Transformational leadership, employee engagement and performance: Mediating effect of psychological ownership

Azka Ghafoor*, Tahir Masood Qureshi, M. Aslam Khan and Syed Tahir Hijazi

University of Central Punjab, Lahore, Pakistan.

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In this study, we examined the relationship between transformational leadership, employee engagement and employee performance. Furthermore the mediating effect of psychological ownership in the dimensions of self-efficacy, belongingness, self-identity and accountability are studied in the relationship of these variables with employee performance. The empirical findings of data, collected through questionnaires from sample of 270 employees and managers of telecom companies indicated significant relationship between transformational leadership, employee engagement practices and employee performance. Results also supported the mediation of psychological ownership in relationship of these variables. Managerial implications and future research directions are discussed.

Key words: Transformational leadership, employee engagement, employee performance, psychological ownership.

INTRODUCTION

Employees’ involvement in the organization is considered a source of development and innovation. Management practices transformational leadership style. Transformational leadership theory explains that encouraging positive behavior or the leader enables followers to think bigger (Burns, 1978). Targeting follower’s interests and abilities, transformational leadership can enhance the follower’s commitment towards organization (Piccolo and Calqitt, 2006). Transformational Leadership style encourages the culture and human resource practices that motivate employees to participate in organizational development. These practices engage employees into their tasks and decision making process. Transformational leadership leads to empowerment of employees that improves employee’s engagement (Dvir et al., 2002).

Following this theory organization can encourage positive work attitude and increase the quality of work (Piccolo and Calqitt, 2006). Practicing transformational leadership style basically develops the feeling among employees that they mean a lot and their betterment is the purpose of the organization. This feeling improves their organizational attitude and ultimately the quality of work being performed.

The concept of employee involvement refers to the employee interest into the tasks and jobs assigned to him. This way when an employee is involved in his tasks he feels psychological ownership of his job. Psychological ownership is the feeling of employee that they have responsibility to make decisions in the interest of the company. (Avey et al., 2009) Psychological ownership is referred to as psychological empowerment. It is the sense of employee that he can create, mold and take decisions and mange his work his way. Empowerment of an employee can base on self-esteem, locus of control and the information available to employee (Spreitzer,
1995). Employees feel themselves that they can influence the organization by raising their voice; it is a job enrichment theory (Spreitzer, 1996). They feel themselves empowered to take decisions in executing tasks and feel themselves accountable for taking any risky steps associated with the tasks. When employees are secured to take any decision on their own responsibility with the support of the organization, the level of commitment in the organization will increase. Also employee is given opportunity to involve and he feels psychological ownership towards his actions and their consequences, employees develop the sense of belongingness. These feelings develop interest and responsibility in employees. This enables them to effectively perform their tasks. When employees is responsible towards his task he takes every decision with much attention and involvement this increases the chances of best outcomes. When employee is satisfied he develops the sense of security. Job satisfaction is defined as the state of mind that develops the feeling that employees all job related needs are being met (Evans, 2001).

When employee performs all his tasks with responsibility and interest, he strives to go better and bring effective and efficient outcomes. Today’s working environment employees have to face certain situations. These situations are related to their work tasks and ask for quick responses. Employees do not effectively perform any challenging tasks given to them because of the lack of association with work. Employees are selected after much consideration. They are trained extensively to bring best practices in the organization. Top management lacks to develop the psychological well being of employees. Physical performance depends on the psychological state of employees. Employees having blurred identity in terms of work and weak sense of belongingness are not motivated to improve their work. The feeling of dissatisfaction holds them back from performing right.


LITERATURE REVIEW

Transformational leadership style

Leadership is broadly discussed topic in literature. Its antecedents and consequences have greater impact on organizational outcomes and performance. Scholars, such as (Bass, 1988, 1990; Hartog et al., 1997) contributed in the literature of leadership and its prominent styles of transactional and transformational leadership style. Transactional leadership style is defined as the exchange of rewards and targets between employees and management (Howell and Avolio, 1993) leaders fulfill employee needs of rewards when targets are met (Bass, 1990; Howell and Avolio, 1993; Humphreys, 2002) it is defined as the transaction of needs fulfillment from both sides of the organization and employees (Pounder, 2002). Transformational leadership style focuses on the development of followers and their needs. Managers exercising transformational leadership style focus on the development of value system of employees, their motivational level and moralities with the development of their skills (Ismail et al., 2009) transformational leadership acts as a bridge between leaders and followers to develop clear understanding of follower’s interests, values and motivational level (Bass, 1994) it basically helps follower’s achieve their goals working in the organizational setting; it encourages follower’s to be expressive and adaptive to new and improved practices and changes in the environment. (Bycio et al., 1978) Burn’s (1978) transformational theory and Bass’s (1985) transformational leadership theory explained these characteristics of leadership style. Transformational theory proposed by Burns (1978) explains that transformational leadership style supports mutual understanding between employees and management while Burn’s (1985) theory explained that interaction between employees and management is managed in ways that ultimately leads employees beyond their self interest in support of organizational targets.

Transformational leadership is discussed based on two important characteristics of individualized consideration and intellectual stimulation. As discussed by Bass and Avolio (1994) intellectual stimulation is the enhancement of the follower’s ability to think own his own related to his work tasks. Intellectual stimulation is defined as the ability of an individual to be logical, rational and able to intelligently adapt from certain situations (Dionne et al., 2003). Logical thinking and intelligent evaluation of environment helps employees create new ideas. Stimulating employee’s intellectuality encourages them to take risk in order to bring new practices and ideas that help improve performance (Yammarino and Dubinsky, 1994). Kahn (1992) discussed that organizational support to employee develops intellectual stimulation in employee to solve issues and difficulties. Organizational support and encouragement motivate employees to think about the improvement of their own abilities and organizational processes.

Another characteristic of transformational leadership is individualized consideration. Literature defines individualized consideration as the consideration of employee’s individuality. Transformational leaders link priorities of every follower’s with the development of the organization
(Bass and Avolio, 1994). Leaders focus on the development and training of employees that create promotion opportunities (Avolio et al., 2004). The outcomes of these characteristics depend on the ability of the leader to stimulate and direct followers in order to achieve desired outcomes (Bass, 1994; Bass and Avolio, 1994; Avolio et al., 2004).

Social support from the management motivate employees perform better (Maslach, 2003). Employee's involvement in their work tasks increases when managerial support is available; employees become more innovative and involved in their work tasks (Gilson, 2008).

Transformational leadership is previously studied in the context of performance and development. Findings of these studies show that transformational leadership style and organizational desired outcomes are highly interrelated (Bartram and Casimir, 2007; Kildas et al., 2007). Transformational leadership is also considered the source of culture development that supports follower’s development and individual consideration (Lockwood, 2007). Transformational leadership develops culture that focuses on improvement of employee performance and development of abilities (Evans, 2001). Development of abilities enhances confidence level of employees (Bandura, 1997). Employee's involvement and development improves employee's confidence hence improving creativity level (Amabile, 1988).

Transformational leadership style makes employees more confident and creative. The use of creativity and innovation helps achieve organizational goals (Locke and Latham, 1990). Employees managed with transformational leadership style are given empowerment to a certain level. This level of empowerment helps follower’s achieve their goals on time (Lashley, 1999).

Transformational leadership is studied in relation with positive organizational outcomes such as quality of performance of employees (Humphreys, 2002). Transformational leadership style improves the quality of overall operations in the organization (Pounder, 2002). Intellectual stimulation encourages employees to think over the improvement areas and bring best results. All the dimensions of transformational leadership together direct towards the improvement of performance (Shin and Zhou, 2003). Transformational leadership improves employee performance because of the increased level of satisfaction that is developed between employees and management. Transformational leadership has positive relationship with employee level of satisfaction (Scarpello and Campbell, 1983). Individual satisfaction towards his job shows positive impacts on his performance and reduces absenteeism (Breaugh, 1981) turnover (Arnold and Feldman, 1982) and enhances sense of citizenship towards organization (Organ, 1988). Transformational leadership has positive relationship with citizenship behaviors and sense of belongingness.

Employee engagement

Employee engagement is defined differently in academic researches and among practitioners; basically it is psychological traits and behaviors (Macey and Schneider, 2008). Employee engagement is defined in terms of other well-known constructs like organization commitment and citizenship (Saks, 2006). It is also defined as the emotional and intellectual commitment of employee towards organization (Baumruk, 2004; Shaw, 2005; Richman, 2006) engagement is the amount of effort one exerts in work tasks (Frank et al., 2004).

Employee engagement is based on organizational culture, communication style, managerial styles, leader-ship style, trust and respect factors, in order to develop engaging culture workplace must develop the environment that supports these factors (Lockwood, 2007). Leadership development of culture and employee engagement practices is associated in this way.

Employee engagement is the psychological phenomena as defined in past literature it is based on two psychological components attention and absorption. Attention is the amount of time individual gives to his role and job to think over it while absorption is the focus of individual towards his role and his performance in that role (Rothbard, 2001). Engagement is the energy that individual puts into his work, involving himself to improve performance (Maslach, 2003) the degree to which employee is involved in his work roles, it is the active use of individuals thinking, emotions and behaviors (Saks, 2006) engagement is the willingness of employee to get involved into his work tasks. It is appositive attitude developed in employee when he finds organizational and cultural support. Engagement is defined in the dimensions of vigor, dedication and absorption (Schaufeli et al., 2002).

Employee engagement is discussed in terms of close variables that support the human resource practices of employee engagement. Employee engagement can be defined in terms of empowerment. Psychological Empowerment is the perception of employees that they can adjust their work roles to accomplish their tasks and make important decisions regarding work tasks (Yulik and Becker, 2006) engagement is defined as the level of energy and decisions making that employees takes on his account to solve work related issues (Maslach, 2003).

Saks (2006) Studied the consequences of employee engagement; it is an individual level phenomenon that indirectly affects the performance or success of organization by delivering positive individual level outcomes. Engagement brings outcomes like reduced burnout, satisfaction, commitment and higher performance (Maslach, 2003) employees feel belongingness to organization with lower intentions to leave (Schaufeli and Bakker, 2004) good health and its positive effects on the
performance is also studied in the past (Sonnentag, 2003).

Employee engagement is considered to be a construct of involvement of employee in his work tasks (Saks, 2006) transformational leadership practicing engagement of employees is related to psychological state development that involves self-efficacy and attaining the targeted goal.

### Psychological Ownership

Previous literature supports that people with sense of possession of any object are motivated to take better care of it and maintain the object; this sense of possession is an organizational behavior to better understand individual’s motivation (Avey et al., 2009). Psychological ownership is a phenomena in which employee develops feeling of possession for the target (Dyne and Pierce, 2004). Psychological ownership is the perception of an individual that outcome of ownership is actually what he desires and this sense reflects what he thinks and beliefs about that outcome of ownership (Pierce et al., 2003). Psychological ownership is considered positively related to other organizational behaviors like character strength and psychological well being (Wright and Cropanzano, 2004).

Psychological ownership can be measured, developed and invested in individuals; this study shows citizenship behavior support through dimensions of self efficacy, belongings, self identity and accountability (Pierce et al., 2003).

Self efficacy is the confidence of an individual that he can perform certain tasks by implementing his abilities correctly (Bandura, 1997) while White (1959) argued that feeling of ownership is linked with the individual need to be effective and need to control one’s actions. The feeling to control one’s actions is a component of individual psychology that results in self efficacy (Bandura, 1997) this sense of controlling and owning the actions to do particular tasks develops sense of psychological ownership. Accountability is considered another dimension of psychological ownership in a sense that accountability is the right to hold others responsible and hold one’s self responsible (Lerner and Tetlock, 1999) possession of an object moves individual to protect or defend that object as ownership right (Hall, 1966) accountability is also defined as the burden sharing or knowledge sharing practices of an individual that he considers his responsibility towards others while stewardship and self-sacrifice are considered higher levels of psychological ownership. (Avey et al., 2009) the clear sense of role and responsibilities build accountability. When an individual feels himself accountable he develops the sense of responsibility towards his work.

When individual feels belonged to certain environment or work setting he develops psychological ownership. Belongingness is psychological need rather then a physical need. It is the sense of security to be associated with some possession. The belongingness in terms of psychological ownership in organization develops when employees feel belonged to their work and organization (Avey et al., 2009).

Self identity is defined as the possession or symbols by which individuals define themselves (Rousseau, 1998; Belk, 1988) employees identify themselves from both intangibles and tangibles symbols. Psychological ownership is the ownership of tangible, work setting and intangible, ideas and objects (Isaacs, 1933) intangibles as mission or purpose of organization (Rousseau, 1998) and tangibles like physical work setting and possession in use to execute tasks. Psychological ownership is linked with self-identity, self-adjustment and well being (Kasser and Ryan, 1993). Self identity as totality of possession; is totality of one’s being, “What is mine is myself” (Sartre, 1943/1969).

Shamir, House, and Arthur (1993) explain this behavior as people do certain tasks because they are associated or identify themselves with those tasks. In terms of organizational identity individuals has the sense of meaningfulness of him and feels connected to the organization and its operations (Ashforth and Mael, 1989) thus this connection and definition of one’s self in terms of his work develops psychological ownership. Possession of tangible and intangible build up around and psychological ownership are linked with self-concept of individual (Furby, 1978). Also to consider here is the distinction of employee belongings and identity. As explained in literature employee may feel identity because of belongingness to the organization but development of the feeling of belongingness not necessarily develops identity with the object or organization (Avey, Avolio, Crossley, and Luthans, 2009) thus belongingness and identity are separate and related constructs of psychological ownership. When employees identify themselves through organization, the target of organization becomes their own targets (Belk, 1988) these targets become meaning of employee self efficacy and responsibility towards his actions (Avey, Avolio, Crossley, and Luthans, 2009). This explains that psychological ownership is developed on the dimension of self efficacy, accountability, belongingness and self identity.

Employee engagement is developed when transformational leadership is strong. When organization is itself striving to develop bonding with employee's psychological ownership develops. Psychological ownership can positively impact organization and its outcomes through transformational leadership (Avey, Avolio, Crossley, and Luthans, 2009) transformational leadership in this regard plays as the base for psychological state development of
When employees are engaged in their work their commitment and comfort with work increases. Employee engagement is related to the commitment of employee and how hard they work (Lockwood, 2007).

Previous literature has also studied employee engagement relationship with dimensions of psychological ownership. When employee is engaged in his work tasks, the need to develop certain skills and competencies arises. The ability to perform better is based on the equipped state of the employee to be able to take decisions and perform better (Alamahamid, McAdam, and Kalaldeh, 2010) acquirement of required competencies and skills develop confidence of employee (Chiu, Hsu, and Wang, 2006) self efficacy is defined as the confidence of an individual in his abilities to perform certain tasks (Bandura, 1997) employees equipped with needed skills and abilities have higher level of self efficacy (Hsu, Ju, Yen, and Chang, 2007) this self efficacy is the dimension of psychological ownership (Avey, Avolio, Crossley, and Luthans, 2009).

When employees are encouraged to take part in their work related decision making and increase their involvement they become responsible for their own tasks and performance (Bandura and Schunk, 1981) responsible employees show much attention to their work and tasks. Employee responsibility is discussed as accountability on self and other accountability towards tasks in literature. This accountability is the dimension of psychological ownership (Avey, Avolio, Crossley, and Luthans, 2009).

When employees are engaged in their activities and decision making, feeling of belongingness develops; the sense of belongingness develops commitment and ultimately improves performance in terms of competitive advantage (Stairs, 2005) employee sense of belongingness improves his perception about his work and organization and develops association with his work. The sense of belongingness is discussed in terms of the dimension of psychological ownership that ultimately improves performance (Avey, Avolio, Crossley, and Luthans, 2009).

Previous literature supports positive outcomes of organization derived from engagement and involvement of employees in organizational related tasks. Employee engagement is related to outcomes like success, betterment of performance in organization (Bates, 2004; Harter, Schmidt, and Hayes (2002).

Employee engagement reduces negativity among employees. Employee’s involvement in tasks develops ways of improvement and positive intentions of employees. Employee engagement in terms of dedication towards work reduces the burnout intentions of employees (Gonzalez-Roma, Schaufeli, Bakker, and Lloret, 2006).

Employee engagement develops employee’s behaviors and emotions. Once employees are equipped with willingness behavior and positive attitude they draw out positive results. In literature engagement is defined as a separate variable that is based on emotional, behavioral and cognitive abilities of employee that determine performance (Saks, 2006).

Involvement of employees in work develops loyalty factor in them. Loyal employees and staff leads to success of organization (Roehling, Roehling, and Moen, 2001) when employees strive for success of organization they improve their performance. Employee engagement is the deciding factor of success of organization; Engagement is positively related to higher satisfaction, loyalty of employees and performance (Lockwood, 2007) more engaged workforce brings better performance and results.

Employee engagement leads to individual level outcomes of loyalty and satisfaction. These outcomes ultimately lead to organizational results. Corporate results show strong bonding between concept of engagement and workers performance to business outcomes (Ferguson, 2009).

Psychological ownership is the development of employee’s mental state. Psychological it is considered a positive source of performance of individual; employees with feeling of ownership are more satisfied with their work and show more interest in organization (Avey, Avolio, Crossley, and Luthans, 2009) when employees show greater interest in their work they perform better.

Psychological ownership is discussed in terms of citizenship behavior. This behavior develops sense of employee as family to organization. Psychological ownership provides base to the development of competitive advantage and performance as citizenship behavior develops, also ownership is related to individual level outcomes like performance (Pierce, Kostova, and Dirks, 2003) competitive advantages of firm leads to high performance and success (Barney, 1995) while citizen-ship behavior develops social capital that leads to sustainable organizational advantages (Bolino, Turnley, and Bloodgood, 2002).

Psychological ownership develops bonding in the hierarchical levels of organization. Development of ownership privileges creates psychological contracts between employees and organization; employees show more interest in the investment and performance of organization (Rousseau and Shperling, 2003) When employees are interested in the investment of the organization they desire best investment. Employee working in the mutual investment relationship is more committed to their employers and strives for better performance (Tsui, Pearce, and Porter, 1997). The desire of the betterment of organization encourages employees to give their best to the organization.

Psychological ownership develops influencing
behaviors; attitude and motivation (Dyne and Pierce, 2004). Motivation and commitment are strongly related (Meyer, Becker, and Vandenberghe, 2004). Psychological ownership develops employee’s abilities to understand and perceive about their environment. Employee’s satisfaction, trust and belongingness factors develop strong sense of association, self identity. While higher level of employee involvement develops creativity, self efficacy and sense of responsibility in employees.

Previous literature showed relationship between transformational leadership and performance. Transformational leadership style and its practices are studied in the context of employee increased performance and decreased negativity. Literature explains the relation between transformational leadership and psychological impacts of efficacy, hope, resilience and optimism (Avey, Hughes, Norman, and Luthans, 2008) also the antecedents and consequences of psychological ownership are studied; study explained the dimensions of psychological ownership and its outcome as satisfaction and commitment of employees (Avey, Avolio, Crossley, and Luthans, 2009). Positive and negative impacts of these variables are studied in relation to other variables in different settings.

Current model studies the relationship between employee engagement and employee performance. Transformational leadership practices employee engagement in the work setting (Figure 1). This involvement of employees develops confidence, responsibility and belongingness in employees (Gill, Flaschner and Bhutani, 2010). Also the mediating effect of psychological Ownership in terms of its dimensions- self-efficacy, accountability, self-identity and belongingness is studied in the relationship of engagement and performance. When employees are engaged in their work tasks they develop confidence and sense of belongingness. This psychological outcome of employee engagement strengthens their sense ownership. When employees consider work and organization as possession, sense of responsibility increases and employees feel committed to their work. This commitment and force of inner need of self development and belongingness increases individual performance of employee.

Hypotheses are developed to study the affect of employee engagement, transformational leadership and employee performance. The mediating affect of psychological Ownership is studied in the relationship of transformational leadership, employee engagement and employee performance.

H1a: Employee engagement is positively related to employee performance.
H1b: Transformational leadership is positively related to employee performance.
H2a: Psychological Ownership mediates the relationship between transformational leadership and employee performance.
H2b: Psychological ownership mediates the relationship between employee engagement and employee performance.

METHODOLOGY
Our study is applied and co-relational study focusing the
In order to study human resource practices a large number of well established scales are used. In our study we selected 8 items to study the impact of employee engagement of employee’s behavior and performance. Likert style questionnaire was developed on scale items (1, “Strongly Disagree”; 2, “Disagree”; 3, “Somewhat Disagree”; 4, “Neutral”; 5, “Somewhat Agree”; 6, “Agree”; 7, “Strongly Agree”). This questionnaire included items (1) “my leader helps me know what type of requirements he has from me”, (2) “My suggestions are considered”. The Cronbach’s alpha value (.845) showed that all the items collectively present a reliable measure for this variable.

Table 1. Means, standard deviation and correlations.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>SD</th>
<th>EP</th>
<th>EE</th>
<th>TL</th>
<th>PO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Performance (EP)</td>
<td>5.39</td>
<td>0.90</td>
<td>(0.737)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Engagement (EE)</td>
<td>5.10</td>
<td>1.13</td>
<td>0.256**</td>
<td>(0.845)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transformational Leadership (TL)</td>
<td>5.40</td>
<td>0.94</td>
<td>0.200**</td>
<td>-0.073</td>
<td>(0.815)</td>
<td></td>
</tr>
<tr>
<td>Psychological Ownership (PO)</td>
<td>5.09</td>
<td>0.96</td>
<td>0.436**</td>
<td>0.774**</td>
<td>0.132*</td>
<td>(0.746)</td>
</tr>
</tbody>
</table>

n = 270.
**Correlations are significant at the 0.01 level; *Correlation is significant at the 0.05 level.
(1) Cronbach’s Alpha, Reliability values are given in bold parenthesis.

In order to study the impact of leadership styles and human resource practices on the behavioral development of telecommunication sector employees. The reasons direct towards the behavioral development of employees that is why telecommunication sector is selected to study gather the quantitative data in order to study behavior based variables. The study context revolves around the variable of psychological ownership that plays a great role in the development of employees.

The sample includes all the telecommunication service providers currently operating within Pakistan and providing international services. Elements of our study were employees and managers. Employees included all the officers, technicians, engineers and heads of areas while managers were of the middle and lower level. Few upper level managers were also included in the sample. The data was collected from a total sample of 270 respondents directly linked with telecommunication sector.

**Measures**

**Transformational leadership**

Measures used to collect data from sample of different telecommunication sector organization is based on Likert-style questionnaire items (1, “Strongly Disagree”; 2, “Disagree”; 3, “Somewhat Disagree”; 4, “Neutral”; 5, “Somewhat Agree”; 6, “Agree”; 7, “Strongly Agree”). A total of 5 items were used to collect data for this variable. These included (1) “My supervisor acts in ways that build my respect” (2) “My supervisor talks to us about his/her most important values and beliefs” (3) “My supervisor expresses his/her confidence that we will achieve our goals”. The Cronbach alpha for these 5 items was satisfactory (.746), indicating that these items together form a reliable measure to collect and test data.

**Employee engagement**

In our study, psychological ownership is studied in the context of its dimensions- self efficacy, belongingness, self identity and accountability. In order to collect data for this variable the scale of Psychological Ownership (Avey, Avolio, Crossley, and Luthans, 2009) was used. 8 items were selected from this questionnaire to be studied on the likert style scale (1, “Strongly Disagree”; 2, “Disagree”; 3, “Somewhat Disagree”; 4, “Neutral”; 5, “Somewhat Agree”; 6, “Agree”; 7, “Strongly Agree”). The scale items included (1) “I am confident I can make a positive difference in this organization”, (2) “I am totally comfortable being in this organization”, (3) “I feel being a member in this organization helps define who I am”. The Cronbach’s alpha value for these items (.746) is satisfactory which means all these items together form a reliable measure for this variable.

**Employee performance**

We studied employee performance as dependent variable. 8 items questionnaire based on likert style (1, “Strongly Disagree”; 2, “Disagree”; 3, “Somewhat Disagree”; 4, “Neutral”; 5, “Somewhat Agree”; 6, “Agree”; 7, “Strongly Agree”). Some of these items include (1) “Targets given to employees are met on time”, (2) “Employees quality of performance has improved over time”. In order to test the reliability of measure Cronbach’s alpha value (.737) was used which showed satisfactory results.

RESULTS

Means, standard deviation of each variable and the correlation of the variables studied are presented in Table 1. Empirical findings in this table present that dependent variable; employee performance is significantly, positively related to independent variables, employee engagement (mean = 5.10, p < 0.01) and transformational leadership (mean = 5.40, p < 0.01). Employee performance is also significantly, positively related to mediating variable, psychological ownership (mean = 5.09, p < 0.01).

Employee engagement and psychological ownership (mean = 5.09, p < 0.01) are also positively, significantly related. Transformational leadership and psychological ownership is also positively, significantly related to psychological ownership (mean = 5.09, p < 0.01).
values of Cronbach’s alpha are given against each variable.

Because of the significance shown between dependent variable and independent variables, independent variable and mediating variable and mediating variable and dependent variable, from the results we further calculate mediation. As discussed by Baron and Kenny (1986) assumptions satisfied about the significance between variables validate the mediation analysis. The measures in data collection for each variable showed a reliable Cronbach’s alpha values which shows that all the measures used were reliable to collect data for respective variables.

Regression analysis was conducted on the data to find out the relationship significance and the impact of mediator on the relationship between independent variables and dependent variables.

Figure 1 presents the relationship of independent and dependent variables. The relationship between employee engagement and employee performance is significant ($\beta = 0.256$, $p < 0.001$).

These findings show the first hypothesis, employee engagement is positively related to employee performance is accepted.

The relationship between variables, transformational leadership and employee performance, is also significant indicating that positively, significant relationship exists between these variables. Hence proving the second hypothesis of the study, transformational leadership is positively related to employee performance, is accepted on the basis of empirical findings ($\beta = 0.200$, $p < 0.001$).

Multiple regression analysis show that employee engagement ($\beta = 0.204$, $p < 0.01$) is insignificant. Hence the mediation of psychological ownership approves between employee engagement and employee performance as can be seen in Table 2. These findings accept the third hypothesis of mediation, psychological ownership mediates the relationship between employee engagement and employee performance.

Multiple regression analysis conducted on second independent variable showed that transformational leadership with mediation ($\beta = 0.145$, $p < 0.01$) is also insignificant. Mediation exists between these variables as well hence accepting the fourth mediation hypothesis, psychological ownership mediates the relationship between transformational leadership and employee performance.

**DISCUSSION**

Transformational leadership style is widely used in organizations today. Previous literature reveals positive impact of transformational leadership style and its respective practices on organizational outcomes. Transformational leadership is positively related to performance in terms of improved quality of outcome (Ismail et al., 2009). The study on transformational leadership is related to other positive outcomes such as creativity ultimately improving performance (Shin and Zhou, 2003).

An individual’s creativity is enhanced by the level of self efficacy that he has (Bandura) in order to learn and create process that are unique and effective individuals go for acquisition of knowledge (Amabile, 1988) the acquisition of knowledge and development of confidence of a person in his own abilities drives his level of self efficacy (Bandura and Schunk, 1981) Transformational leadership style concludes creativity and innovation (Gong, Huang, and Farh, 2009) also the study of transformational leadership style with other outcomes and managerial practices concludes that it has positive effect on performance (Avolio, Zhu, Koh and Bhatia, 2004).

Transformational leadership is positively associated with commitment of employees with work and organization even when they are at distance from their supervisors and leaders. The positive impact of empowerment supports this relationship (Avolio, Zhu, Koh and Bhatia, 2004) this shows that the development of behavior takes place when transformational leadership style is practiced and employees are given sufficient level of empowerment in their work to engage.

Transformational leadership and its respective practices are also studied in the concept to reduce the
negativity in the organization. Transformational leader-
ship style and the enhancement of empowerment in
terms of greater involvement in tasks advancement in
employees reduce the negative factors that may affect
performance, also that the positivity improves
performance of employees (Avey, Hughes, Norman and
Luthans, 2008). Transformational leadership not only
enhances positive outcomes but also reduces the effect
of negative aspects associated with employee satisfac-
tion and performance. Transformational leadership
enhances satisfaction level of employees in their work
setting by improving organizational citizenship behavior
(Breaugh, 1981). Organizations exercising
transformational leadership style and practicing follower’s
development showed employees less intentions to leave
the organization; reduction in absenteeism and intention
to leave direct towards the improvement of performance
that transformational leadership style reduce the negative
effects of work stress in the organization that ultimately
improves the performance.

When organizations exercise effective empowerment
among employees the perception of employee develop
healthy because they are more engaged to their work.
Management practices, leadership and perception of em-
ployees towards their work and responsibilities develop
empowerment in employees (Yulk and Becker, 2006)
empowerment of employees develop the level of
accountability towards the tasks that he performs. This
shows that when employee is engaged in his tasks the
level of affective empowerment ultimately improves the
effectiveness of the organization based on individual’s
performance. Previous literature supports positive
relationship between empowerment, accountability, per-
formance, focus and precision (Thoms, Dose, and Scott,
2002) when employees are given empowerment he
performs his tasks with more accuracy and attention
(Fandt, 1991). Where transformational leadership is said
have positive relationship with other outcomes. It is also
positively associated with the development of self
identity. Employee develop sense of association with
their organization when the level of trust and satisfac-
tion with work increases (Driscoll, 1978). This discussion
shows that transformational leadership style has positive
relationship with desired organizational outcomes such
as increased performance, satisfaction, enhanced sense
of belongingness, citizenship and self efficacy. This
discussion also supports that employee develop sense of
association with the organization that helps them define
their identity. Negative relationship of transformational
leadership with desired outcomes is also studied. Trans-
formational leadership has not effect on the creativity of
the employees (Jaussi and Dionne, 2003). Empirical
findings of our study however showed strong positive
relationship between transformational leadership and
psychological performance; transformational leadership
and employee performance. Hypothesis drawn on this
relationship is approved in context of the study conducted
in Pakistan.

Employee engagement is a global construct and is
studied in the relationship of employee commitment, per-
formance and association with organization (Ferguson,
2009) Practicing transformational leadership style
improves employee engagement in the work setting that
reduces stress level of employee (Gill, Flaschner, and
Bhutani, 2010) stress in the work setting play a negative
role in the development of employee and performance.
When stress level reduces, performance of employee
increases.

Previous literature supports the positive effect on
employee quality of work because of empowerment.
When employees are involved in their tasks they feel
psychological empowerment (Stand and Rothmann,
2010). Quality of services of the employees improves
when employees are involved in their work (Ismail, et al.,
2009) involvement given to employees brings improve-
ments from employee’s side as the sense of respon-
sibility increases. Ultimately an employee helps himself
improve the way of performance that brings self efficacy.

Employee engagement and transformational leadership
are closely studied in the context of working environment
and studies conducted on organizational settings.
Association of transformational leadership and employee
engagement are also supported in the literature with
highly positive results. Transformational leadership
develops and enhances employee involvement in the
organization (Avey, Hughes, Norman, and Luthans,
2008). Employee involvement showed positive impact on
employee performance; employee involvement is also
positively related to employee commitment (Avolio, Zhu,
Koh, and Bhatia, 2004) employee commitment is
positively associated with employee performance in
terms of greater accountability and trust (Dose and
Klitos, 1995). This discussion shows that employee
engagement and employee engagement and involvement
discussed in terms of leadership style both show positive
relationship with employee performance and positive
outcomes in the organization. Findings of this study show
that employee engagement practices have positive
relationship with employee performance thus proving the
second hypothesis of our study.

When employee is satisfied with his job, his trust
towards organization and his performance increases.
Behavioral intentions and outcomes depend on the power
being given to employee, also the quality of relationship
between hierarchal levels improve performance (Harris,
Wheeler, and Kacmar, 2009) when behavior of employee
is positive towards his own performance and his attitude
is positive towards his organization the level of
commitment of employee increases. When employee’s
behavior is positive they will interact with other hierarchal levels positively creating harmony in the environment and improving overall performance and effectiveness of organization.

Previous literature supports that employee job insecurity plays negative impact on the employee engagement. In his study Stander (2010) studied the impact of insecurity among employees on employee’s engagement. When employees are not mentally in position of satisfaction from their job they cannot participate in the organization properly. This shows that proper engagement of employees and the satisfaction of employees towards job develop psychological state of employees that helps them participate well in their tasks.

Also other factors that lead to the performance improvement and quality enhancement are addressed in previous literature along with leadership styles and empowerment of employees. When employees are allowed to take decisions and perform their tasks according to their own setup, the level of innovation and creativity improves (Gumusluoglu and Ilsev, 2009) innovation and creativity is developed through self efficacy of employees. Job self efficacy and support of organization contributes to employees creative performance (Gong, Huang, and Farh, 2009) self efficacy creates psychological ownership that improves performance.

Self concept of the employee is supported by his identity and association with his work and organization. When employees are involved in their work the level of empowerment and self determination of employees improves moral identity (Zhu, 2008) when employees are engaged in their tasks they feel a certain level of psychological empowerment. This develops the self concept and determination in employees. Moral identity improves employee commitment to their work.

Responsibility and self identity are psychological factors studied in the context of positive orientation of employees in the sense of ownership. James (2009) studied the relationship of psychological ownership with positivity in the employee behavior also including the sense of belongingness of employee. Employee ownership is studies in terms of prevention and promotion of employee in the organization. Both these factors compliment employee sense of association to his job and organization. This association predicts employee loyalty that ultimately causes commitment and high performance (Chen, Tsui, and Farh, 2002) Psychological ownership brings self efficacy, belongingness, and self identity in the employee that develops the sense of commitment. Employees with high level of commitment show better performance (Khan, Ziauddin, Jam, and Ramay, 2010).

The perception of employees about their job develops the sense of citizenship towards organization. Organizational citizenship behavior predicts effective commitments of employees (Shore, Barksdale, and Shore, 1995).

Employees who feel close association with their job are more satisfied. Hence the sense of job responsibility is high in terms of these employees (Piccolo and Calquitt, 2006) when employees feel their responsibility-accountability towards their job they actually strive for development of self- self efficacy. Commitment is supported by the factors of satisfaction, belongingness and trust of employees when these two factors are satisfied the level of employee commitment increases.

Literature shows significant relationship between job satisfaction and organizational commitment (Azeem, 2010). Previous studies findings support the positive impact of psychological ownership on organizational outcomes. Our study tested the relationship of employee engagement and transformational leadership with the mediation effect of psychological ownership. Findings of our study showed that psychological ownership mediate the relationship of both employee engagement and transformational leadership with employee performance.

Based on the above discussion the proposed model of this study is supported. Thought this study conducted in Pakistan telecommunication sector showed partial mediation of psychological ownership in the relationship of transformational leadership and employee performance, mediation between employee engagement and employee performance is insignificant thus proving full mediation.

Managerial implications and recommendations

This study has important implication in the areas where employees are not developed psychologically. Also in the areas where employees feel lack of belongingness to their organization. In order to remove this perception of insecurity towards job, lack of belongingness and blurred self identity proposed model will help improve employee’s satisfaction towards their job. Development of psychology of employees on the basis of self-identity, belongingness, self-efficacy and responsible attitude all lead to positive outcomes. Employees with higher level of these dimensions will prove to be more effective and participative in the work environment. Supported by above discussion and empirical findings of this study employee engagement and employee performance are perfectly mediated by impact of psychological ownership. This shows that employee given employee involvement and engagement improve performance. Also psychological development of employee is positively related to employee performance and engagement. Thus another important implication is promotion of employee engagement in their work tasks and organizational environment that ultimately helps employees improve performance.

Transformational leadership style in relationship with employee performance does not show perfect mediation...
of psychological ownership. Thus telecommunication industry of Pakistan should focus on the leadership practices. Employee's needs and interest should be identified and employees should be guided towards the development of positive psychological being. Management support as effective leader can improve performance and develop positive attitude in work setting. Support of organization will improve performance and confidence in employees. Management should exercise a sufficient level of empowerment in work settings allowing effective employees engagement. With organizational support and sense of belongingness employees will feel comfortable taking any step regarding issues also they will feel themselves responsible to their tasks. This will develop employees psychologically about their work, its importance, their own identity, responsibilities and belongingness to their work. Employees association and bonding with organization will determine commitment and performance.

Conclusion

The aforementioned discussion and empirical testing concludes that leadership style and human resource practice, employee engagement, significantly affects the dimensions discussed in the context of psychological ownership. Transformational leadership develops self-efficacy in employees to move further also transformational leadership style supports the development of identity. Employees are more comfortable when they are supported and guided by proper leadership. Employee engagement on the other hand makes employees more accountable and enhances the sense of belongingness. Employee engagement practiced under transformational leadership develops the positivity in behavior that leads to trust and satisfaction that enhances sense of belongingness. The sense of ownership is supported by the perception of citizenship of employees. Once employees feel themselves as part of the organization their self identity with organization improves. This identity and association with organization develops commitment in employees and their performance increases. The above discussion also supports the direct impact of employee's satisfaction and sense of belongingness to the quality of relationship between employees and organization. Both transformational leadership style and employee engagement practices develop sense of ownership in employees. They feel responsible for their actions; develop confidence in their abilities, sense of self-identity and sense of belongingness to their work and organization.

Limitations and future research directions

This study focused on only one human resource practice, employee engagement. Exercising human resource practices under different leadership styles create different outcomes. This study only focuses on transformational leadership style while other leadership style such as transactional leadership style also supports significant effects on employee performance and organizational effectiveness. This study focused the dimensions proposed by (Avey, Avolio, Crossley, and Luthans, 2009) in the study of psychological ownership. There can be other psychological factors developed through employee engagement and leadership style, such factors are not identified.

There are other factors that are developed by behavior of employee's engagement like empowerment (Avey, Hughes, Norman, and Luthans, 2008) and negative factors like stress and conflict (Gill, Flaschner, and Bhutani, 2010). This study lacks the justification of these variables in relation to psychological ownership. This study is conducted in telecommunication industry of Pakistan. The difference of practices in different industries and cultural affects may impact on the results accordingly.

Future research should study the relationship of other transformational leadership practices with given dimensions of psychological ownership. Also future research should explore and study other dimensions of psychological ownership transformational leadership practices. Psychological ownership leads to more outcomes that should be addressed in future. Other psychological factors and causes of their development through leadership style should be identified.

REFERENCES


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