

CAN TRANSFORMATIONAL LEADERSHIP INCREASE THE HAPPINESS INDEX IN ORGANISATIONS THROUGH EMPOWERMENT?

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Abstract: *The purpose of this paper is to understand how transformational leadership is related to psychological empowerment and how it affects happiness index in a follower's life. A total of 103 employees from various Indian information technology organisations rated their superior's transformational leadership behaviour and their own empowerment and happiness. For this study, two dimensions of empowerment were taken into consideration – meaning and competence. Five dimensions of transformational leadership were captured-idealised influence attributed, idealised influence behaviour, inspirational motivation, intellectual stimulation, and individualised consideration. Findings suggest that idealised influence attributed and competence are the best predictors of happiness. Regression analyses also show that both competence and meaning partially mediate the relationship between each of the five dimensions of transformational leadership and follower's happiness. The paper makes recommendations to managers and organisations for improving their leadership styles, which in turn may strengthen positive attitudinal and behavioural changes among employees, thereby making them more productive.*

Keywords: *Transformational Leadership, Empowerment, Meaning, Competence, Happiness Index*

INTRODUCTION

Organisations today cannot survive on systems and process excellence alone. Employee performance has a massive impact on the final organisational outcomes. Most organisations have begun to understand this situation and are focusing on improving work environment conditions to retain the best talent. Hence, the role of a leader in such situation is to inspire their followers, energize them by providing clarity of goals, and help them perform their tasks more effectively and creatively. Such roles are fulfilled by transformational leaders who address followers' real needs and raise them to higher levels of morality and motivation (Burns, 1978). The followers' motives, values, and goals are elevated and leaders and followers converge in the pursuit of attainment of higher goals. When the real needs are addressed, the degrees of human conduct as well as ethical objectives are enhanced among the leaders as well as the followers. Such a relationship fosters better job performance and general well-being of the follower. Ozaralli (2003) found that transformational leadership also had a positive effect on the team effectiveness of a group. Member's coherence with their team enhanced the overall performance of the group thereby elevating the total potential of the entire group.

In the recent times, with the appreciation of the fact of the beneficial effect that human resources have on the overall growth of an organisation, the research on the pursuit and attainment of good life by employees has multiplied. This

study adds to the existing literature by clarifying the process by which transformational leaders enhance happiness in the lives of the followers.

This paper is organised as follows. The first section covers the review of literature, followed by objectives of the study derived from gaps in the existing literature. After providing the rationale of the study, the paper describes the method used in the study. The subsequent section presents the analysis, with conclusion coming at the end of the paper.

REVIEW OF LITERATURE

Transformational leadership

Transformational leadership has gained importance as a potential leadership and effective organisational management tool in the last two decades. The enhancement in performance and overall development of followers are the inherent outcomes of such a leadership style (Bass, 1985; Burns, 1978). According to the organisational leadership scholars, transformational leadership is the process by which leaders inspire and motivate their followers and develop their full potentials, higher needs, value systems and moralities by addressing the real needs of the followers rather than plainly satisfying their wants (Bass, 1998). van Dierendonck, Haynes, Borril, and Stride (2004) stated that these leaders demonstrate mentoring capabilities and treat their subordinates with respect and are open about follower's

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expectations. In effect, the followers are instilled with trust, faith, admiration, and loyalty towards their leaders that may translate into increased self-efficacy. This increased self-efficacy makes them energised and causes them to modify their old beliefs and prejudices and aim towards achieving higher organisational goals (Bass, 1985, 1998; Burns, 1978). Such leaders transcend mere self-interest and bring about a change for the good of the entire group they lead. According to Burns (1978), the targeted outcome of transformational leadership is the transformation of the followers into higher leadership capabilities and moral values. Under such leadership, followers experience empowerment and more optimism.

Transformational leadership consists of four factors: Idealised influence, inspirational motivation, intellectual stimulation, and individualised consideration. Idealised influence consists of the two sub-factors of idealised influence attributed and idealised influence behaviour (Bass, 1998).

In a cross-sectional study, Gilbreath and Benson (2004) found that leadership behaviour has impact on the psychological well-being of the followers. It included making the followers more accountable for their work, letting them take their own decisions, acknowledging them, being considerate to them and helping them by providing necessary resources to complete their tasks. Krishnan (2007) found that transformational leadership enhanced followers' duty-orientation and spirituality. Mulla and Krishnan (2012) showed that transformational leadership was positively related to followers' duty-orientation and indifference to rewards. Zhu, Sosik, Riggio and Yang (2012) stated that development of transformational leadership across various organisational levels tends to improve the organisational identification of the employees. As employees begin to develop feelings of togetherness with their organisations, their commitment and hence their performance improves. Chaudhry and Krishnan (2007) showed that strength of brand community is enhanced by both corporate social responsibility and transformational leadership.

Empowerment

In the recent times, many organisations have begun to understand the importance of active involvement of employees in effective organisational decision-making process for improvement of organisational performance. In the past, however, most organisations emphasized on operational issues like systems, plans, policies, structures and processes and tended to overlook the importance of human being in the improvement initiative. To achieve all round success it is imperative for an organisation to maintain a balance between such operational issues and human factors (Harley, 1995).

Conger (1989) stated that empowerment is an act of strengthening an individual's belief in her or his sense of effectiveness, leading to increased inner faith and eventually higher self-worth. Thomas and Velthouse (1990) recognised four cognitions of empowerment in a work place context: meaning, competence, self-determination, and impact.

Empowerment of every team member in a group is crucial because when individuals begin to find meaning in their work, they begin to share this meaningfulness with their team, thereby elevating the whole group to strive for more. This empowered group begins to find its work more valuable and worthwhile and performs more effectively without the fear of being reprimanded. The members find themselves more competent and hence become more productive (Ozaralli, 2003).

Empowerment gives an individual a personal sense of achievement, accountability, and creative freedom. According to a study of mid-level managers and their subordinates in Fortune 500 companies by Spreitzer, de Janasz and Quinn (1999), it was found that supervisors who were reported having better empowering capabilities were seen by their subordinates as more innovative, encouraging and upward influencing than authoritative supervisors, where all employees have to wait for directions, and resources are constrained. Studies have also shown that high psychological empowerment is a precondition for innovative behaviour (Pieterse, Knippenberg, Schippers & Stam, 2010). When leaders support creative work environment, the perceived level of psychological empowerment by the followers becomes high (Zhu *et al.*, 2012). In such work environment, employees begin to experience higher job satisfaction. Sally (2004) found that employee empowerment is positively related to job satisfaction. Detailed examination showed that of the four components of empowerment, meaning and competence were the significant predictors of job satisfaction.

Thomas and Velthouse (1990) stated that traditional practices of managers can only superficially motivate the employees. True empowerment is created when an employee is given her or his creative freedom and resources are at her or his disposal. A transformational leader has the ability to develop the full potential of the follower by broadening their horizons and elevating their goals. Psychological empowerment is an important mechanism through which leaders can influence followers' organisational identification thereby improving the follower's potential (Zhu *et al.*, 2012). Dvir, Eden, Avolio and Shamir (2002) showed that there is a direct relationship between transformational leadership and follower performance and overall development. Ozaralli (2003) showed that transformational leadership style had a direct impact on the employee empowerment in the organisation.

Happiness

Happiness is a state of psychological balance and concord whose final judge is whoever lives inside a person's skin (Myers & Diener, 1995). Happiness is a subjective experience where people will tend to be happy if they believe themselves to be happy. Wright, Larwood and Denney (2002) stated that happiness is the result of the combination of both the presence of positively toned emotions and the absence of negatively toned emotions. Traditionally, organisations have always focused on the disease model of organisational improvement that aims at reducing the financial costs attributable to the unhappy and disengaged employees and believed in fixing what is wrong with the employees as opposed to enhancing the right things. That is why very little attention has been paid to understanding the fact that huge benefit can be reaped on shifting the perspective from the diseased model to a model that emphasizes employee benefits and well-being (Wright *et al.*, 2002).

Happiness can be gauged by knowing a person's traits—whether the individual enjoys activities in routine life, whether the individual likes company of friends and relatives, whether the person has hope and faith and finds leisure in work and action (Myers & Diener, 1995). Positive psychology essentially pertaining to the study of well-being, quality of life, strengths and resources characterizes happiness in two incongruent concepts: Subjective well-being (hedonia) and psychological well-being (eudemonia). The hedonic nature of happiness is based on the study of positive emotions and life satisfaction that includes pleasure and pain avoidance while eudemonic studies refer to meaning, self-actualisation and personal growth at the individual level as well as societal or organisational level (Fave *et al.*, 2010).

It is usually measured in terms of psychological well-being and consists of affective well-being (AWB), aspiration, competence, autonomy, integrative functioning and satisfaction as its key components (Rego, Riberio & Cunha, 2010). Studies have shown that happy employees are productive employees. Happiness in work is important for the overall well-being of the employees in the organisation. Wright *et al.* (2002) found out that there is a positive relation between psychological well-being and job performance, and psychological well-being impacts organisational behaviour like absenteeism, productivity, compensation claims, health insurance, illness, and health care claims.

Foote and Tang (2008) found that job satisfaction of self-directed team members is significantly related to organisational citizenship behaviour (OCB). A study by Sharp and Pritchard (2006) found that there are three major factors that could impact overall happiness—happiness self-efficacy, general self-efficacy, and readiness to change. The study found that people with higher happiness self-efficacy and greater readiness to change are happier than people who

were lower on these two factors. Self-efficacy is an important factor that helps in achievement of happiness. Self-efficacy is an important component of empowerment.

Enthusiasm and encouragement from the leaders supported by an environment where stress levels are relatively low are conducive for high performance. Trust and credibility of the leader as well as open and frank communication with them strengthens the faith of the followers in their leaders, thereby improving the follower's feelings of emotional support and self-esteem (Rego & Cunha, 2008). This not only develops follower's perception of affective well-being but also cooperative behaviour. Concern for others, one of the important facets of transformational leadership, induces positive emotions among the followers thereby enhancing and shaping their attitudes and actions, which help in the overall organisational development. Higher positive emotion at workplace leads to greater happiness.

A study conducted on 242 employees located in geographically different manufacturing locations found that in self-directed teams, OCB and job satisfaction are positively related (Foote & Tang, 2008). Since transformational leadership enhances job satisfaction among employees, transformational leadership will positively affect organisational citizenship behaviour and hence employee happiness. On the other hand, Nielsen, Yarker, Randall and Munir (2009) found that self-efficacy plays a mediating role between transformational leadership and employee's psychological well-being. As employees' well-being improves, it is likely that their life satisfaction will improve, and hence their happiness index will also improve. Krishnan (2012) found that empowerment mediated the relationship between transformational leadership and follower's meaning in life and wellbeing.

OBJECTIVES

Hypotheses

- H1:** Transformational leadership will be positively related to empowerment.
- H2:** Empowerment will be positively related to happiness.
- H3:** Transformational leadership will be positively related to happiness.
- H4:** Empowerment will mediate the relationship between transformational leadership and follower's happiness.

METHOD

Sample

Information technology (IT) industry was chosen for this study because IT industry is mostly service-based that has

a culture of team work, and thus provides an environment conducive to studying leader-follower relationship. Data were collected from employees of various IT firms located in India. A total of 105 employees volunteered to participate in the study and held at least a graduate degree. To be included in the study every employee had to satisfy two criteria: (1) the employee had to be at least six months old in the organisation; and (2) the employee had to be supervised by the current supervisor for at least 6 months. Of the 105 employees participating in the study, 103 met the above-mentioned criteria and were included in the analysis. Majority of the respondents were females (53.3 percent), 73.7 percent of the respondents' ages were between 26 and 40 years, and 95.1 percent of them were engineering degree holders. 25.2 percent of the total respondents were postgraduates. The participants in the study had an average organisational tenure of 31 months with minimum experience of six months and a maximum experience of 108 months. The sample was asked to give ratings for their supervisor's leadership behaviour (measuring transformational leadership) and for their own empowerment and happiness.

Measures

We used Krishnan's Transformational Leadership Questionnaire (Loganathan & Krishnan, 2010) developed for the Indian context (Singh & Krishnan, 2007) to measure transformational leadership. The respondents were asked to answer the leadership questionnaire items regarding their supervisors. The questionnaire had six items to measure each of the five factors of transformational leadership (total of 30 items): idealised influence attributed (IIA), idealised influence behaviour (IIB), inspirational motivation (IM), intellectual stimulation (IS), and individualised consideration (IC).

The survey questionnaire had three sections. A five point Likert's scale was used for all the variables where 0=Not at all; 1=Once in a while; 2=Sometimes; 3=Fairly often; 4=Frequently, if not always. Sample items used to measure transformational leadership were: "Encourages other to solve problems independently", "Is the epitome of confidence, whatever the situation." The mean of all the items for every factor was taken as the score for that factor of transformational leadership.

Secondly, for measuring empowerment, the most widely used empowerment measurement tool, the six-item Spreitzer (1995) scale was used to capture meaning and competence dimensions of empowerment. A sample item of meaning dimension of empowerment is "The work I do is meaningful to me." The remaining two dimensions (impact and self-determination) of Spreitzer (1995) were

not included as they were not relevant for the study of IT industry in India.

Happiness, the last variable was measured using life satisfaction scale (Pavot & Diener, 1993) that measured the subjective well-being of the followers. The respondents were asked to rate their happiness in their respective work environment. A sample item is: "The conditions of my life are excellent."

Common Method Variance.

When data are collected from a single source, common method variance (CMV) error may occur, which is attributable to the way the measurement of data is done rather than to the variables the measures represent. To check for the presence of common method bias, Harman's one factor (or single factor test) was employed. This method involves loading all the variables of the study into an exploratory factor analysis and examining the unrotated factor solution to determine the number of factors that account for the variance in the variables (Podsakoff, MacKenzie, Lee & Podsakoff, 2003). The basic assumption of this technique is that if sizeable amount of variance due to common method is present, the factor analysis will produce only a single component emphasizing the fact that there is only a single component accounting for the majority of covariance among the measures. For the present study, factor analysis with all the eight variables showed two factors (eigenvalue>1) thereby providing the confidence that common method bias might not have significantly affected the results of this study.

RESULTS

Table 1 includes the means, standard deviations, Cronbach coefficient alphas, and correlations between all the variables. A significant and positive correlation exists between all the variables, thereby supporting Hypotheses 1-3. We did a regression analysis with happiness as dependent variable and the five dimensions of transformational leadership and the two dimensions of empowerment as independent variables, using the forward option. IIA dimension of transformational leadership was the best predictor of happiness and entered the model first. From the remaining independent variables, competence dimension of empowerment was the best predictor of happiness and entered the model next. No other variable added significant additional variance in happiness. Happiness in the work environment can be best enhanced if leaders displayed more of IIA dimension of transformational leadership and empowered their employees through competence dimension.

Table 1: Descriptive Statistics and Correlations

| (N =103) | M | SD | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---------------|------|------|--------|--------|--------|--------|--------|--------|--------|-------|
| 1. IIA | 3.58 | 0.72 | (.81) | | | | | | | |
| 2. IIB | 3.57 | 0.7 | ** .80 | (.79) | | | | | | |
| 3. IM | 3.55 | 0.71 | ** .80 | ** .83 | (.82) | | | | | |
| 4. IS | 3.51 | 0.73 | ** .82 | ** .83 | ** .80 | (.80) | | | | |
| 5. IC | 3.49 | 0.73 | ** .77 | ** .80 | ** .79 | ** .81 | (.76) | | | |
| 6. Meaning | 3.76 | 0.61 | ** .42 | ** .38 | ** .37 | ** .38 | ** .38 | (.45) | | |
| 7. Competence | 3.68 | 0.73 | ** .30 | ** .32 | ** .36 | ** .32 | ** .31 | ** .52 | (.75) | |
| 8. Happiness | 3.41 | 0.59 | ** .51 | ** .37 | ** .43 | ** .41 | ** .46 | ** .39 | ** .35 | (.58) |

Note: Alphas are in parentheses along the diagonal. IIA= Idealised Influence Attributed. IIB= Idealised Influence Behaviour. IM= Inspirational Motivation. IS= Intellectual Stimulation. IC= Individualised Consideration. ** = $p < .01$.

In order to check the mediating effect of meaning between IIA and happiness, three regression analyses were done as suggested by Baron and Kenny (1986). First, IIA affected meaning in the first regression equation. Second, IIA affected happiness in the second regression equation. Third, meaning affected happiness in the third regression equation while IIA dimension of transformational leadership was present in the model. Thus, all the three conditions of mediation held in the predicted direction. Moreover, the effect of IIA on happiness was less in the third equation than in the second. Sobel's test was done and it showed that this decrease in the effect of IIA was statistically significant. Thus, meaning partially mediated the relationship between IIA and happiness. Similarly, the above procedure was repeated for the remaining four dimensions of transformational leadership and meaning was found to partially mediate the relationship between each transformational leadership dimension and happiness.

The above procedure was repeated to check for the mediating effect of competence, the other dimension of empowerment. Results for competence dimension were similar to those for meaning dimension. Competence partially mediated the relationship between each transformational leadership dimension and happiness. Hypothesis 4 was supported.

DISCUSSION

We studied 103 employees in Indian IT organisations to investigate the relationship between transformational leadership, empowerment and happiness. To understand transformational leadership we included all the five dimensions – IIA, IIB, IM, IS and IC. We chose only two dimensions of empowerment—meaning and competence, and left out self-determination and impact as they were not relevant for our study of Indian IT industry.

This study confirms that empowerment acts as a mediating variable between transformational leadership and happiness index, thereby supporting Burn's (1978) claim that

transformational leadership focuses mainly on follower's real needs. In this study, it has been shown that there is also a direct relationship between transformational leadership and happiness. Thus, the effect of transformational leadership on follower's happiness is only partially mediated by empowerment.

Theoretical Contribution

Most of the studies done in the past have not analysed the different relationships that the factors of transformational leadership may have with other variables. They took an aggregate of all the factors and looked only at the aggregate transformational leadership score. In this study, we have done the analyses taking the five factors of transformational leadership separately. Through this study, it has been revealed that in an organisational context, followers perceive idealised influence attributed (IIA) to be more important than any other dimension of transformational leadership in enhancing empowerment and follower's happiness. Our understanding of a variable is increased when we analyze the factors instead of just the composite variable.

There are cultural variations in the manifestations of transformational leadership. We have used the transformational leadership questionnaire developed specifically for the Indian context. The theoretical contribution of this study is in terms of confirming in a different culture the findings of previous studies on transformational leadership and empowerment outside India. This study has helped understand that transformational leadership and empowerment are positively related to each other thereby reinforcing the findings of Spreitzer, de Janasz and Quinn (1999), Ozaralli (2003), and Pieterse, Knippenberg, Schippers and Stam (2010). Organisational effectiveness is not based on how much the employees work but on how happy the work force is. A set of happy employees would bring in more productivity than efficient and ardent systems and processes.

Managerial Implications

This study has demonstrated the importance of IIA. Leaders should present themselves as confident and powerful and focus on higher order tasks. They should be hardworking and enthusiastic about assignments. They should lead from the front and have the courage to take bold decisions and stick to them. They should also try to make personal sacrifices while working towards the group's common goal. This study has revealed that followers of such leaders will experience higher happiness.

The study also points out the importance of the competence dimension of empowerment. This study has shown that whenever the leader provides her or his follower with creative freedom, the followers are more self-assured of their competence. The followers feel confident of their ability to accomplish a task and hence have higher perceived happiness.

Transformational leadership, across various organisations, can be encouraged by conducting transformational leadership training programs focused on four key characteristics—idealised influence, inspirational motivation, intellectual stimulation, and individualised consideration. Such programs may put employees at ease and open the communication channels with their supervisors that will enable them to voice their opinions without hesitation. To improve the happiness index in the work environment, it is most essential that the leaders display higher idealised influence attributed and provides their followers with greater empowerment by making them feel more confident.

Implications for Social Policy and Planning

A happy society should be the goal of social policy. This study highlights the means by which happiness can be increased in society. The findings of this study can be used as a guideline by managers to enhance and update the effectiveness of their leadership styles. Vella-Brodrick, Park and Peterson (2009) stated that there are three pathways to happiness namely, pleasure, engagement and meaning. Empirical evidences show that a life that is filled with all the three kinds of happiness leads to greater satisfaction as compared to a life filled with lesser measures of these three ingredients of happiness. Hence, organisations that are involved in keeping their employees more engaged and helping them find more meaning in work are better off than other organisations. This finding may help managers in understanding their subordinates better and thereby improve the effectiveness with which the managers handle followers with different needs and demands. The use of the appropriate dimension of leadership will not only improve the employee's happiness index in the work environment but will also rub off on the follower's personal life.

LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

The Cronbach's alpha for meaning component of empowerment is 0.45 and for dependent variable happiness it is 0.58 which may bring in data reliability issues. This issue arose because of limited sample space as the study was completed with severe time constraints. For the future researches, the sample space can be increased to get better data reliability.

Another limitation is that the collection of data for this study has been cross-sectional in nature. Future researchers may measure the various variables by considering a longitudinal study of employees. This will help capture transformational leadership of leaders over a period of time thereby allowing the researchers to study leadership styles in depth.

Future researchers may also consider studying how rise in happiness index at work places leads to OCB (organisational citizenship behaviour) and how this can help improve not only the organisation but also bring about an overall development of employees. Research could also be conducted to understand the role of gender of the leader in follower's empowerment and happiness.

CONCLUSION

This study has revealed that empowerment acts as a mediating variable between transformational leadership and happiness index at work places, thus extending and supporting leadership research literature. Unlike most other studies in the past, this study analyzes the five factors of transformational leadership separately. Therefore, organisations should consider empowerment as a critical factor of organisational leadership style and inculcate it to bring in more happiness in the work environment, which in turn may strengthen positive attitudinal and behavioural changes among employees making them more productive. Since transformational leadership focuses on addressing the real needs of the followers, the followers may experience greater satisfaction and well-being at work, which may also bring about radical shift at personal front too. Hence, managers should increase the frequency of transformational behaviours, particularly idealised influence attributed behaviours like presenting themselves as confident and powerful. The promotion of employee happiness in the work place is an intrinsic good for which all organisations should strive. The happiness of employees will always remain a value for any organisation.

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