
PSYCHOLOGICAL EMPOWERMENT AS A MEDIATOR BETWEEN LEADERSHIP STYLES AND EMPLOYEE CREATIVITY: A CASE STUDY OF NONPROFITABLE ORGANIZATIONS IN PAKISTAN

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ABSTRACT: *This research paper explores the leadership styles and its impact on employee creative behavior and interested to find out whether the psychological empowerment has the mediating effect or not. For this purpose, the data was collected from the 189 employees of non-profitable Organizations working in four cities of Pakistan. The convenience sampling method was used for data collection. The results show that the transformational leadership style has negatively associated with employee's creativity while the servant leadership style has positively associated with employee creativity. Moreover, another imperative discovery was made that the mediating role of psychological empowerment has significantly revealed between transformational leadership style, Servant leadership style and employee creativity.*

KEYWORDS: transformational leadership style, servant leadership style, employee's creativity, psychological empowerment, non-profitable organizations.

INTRODUCTION

The Non-Profitable Organizations is one of the most rapidly growing sectors in Pakistan, highly contribution in public awareness and empowering the marginalized communities of the society. The sector holds an important position due to its creative interventions, influence on policy making authorities; capacity building, creative leadership skills and employees' empowerment are the core subjects. The researchers highly interested for investigating the different core areas of this sector. According to (world Bank 2014), the sector engaged 33% educated people of Pakistan. This sector is considered to be the major employers in the private sector (CSR Watch Jordan 2014). Each organization has its own management hierarchy and culture, where the leaders and employees connect with each other for the achievement of organization goals.

In modern world, all kind of organizations make different strategies for the development and the survival of their organizations. It's based on leadership styles, their contribution on employee's creativeness, psychological empowerment and organizational progression. According to (Chung and Wong 2011), the dynamic organizations need necessary changes, to increase the creative behavior and skills of their employees for survival and growth. However, the role of leadership style is much critical for the survival and growth of an organization. According to (Riggio and conger 2008), the transformational leadership style is a continuous process in which the leaders and their followers work together to achieved the specific motives, values, and common objectives to realize the organizational success. (Buon 2014), found that those organizations who followed the

principles of transformational leadership style have shown high level performance as compared to follow the other types of leadership styles where increased the expectations level of their subordinates and create self-confidence to continue in the face of setback resulting in excellent performance.

According to Herman and Felfe (2013), the transformational leaders can be considering a more effective and dynamic leadership style by building mutual relationship with their followers to engage them in the leadership process. Balyer (2012), explained the transformational leadership style with four dimensions including idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Taghrid S. Suifan et al. (2017), investigated the four dimensions of transformational leadership style (Idealized influence, Inspirational Motivation, Intellectual stimulation, individualized consideration) with employee creative behavior and found positive relationship. While on the other hand, the servant leadership is a new emerging leadership style and has gained much recognition around the organizations business world. According to (Divya, S, and Suganthi, L. 2018), the transformational and servant leadership styles have positive impact in their individual capabilities. Moreover, the proper implementation of both styles can give the tremendous outcome in all kind of organizations.

According to Lapointe and Vandenberghe (2018), the mediation factor of affective commitment has positive impact on servant leadership behaviors. In addition the servant leadership style was positively correlated to normative commitment and was negatively associated to the dimension of antisocial behaviors. Damon and Burton (2015), found that servant leadership style believes in the welfare of their followers and their moral behaviors. (Van Dierendonck and Nuijten 2011), explained the dimensions of servant leadership style for effective leadership style such as accountability, empowerment, standing back, humility, authenticity, courage, forgiveness, and stewardship. Finely (2012), explained the contribution of servant-leadership style is to share roles responsibilities and make the employees answerable for performance and managing.

LITERATURE REVIEW

Leadership:

A common statement related to the leadership theory is “you scratch my back and I’ll scratch yours”. It involved to sustain and normal flow of implementation processes and exercises disciplinary power and arrangements of incentives to motivate employees for better performance. Leadership is a very critical and important factor for the success of an organization in today’s competitive market. Leadership styles play vital role in small businesses, as well as affectively involve the world’s largest corporations. Due to weak leadership, the private sector firms and organizations are at risk to survive and losing credibility and profitability. Additionally, according to (Lian and Tui2012), the public sector organizations, leadership worldwide is focused and found on the same structure, yet it has a tendency to be structurally different from private sector leadership style. The approaches of leadership subjects keep variance in the public and private sectors by employee motivation, creativity, and involve them in decision-making process. Moreover, the leadership style can keep a significant effect on employee’s motivation, development and organizational goals. (Gueldenberg, and Tjitra 2013), explains the leadership

style can obviously influence the psychosocial environment of a workplace, which can affect the teamwork and productivity.

Different kind of leadership styles practices in organizational hierarchy such as Authoritarian leadership style, Declarative leadership style, Laissez-faire leadership style, Participative leadership style, Transformational leadership style, Transactional leadership style, Servant leadership style. The current research focused on transformational and servant leadership styles.

Transformational leadership Style

The most common leadership styles which have been studied by the researchers in the most available studies in the literature of leadership, that is transformational, transactional and the laissez-faire leadership style. (Buon2014), seems that transformational leadership style is very valuable the most popular theory of leadership concept. According to (Buon2014), the organizations that followed the principles of transformational leadership style have shown high level performance as compared to follow the other types of leadership styles where increased the expectations level of their subordinates and create self-confidence to continue in the face of setback resulting in excellent performance. (Rao2014), found that the transformational leadership style is a procedure of step wise capacity building of people, in reaction the employee delivers their skills and services to establish the organizations by accomplishing the set of goals which making the ordinary people create extraordinary performance. According to (Avolio et al. 1999), there are four dimensions of transformational leadership style Intellectual stimulation, Individualized consideration, Inspirational motivation, Idealized influence/ Charisma.

Servant Leadership style

(Ehrhart 2004), the characteristics of servant-leaders are to share responsibilities and make their followers answerable for performance and control. Many others scholars discussed the dimension of servant leadership such as (Van Dierendonck and Nuijten 2011), identified the important dimensions of servant leadership style which are accountability, empowerment, standing back, humility, authenticity, courage, forgiveness, and stewardship. (Hackett & Wang 2012), the Courage is one of the factors which positively affect a leaders' effectiveness. According to (Chipunza, 2011), found that leadership styles influence on Creativity and verify that a significant relationship exist between different leadership style on employee creativity. They further stated that Servant leadership style is worked for the development of human resource; and their key objective is the strong relationship commitment between leader and employees for human development. According to (Earhart 2004), servant leadership style is successful and effective leadership style in all kind of organizations. According to (Spreitzer et al. 1995), psychological empowerment can be classified into four major dimensions: Meaning, emphasize that the work performing by the employees should be meaningful, Competence, by highlighting the work of employees they feel competent in their area of work. Self-determination, explain the ability of an individual to control their own outcome. Impact, the employees believe that their presence keep valuable and actual impact on organizational outcomes.(Rajib Lochan Dhar 2017), found that servant leadership style influences the employee creative behavior, the employees trust on leader to booming their creative behavior, moreover, the servant leadership style is influencing the creativity of employees. They further elaborating, that the servant leadership style encouraging

employee creativity, and also further stated that in organizations the leaders should adopt servant leadership style to developed creativity in employees.

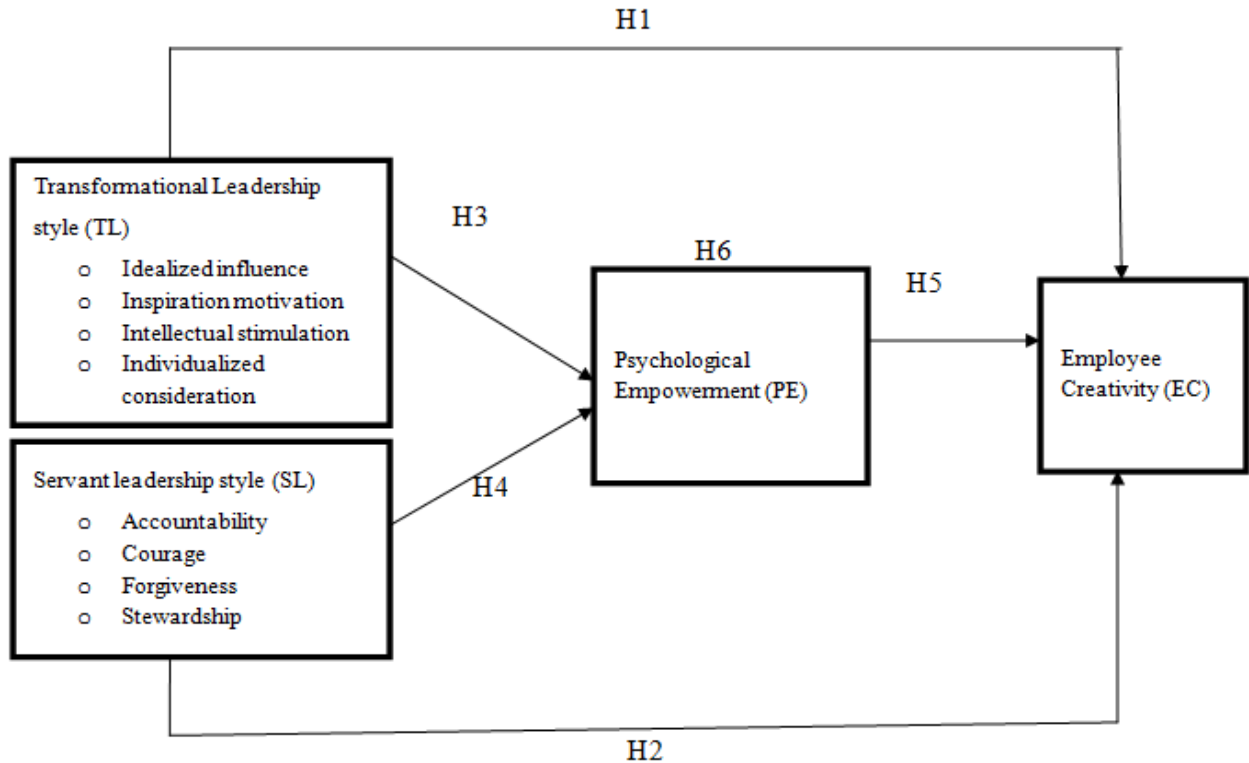
Employee Creativity

According to (Tidd 2001), the creative behavior of the employee has definitely recognized and develop organizations those who have the traditional practice in their organization work place with no creative thinking and ideas has comparatively lose their credibility, competitive environment and sustainability. (Cekmecelioglu and Gonsel 2013), stated that creative behavior is the focus point which related to the diversity of task, various managers realized the reality that the need of time to remain stay in the competitive market the requirement is their employees to be dynamically self- determined in their job and struggle to produce unique ideas, developments and valuable procedures. According to (Cohen-Meitar et al. 2009), when the employee understand that I am the right person for the right job in their work place, are able for what they doing, they will be considered himself more professionally sound and their mind engage for creative ideas and problems solving. (Cheung and Wong 2011), found that the creativity is the employee's diversified skills, abilities, knowledge, views, and experience to generate new ideas for making effective decisions, problem-solving, and completion of tasks in efficient and effective ways.

Psychological Empowerment:

According to (Conger and Kanungo 1988), explains that psychological empowerment as “A process of enhancing feelings of self-efficacy among organizational members through the identification of conditions that foster powerlessness and through their removal by both formal organizational practices and informal techniques of providing valuable information” (P-286).According to (Konczak et al. 2000), the empowerment aims to promote in time actions, attitude of self confidence among followers and developing in them a sense of individual authority, Empowering leadership performance embraces features for example taking independent decision, dissemination of information, and capacity building for promoting innovations. (Lee and Koh 2001), define that psychological empowerment which means that psychologically empowered and motivated employees are gladly performed the job in their workplace.(Zhang and Bartol2010), found in his study that psychological empowerment significantly manipulates employees' creative work and as well as play important role in employee motivation towards creative and innovative steps to achieve their organization goals.

Figure.1 Conceptual Frame work



- H₁:** There is Significant Impact of transformational leadership style on Employee Creativity.
H₂: There is Significant Impact of servant leadership style on Employee Creativity.
H₃: There is Significant Impact of transformational leadership style on psychological Empowerment.
H₄: There is Significant Impact of servant leadership Style on psychological Empowerment.
H₅: There is Significant Impact of psychological empowerment on Employee Creativity.
H₆: There is Significant Impact of psychological empowerment as a mediator between transformational leadership, servant leadership and employee creativity.

METHODOLOGY

Quantitative research method was followed by applying survey technique. Convenience sampling was applied. Questionnaire tool was used for data collection. For reliable and relevant data, the close question approach by selecting the 7-point Likert Scale. Multiple Analyses like descriptive statistics, reliability, validity, structure equation model, by using Smart PLS-3 and SPSS-21 version software's for testing independent, dependent and mediating variable.

FINDINGS

Reliability:

To measure the reliability of results, the outer loading value of each variables show good reliability lying between 0.7 to 0.8. The composite reliability of each variable is greater than 0.8 transformational leadership 0.925, servant leadership 0.939, creativity 0.873, and psychological empowerment 0.946 which indicate excellent reliability. Similarly, the Cronbach's coefficient alpha is 0.925, 0.938, 0.873, and 0.946. The value of Cronbach's alpha, for the variables greater than value 0.00 and less than value +1.00, which shows that latent variable's items are internally consistent and reliable.

Table-1 Reliability analysis

Variables	Composite reliability	Cronbach's Alpha
Transformational leadership	0.925	0.925
Servant leadership	0.939	0.938
Employee creativity	0.873	0.873
Psychological empowerment	0.946	0.946

Validity:

For the measurement validity the AVE for each of the constructs was calculated. The results revealed that the AVE values of all variable were 0.506, 0.565, 0.536 and 0.595 respectively, which were greater than minimum acceptable range.

Table-2 Validity analysis

Variables	Average Variance Extracted (AVE)
Transformational Leaderships (TL)	0.506
Servant Leadership (SL)	0.565
Employee Creativity (EC)	0.536
Psychological Empowerment (PE)	0.595

Hypotheses testing results:

H₁: The transformational leadership style has negative Impact on employee creativity. Hence, The first hypothesis has been rejected. ($\beta = 0.205$, $t = 1.685$, $p > 0.093$).

H₂: The servant leadership style has positively associated with employee creativity. The second hypotheses have been accepted. ($\beta = 0.376$, $t = 3.527$, $p < .001$).

H₃: The transformational leadership style has positively associated with psychological Empowerment. The third hypotheses have been accepted. ($\beta = 0.547$, $t = 7.285$, $p < .001$).

H₄: The servant leadership style has a positively associated with Psychological Empowerment. The fourth hypotheses have been accepted. ($\beta = 0.366$, $t = 4.612$, $p < .001$).

H₅: The psychological empowerment has a positively associated with employee creativity. The fifth hypotheses have been accepted. ($\beta = 0.331$, $t = 2.343$, $p = 0.02$).

H₆: The sixth hypotheses of mediation effect of psychological empowerment between servant leadership style, transformation leadership styles and employee creativity has been found significant.

SL->PE->EC, ($\beta = 0.122$., $t = 1.981$, $p < .001$).

TL->PE->EC, ($\beta = 0.18$, $t = 2.238$, $p < .001$).

Table-3 Effect Size for Independent variables

	Std Beta	Std Err	T- value	P -Values	Decision
H5: PE -> EC	0.331	0.136	2.343	0.02	Supported
H2: SL -> EC	0.376	0.109	3.527	0	Supported
H4: SL -> PE	0.366	0.079	4.612	0	Supported
H1: TL -> EC	0.205	0.124	1.685	0.093	Not Supported
H3: TL -> PE	0.547	0.075	7.285	0	Supported

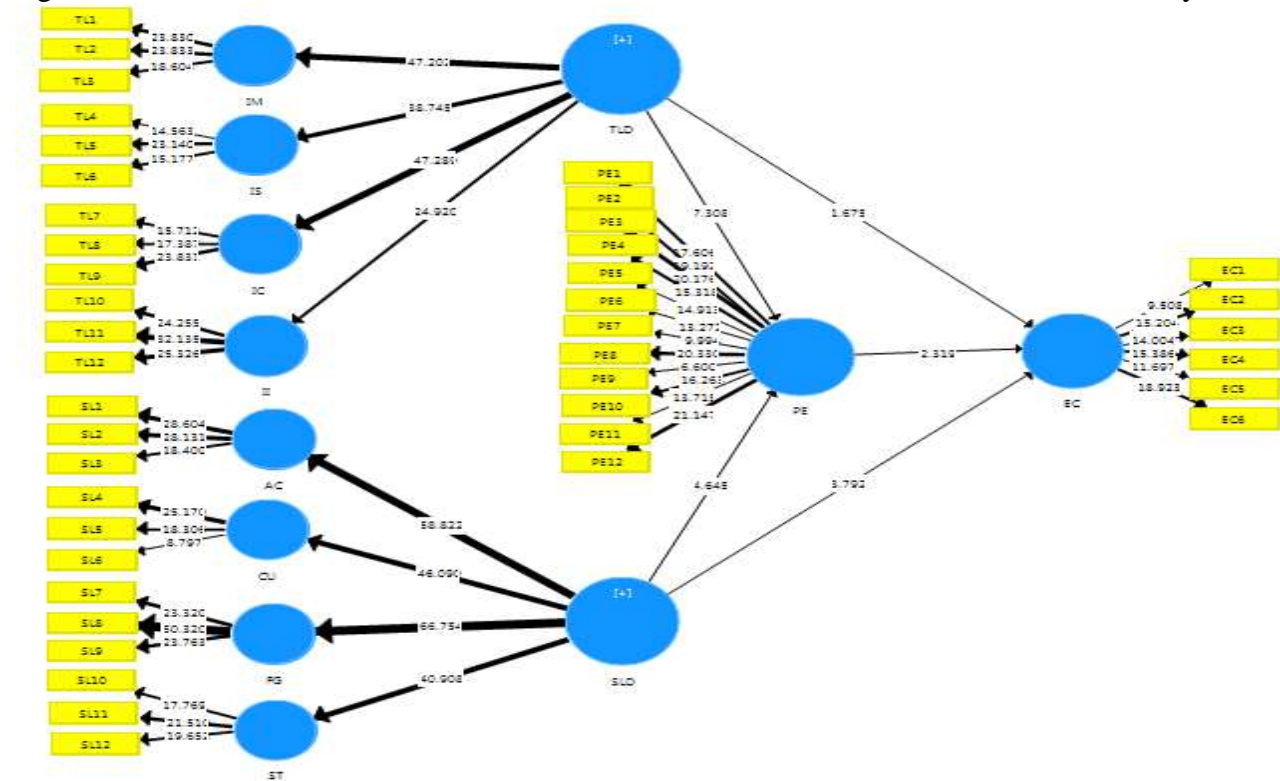
Table-4 Mediating effect

	Std Beta	Std Err	T- value	Decision	95% C1 LL	95% C1 UL
H6a: SL->PE->EC	0.122	0.058	1.981	Supported	0.009	0.225
H6b: TL->PE->EC	0.18	0.078	2.238	Supported	0.036	0.337

Structural Equation Model (SEM):

The Structure Equation Model (SEM) statistically analyzed and found that the R² statistic is .660 showing that 60% change in Psychological Empowerment can be endorsed to transformational leadership style and servant leadership style.

Figure. 2 Results of Smart PLS Analysis-3



SL->PE->EC, ($\beta = 0.122$, $t = 1.981$, $p < .001$)

TL->PE->EC, ($\beta = 0.18$, $t = 2.238$, $p < .001$)

DISCUSSIONS

This research found the mediating role of psychological empowerment between leadership styles and employee creativity in non-profitable organizations of Pakistan. The first hypotheses found negative relationship. According to (M. UmerParacha2012), a weak relationship exists between transformational leadership style and employee performance by exploring the factors of power distance, job uncertainty, bureaucratic behavior of the management and one man show rules. Moreover, the employee just achieves their targets not creative. (Kristina Jaskyte 2004), studied the non-profit organizations and was found that all the dimensions of transformational leadership style negatively correlated with organization innovativeness. Additionally, the leadership practices such as inspiration, motivation, idealized influence, intellectual simulation, stability, team work, detail orientation and people orientation closely related to cultural consensus not to innovativeness. (Basu and Green 1997), found negative association as the transformational leadership style can discourage creativity under certain circumstances; Moreover, where followers are humiliated by a charismatic leader this intimidation results effect the creative behavior of the employee.

According to literature review majority of research work on transformational leadership and employee creativity has been carried out in abroad or developed countries. A very short numbers

of research studies are carried out in Pakistan. The organizational culture of Pakistan is much distinct from the other countries of the world. The existing research study explores that, in Pakistan's organizational culture the leaders of private sector organizations believes on power distance, bureaucratic behavior with their employees for the survival and development of their organizations. They adapt command and control rule; therefore, the employees mind set is just to achieve target for the sake of target which abolishes their creative thinking. On the other hand, the ratio of job uncertainty is very high in non-profitable organizations. Therefore, the employees have no time for creativity as they mainly focus on their set target and worry for securing jobs in the future. Additionally, the private organizations prefer to motivate their employees through tangible rewards system for instance promotion, bonuses, increments and punishments, which contribute to transaction leadership style behavior. However, the second hypotheses found positive relationship. According to (Finely 2012), the servant leadership style believes on sharing responsibility and makes the employee accountable for performances they can control. Moreover, (Vadel and Ewing 2011), found that the servant leadership style enhances the creativity level of the worker which leads to higher achievement.

The third hypotheses of the study found positive association. According to (Marym Attri 2010), the transformational leadership style has positive effect on employee psychological empowerment. Moreover, to promote the transformational leadership style the employee will be psychologically empowered, which leads to organization development. On the other hand, (Taghrid, Suifan and Marwa, 2017), linked the four dimensions of transformational leadership with employee creativity and was found positive relationship. The result of fourth hypotheses found positive relationship. According to (Kathryn M.bartol2010), the creative managers have the vision, that psychologically empowered employees can influence and affect creative outcomes. The fifth hypotheses show positive relationship. According to (Tidd 2001), creativity established organizations which fail to be innovating or to be creative, these the study claims are at risk of losing their competitiveness and sustainability. Additionally, (Kathrynm bartol2010), found positive connection between psychological empowerment and employees' motivation and creative processes engagement. The last hypotheses of our study show that all the indirect effects $SL-PE-EC = 0.122$ was found significant with t-value 1.981. Similarly, $TL-PE-EC = 0.18$ was also found significant with t-value 2.238. Hence, the results indicate that the psychological empowerment mediates between both the independent variables. However, another imperative discovery was made by the existing research that the transformational leadership style makes the employees more empowered, as compare to the servant leadership style. While, insignificant relationship was found between transformational leadership style and employee creative behavior.

Limitations and Future Suggestions

The research data was collected only from project staff working in indifferent non profitable organizations in four cities of Pakistan, The factors of time constrains and poor E-mail response most of the data was collected by hand most of the project staff was busy on their routine visits to their field areas, which was challenging for researcher. Moreover, for future research the researchers should consider why the transformational leadership style makes the employee more psychologically empowered as compared to servant leadership style while the transformational leadership style has negatively associated with employee creativity and positively associated with

servant leadership style. In addition, adding another variable transaction leadership style to find the direct relation with employee psychological empowerment.

Contribution of the study

The study may be valuable for public and private sector organizations where less attention is paid to the importance of leadership practices. This study also helps the organizational management to develop such strategies for retaining and engaging their skillful manpower. By doing this the ultimate positive outcomes can be assessed which is beneficial for organizational progression. Additionally, this research will initiate an intellectual debate on creative and psychologically empowered employee is an important asset of an organization.

CONCLUSIONS

The leadership styles have significant role in making employees psychologically empowered. The existing research study found that the transformational leadership style has negative effect on employee creativity, while the servant leadership style has found positive relationship and the factor of psychological empowerment serves as Mediator.

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