwork, self-actualization, and goal achievement, are thus more likely to foster increased levels of commitment among employees (Simosi and Xenikou, 2010). Subsequently, employees who have higher levels of organizational commitment will be less likely to engage in job search behaviors, as they would wish to stay associated with the organization to which they are committed and maintain a relationship with the transformational leader who motivates and inspires them. Based on the above reasoning and the previous literature regarding transformational leadership, organizational commitment, and job search behaviors

Conclusion

Our findings strongly support the proposition that leader's task and relations support moderate the relationship between transformational leadership and employee's level of creativity which in turn facilitate . The results offer both theoretical and managerial implications that are useful for researchers and for practicing managers of service firms in designing management practices and formulating human resources policies. This study opens up a new line of enquiry into this neglected situation of transformational leadership and employee's level of creativity in the field of organizational behavior

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