

# TRANSFORMATIONAL LEADERSHIP AND EMPLOYEE ENGAGEMENT IN THE BANKING SECTOR IN BANGLADESH

*Soleman Mozammel*  
Gulf University, Kingdom of Bahrain  
*Perry Haan*  
Tiffin University, USA

## ABSTRACT

Transformational leadership is needed today to facilitate employee engagement and increase productivity. This quantitative study aimed to determine the connection concerning transformational leadership and engagement among personnel in the banking sector in Bangladesh. The independent variable was transformational leadership, which relates to the capability of the leader to provide an environment that engages their employees. The dependent variable was work engagement, which pertains to the level of commitment among employees in the organization. The main research question examined the correlation between the study variables among employees in the branch-banking sector in Bangladesh. The outcomes of this study revealed that in a work environment, applying transformational leadership style does not assure that the employees will be fully engaged. However, the results of the current study are not aligned with the existing body of literature on transformational leadership and employee engagement.

**JEL Classifications:** M10, M19

**Keywords:** leadership; employee engagement; banking; transformation

**Corresponding Author's Email Address:** haanpc@tiffin.edu

## INTRODUCTION

Transformational leadership pertains to a leadership style in which the leader and followers inspire each other in terms of motivation and morality (Burns, 1978). Leaders play an essential role in utilizing transformational leadership style. The leaders influence employees to be aware of essential matters that will let them see a new perspective on the challenges they face (Avolio & Bass, 2004). Transformational leadership is also linked to high employee engagement. Chance and Segura (2009) posited that successful managers use a transformational leadership style.

While transformational leaders increase the knowledge of stakeholders to motivate them to fulfill organizational goals, employee engagement sustains and increases overall profit of the organization (Marks & Printy, 2003). According to Oyedele (2010), effective leadership and employee engagement are important in any organization. The quality of service, irrespective of whether it is production or customer service, can only be determined by how much motivation employees have derived from their current profession (Sakar, 2009). According to the 2006 Gallup Organization report, the U.S. gross national product suffered a loss of nearly \$300 billion resulting from inefficient employee output (Little & Little, 2006). Shuck and Wollard (2010) posited that scholars have researched employee engagement in the past years. For example, Wildermuth and Wildermuth (2008) addressed the connection between employee engagement and organizational success. As economic realities have forced organizations to reduce workforce levels, there has been a corresponding increase in the expected productivity of each worker (Catteeuw, Flynn, & Vonderhorst, 2007). Transformational leadership is the kind of leadership needed today to facilitate employee engagement (Pounder, 2006) and increase productivity. Moreover, Pounder (2006) posited that transformational leadership should be employed by leaders and employees to foster productivity and improvement. According to Barnett and McCormick (2004), transformational leadership is essential because it is nondirective, recognizing the beliefs and ideals of the leaders and, more importantly, the followers (Barnett & McCormick, 2004). In this manner, both the leaders and followers are committed to supporting one another to achieve a more effective and productive organization (Sosik, Olson, Neubert, Shalapyonok, & Solow, 2002).

The International Monetary Fund (IMF) reported that Bangladesh was placed to be the 37th largest economy in terms of purchasing power parity (PPP), while 36th largest in nominal terms with GDP (UNData, 2013). The rapid growth of the economy also includes the addition of Bangladesh to the Goldman Sachs' Next Eleven (N-11) and Global Growth Generators countries. However, in Bangladesh, where this study was conducted, employee wellbeing is not considered a priority for management and organizations, which leads to absenteeism and low employee engagement (Rubel & Kee, 2013). Thus, the study examined the connection between transformational

leadership exhibited by the leaders and engagement among their employees in the branch-banking division in Bangladesh. The study is expected to open new lines of research on the influence of transformational leadership style on employee engagement in the banking sector of Bangladesh.

The study involved the financial sector of Bangladesh. The financial sector of Bangladesh is small and underdeveloped (Nguyen, Islam, & Ali, 2011). The banking sector, which is included in the financial sector, is emergent but still underdeveloped compared to international standards (Nguyen, Islam, & Ali, 2011). One study claimed that the banking sector of Bangladesh has improved compared to the 1990s (IMF, 2010). Nguyen et al. (2011) and the IMF study stated that banks' leadership or supervisory system is one of the reasons for its ineffectiveness, because employee wellbeing is not considered a priority in Bangladesh (Rubel & Kee, 2013). However, effective leadership and engaged employees are important in any organization (Oyedele, 2010). Since the banking sector of Bangladesh is still underdeveloped and inefficient, the study investigated whether employee engagement would help develop the banking sector. Because transformational leadership facilitates employee engagement (Pounder, 2006), the specific problem this study examined was the connection between a transformational leadership style and employee engagement in the branch-banking sector in Bangladesh.

This quantitative study examined the connection between transformational leadership and engagement among personnel in the branch-banking sector in Bangladesh. Quantitative study contains both independent and dependent variables. In this study, the independent variable was transformational leadership, which refers to the ability of a leader to provide an environment that engages their employees (Bass & Avolio, 1990). The dependent variable was work engagement, which refers to the level of commitment among employees in the organization (Tinto, 2012).

### **Research Question**

The main research question for this study determined if there is any correlation between transformational leadership style used by the leaders and engagement among their employees in the banking sector of Bangladesh:

**RQ1.** What is the relationship between the transformational leadership used by the leaders and the engagement among their employees in the branch-banking sector in Bangladesh?

## **LITERATURE REVIEW**

### **Employee Engagement**

It has been established that the lack of a general definition for employee engagement is a challenge for researchers. Despite this challenge, Kahn (1990) posited that employee engagement pertains to the optimization of the employees' roles in an organization. Employees who are engaged express themselves emotionally, physically, and cognitively in their work environment. Employee engagement's physical aspect is about the physical effort exerted by the employee to do the tasks assigned to them (Kahn, 1990). The cognitive aspect of employee engagement is about the beliefs of the employee with regards to the leaders, as well as the organization (Kahn, 1990). Finally, employee engagement's emotional aspect refers to the feelings of employees towards the organization, the leaders, as well as the work environment. It also involves both positive and negative opinions about the leaders and the organization (Kahn, 1990). As such, Kahn (1990) stated that employee engagement involves a physical and psychological presence in terms of performing the assigned role in the organization.

Alternatively, employee engagement is defined as the employees' emotional and intellectual commitment to an organization (Devi, 2009). Despite the acceptance of employee engagement as multi-dimensional (Kahn, 1990), Truss et al. (2006) argued that employee engagement is a passion for work that seems to encapsulate the three aspects (physical, cognitive, and emotional) of employee engagement presented by Kahn (1990).

These different definitions make the field of employee engagement difficult to assess or evaluate, as each study tends to examine the concept of employee engagement under a different definition or lens. Some studies have argued that because it has no universally accepted definition, it has been difficult to determine ways to improve it and difficult to compare literature about it (Bushra, Usman, & Naveed, 2011; Gruman & Saks, 2011). Furthermore, employee engagement has been defined similarly in terms of commitment and citizenship behavior in the organization.

### **Employee Engagement in the Banking Sector**

Employees who are engaged express themselves in terms of emotional, physical, and cognitive aspects, which lead to the success of organizations (Kahn, 1990; May et al., 2004). Engaged employees drive success in the financial industry because they enhance profitability and are more productive (Gruman & Saks, 2011; Markos & Sridevi, 2010; Susi & Jawaharrani, 2010). In the fast-paced setting, organizations face increasing competition. Globalization has influenced businesses to become world class business units, which challenges management, leadership, and human resources. Every company wants to have one beneficial feature over the other companies. Employee management is said to be a pre-eminent tool for organizational success in the modern world.

Especially in the banking industry, organizations can achieve excellent individual performance if employees are engaged with their work. Engaged employees are described as individuals who are highly productive and reliable. In a competitive environment, employee engagement is crucial for banks to attain sustainability. Employees who interact daily with the customers should have high levels of engagement so that they are at their best when they serve customers (Gruman & Saks, 2011).

The banking industry performs a critical role in the economy, which is why employee engagement should be further explored (Babu, 2013). Sarangi and Srivastava (2012) stated that Indian nationalized banks operate in a highly competitive situation. Banks need employees who are passionate about their work and invest their personal energy to support their banks with higher performance. Sarangi and Srivastava (2012) examined the influence of an organization's culture and communication on driving employee engagement through descriptive, analytical, and predictive research. There were 195 employees from selected national banks who participated in their research. It was found that as organizational culture and organizational communication increases, employee engagement also increases.

A study by Gowri and Mariammal (2012) evaluated the three dimensions of employee engagement: salary and benefits, job satisfaction, and commitment. These factors influence employee engagement in the public as well as in the private bank sector. There were 55 respondents from the private banking sector and another 55 respondents from the public banking sector, who were recruited using the convenience sampling technique. The results indicated that all three factors were significantly related to overall employee engagement. The authors also related the three factors to respondents' demographic variables. It was found that commitment is not significantly related to the demographic variables such as salary and benefits and job satisfaction. The study concluded that organizations should prioritize the critical role of employee engagement.

### **Transformational Leadership in the Banking Sector**

Self-efficacy mediates the influence of transformational leadership on professional approaches via hierarchical linear modeling (Walumbwa, Lawler, Avolio, Wang, & Shi, 2005). It was found that the behavior of salespersons has a positive impact on the trust and commitment of customers. This study revealed that transformational leadership behavior influences customer relationships. The findings emphasized the adaptation of leadership growth in order to motivate and improve the proficiencies of sales representatives.

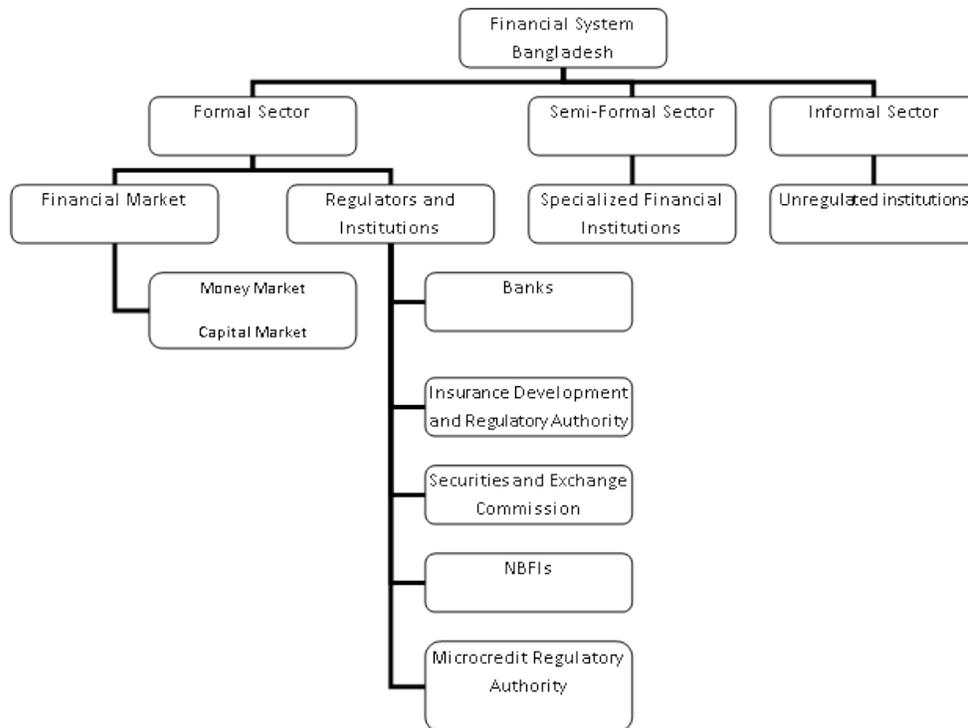
Bushra, Usman, and Naveed (2011) revealed that transformational leadership has increased job satisfaction as well as organizational commitment. However, it was also found that transformational leadership was not being implemented in the banks of Lahore. The authors recommended that managers should adopt this leadership style to get more satisfied and committed employees.

Riaz, Akram, and Ijaz (2011) showed an important and affirmative association between transformational leadership and employees' affective commitment. The authors recommended leaders adopt the transformational leadership style in order to increase the affective commitment of bank employees in the banking sector.

### **Banking Sector in Bangladesh**

The monetary structure of Bangladesh is comprised of three sectors: formal, informal, and semi-formal. These sectors were categorized by the degree of regulation (IMF, 2010). The formal sector comprises all the legalized institutions such as the banks, non-banking financial institutions, and insurance companies. The semi-formal sector comprises all the regulated institutions outside the Central Bank jurisdiction, Securities and Exchange Commission, Insurance Authority, and other legislated financial regulators. The informal sector includes private institutions that are not regulated. Figure 1 shows the financial system of Bangladesh.

**FIGURE 1. FINANCIAL SYSTEM OF BANGLADESH**



Nguyen et al. (2011) stated that the financial sector of Bangladesh is small and underdeveloped. The banking sector, which is included in the financial sector, is emergent but still a budding capital market. The banking sector is more developed than the equity market segment, but both of these sectors are underdeveloped when compared internationally. The authors argued that the root cause of the problems in the financial system in Bangladesh is the lack of market discipline because of lack of competition in the banking sector. The authors also cited excessive government intervention and political corruption as the reason for the ineffectiveness of the banking sector. This ineffectiveness hinders economic development and social progress in Bangladesh. The authors recommended that financial regulation should be strengthened to improve the banking sector. If there are financial regulations in place, then a competitive market might emerge in Bangladesh (Nguyen et al., 2011).

### **Transformational Leadership and Employee Engagement in the Banking Sector**

This study was based on the potential for transformational leaders to improve employee engagement. The connection was established through the perceived influence of engagement on productivity (LeClair & Page, 2007). Increased employee engagement leads to organizational success. Considering the nature of this study, it was necessary to undertake a quantitative research approach to explore the cognitive relationship, which occurs when employees interact with leaders in an organization.

Some leadership models include a participative style of leadership, which invariably leads to enhanced job satisfaction and better performance (Hsu & Mujtaba, 2011). First, contingency theory argues that the proper, the right, or the most effective leadership style is constantly changing in relation to the present context (Martinez, 2014). Second, instrumental theory views employees as instruments to achieve organizational goals. The task is emphasized as well as person-oriented behavioral patterns like delegation and participation on the part of the leader to gain better effectiveness from the followers (Martinez, 2014). Another leadership theory is the so-called path goal theory, according to which the expectancy theory of motivation comes to the fore, wherein a leader is responsible for motivating a team to better performance in general (Malik, 2013; Northouse, 2012).

Burns (1978) and Cicero and Pierro (2007) found that a transformational style enables leaders to establish trust with their employees and motivate them to achieve higher level of performance. Alternatively, Pounder (2006)

suggested that transformational leadership is essential to maintain productivity within the educational institutions. Downton (1973) first coined the term transforming or transformational leadership in his study of leadership with regards to social systems. In the same manner, Burns (1978) pioneered the research on transformational leadership theory with his comprehensive study of the influence of political leaders on society. Burns (1978) found that mutual engagement between leaders and employees increases their morality as well as motivation. Alternatively, Marks and Printy (2003) contended that transformational leaders influence stakeholders to fulfill organizational needs.

Schaufeli and Bakker (2003) explained that employee engagement is the opposite of burnout. Employees with high engagement are more energetic and have an affective connection to their work activities that enables them to meet the demands of their jobs. Furthermore, Kahn (1990) posited that employee engagement enables sharing of knowledge among employees in the workplace.

There have been various definitions of employee engagement. Hakanen et al. (2008) posited that employee engagement could be divided into two dimensions, namely, self-employment and self-expression. While self-employment refers to personal energy that drives an individual to exhibit certain work behaviors, self-expression refers to showing the true self through behaviors. In an earlier study, Kahn (1990) said that individuals perceived that job context has an impact on the psychological responses of employees, which also influences their engagement at work. Furthermore, empirical studies have shown that employee engagement positively influences work effort.

## METHODOLOGY

A correlational research design was used for this study because it established a relationship between the transformational leadership styles and engagement among employees (Burns & Grove, 2005). Although the national language is Bengali, English is used in the banking sector as the main mode of communication. Therefore, the instruments did not need to be translated.

### Sample

The population for this study was employees of the banking sector in Bangladesh, including branch managers and branch employees. It should be noted that the companies that took part in this research study remained anonymous. Samples from the banking sectors were drawn from within the various banks in Bangladesh for the purpose of this study.

The study used a random sampling plan. A sample size calculation using G\*Power determined a required minimum sample size of 128 participants. There were 128 sample participants (64 branch managers and 64 branch employees) gathered for the study. If the participating samples were below 128 participants, there would be a decrease on the strength of the analysis. Furthermore, the generalizability as well as validity of the findings would be decreased.

To be included in this study, the participants were with the bank for at least three years. This was to ensure that both branch managers and branch employees were familiar with employee engagement. Hence, they were able to identify their engagement with the organization.

There were two questionnaires for this study: the MLQ (Avolio & Bass, 2004) and the UWES-9 (Bakker & Schaufeli, 2003). The MLQ (Avolio & Bass, 2004) measured the transformational leadership present in the respective organizations of the participants involved in this study.

### Data Collection

An online questionnaire was used for data collection. Banks in Bangladesh were recruited for this study. After acquiring the permission of the banks in Bangladesh, a directory of managers' and employees' work e-mail addresses was used. This information was used to recruit potential participants by sending them an invitation letter and a copy of the informed consent form. The informed consent that was sent to the work e-mail address explains purpose, scope, limitation, delimitations of the study, and the assurance of their anonymity. Prior to redirection to the survey instrument, the participants were first required to agree to participate for study by completing the informed consent form. Participants were directed to respond to each of the survey questions by selecting the most appropriate response that reflected their perceptions on transformational leadership and employee engagement.

## RESULTS

Participants were directed to answer the online survey questions by selecting the most appropriate response that reflected their perceptions of transformational leadership and engagement among employees. A total of 122 sample participants comprised of managers and employees of the banking sector in Bangladesh answered the survey. Because the data did not meet the assumption of normality, a Spearman's correlation analysis was conducted in lieu of the Pearson's correlation. The Spearman's correlation analysis is often used to determine relationships between variables in a non-parametric data set. The following research question and hypothesis guided the analysis:

**RQ1.** What is the relationship between the transformational leadership used by the leaders and the engagement among their employees in the branch-banking sector in Bangladesh?

### Response Summary of Sample Data

The sample population in this study was employees of the banking sector in Bangladesh, which were branch managers, and branch employees with at least three years' experience with their employer. The branch employee participants reported directly to the branch manager participants. This was to compare transformational leadership practiced by the manager towards his or her employee and the employee's engagement with regards to that particular manager.

A total of 128 sample participants comprised of managers and employees participated in the study. Sixty-four employees provided responses with respect to employee engagement, and 64 managers provided responses with respect to transformational leadership. However, only 122 participants out of the 128 in total (95.3%) had complete and valid responses to the survey.

Each response gathered for transformational leadership from the managers corresponds to a response in employee engagement. Hence, a total of 64 pairs (listwise) of manager – employee subordinate relationships were included in this study. Table 1 presents the case-processing summary of the data gathered with regards to the study variables. Out of the 64 managers who completed the MLQ survey on transformational leadership, 61 (95.3%) had valid responses corresponding to the MLQ survey instrument used while three (4.7%) participants had missing responses. Out of the 64 employees who completed the survey for employee engagement, 61 (95.3%) had valid responses corresponding to the UWES-9 survey instrument, while three (4.7%) participants had missing responses. Comparing the employee engagement and transformational leadership construct requires valid pairs of data of manager – employee subordinate relationship effective responses. Therefore, a listwise perspective of data was checked in order to verify how many valid pairs of data existed with the two constructs. There were 61 (95.3%) valid pairs of manager – employee subordinate relationship effective responses which were used in the correlation analysis.

**TABLE 1. SAMPLE DATA**

	Valid		Cases Missing		Total	
	N	Percent	N	Percent	N	Percent
Employee engagement	61	95.3%	3	4.7%	64	100.0%
Transformational Leadership	61	95.3%	3	4.7%	64	100.0%
Total	122	95.3%	6	4.7%	128	100.0%
N (listwise)	61	95.3%	3	4.7%	64	100.0%

*Case Processing Summary (N Total = 128)*

### Descriptive Statistics

Participants in this study had at least three years of tenure in their respective jobs. Table 2 presents the descriptive statistics for the length of employment in banks for both manager and employee participants. It was seen that the 61 valid participant managers had worked at their respective banks for an average of 8.23 years with the minimum tenure of 6.5 years and a maximum of 10 years. The 61 valid employee participants worked at their respective banks for an average of 6.20 years with the minimum tenure of four years and a maximum of nine years. Collectively, the 122 valid participants of this study had worked at their respective banks for an average of 7.22 years.

**TABLE 2. LENGTH OF EMPLOYMENT SUMMARY**

	N	Minimum	Maximum	Mean	Std. Deviation
Managers	61	6.5	10	8.2049	0.8774
Employees (Subordinates)	61	4	9	6.2213	0.9896
Total	122	4	10	7.2131	1.3635

The variables in the study were the employee engagement metric as measured by the UWES-9 survey instrument (Bakker & Schaufeli, 2003), and transformational leadership as measured by the MLQ survey instrument (Avolio & Bass, 2004). The UWES-9 measured the employee engagement present in the respective organizations of the participants, while the MLQ measured transformational leadership. In Table 2, the descriptive statistics in the form of measures of central tendencies of the two research variables are presented. The UWES-9 instrument is a 17-item instrument scored through a 7-point Likert-type scale with responses ranging from 0 to 6. The employee engagement metric of each participant was obtained through the average score out of the 17-item UWES-9 instrument. The transformational leadership metric of each participant was obtained through the average score of the selected 20 items out of the 45-item MLQ instrument, which pertains to the measurement of transformational leadership.

The measures of central tendencies are presented in Table 3. There were 61 valid responses with regards to the employee engagement variable with a mean score of 4.7910 ( $SD = 0.63845$ ). They ranged from a minimum score of 2.82 up to a maximum score of 5.81. Transformational leadership scores had 61 valid responses and a mean score of 3.0621 ( $SD = 0.30603$ ), ranging from a minimum score of 2.35 up to a maximum score of 3.90.

**TABLE 3. DESCRIPTIVE STATISTICS**

	N	Minimum	Maximum	Mean	Std. Deviation
Employee engagement	61	2.82	5.81	4.7910	.63845
Transformational Leadership	61	2.35	3.90	3.0621	.30603

### Analysis and Results

Given that the variables violate the normality assumption of conducting a Pearson correlation analysis, a non-parametric analysis, Spearman's rank order correlation study was done to evaluate the correlation between employee engagement and transformational leadership. Hypothesis testing was done on the outcomes of the Spearman's rank order correlation analysis in order to answer the research question. A significant relationship exists if the  $p$ -value output of the Spearman's rank order correlation is less than the 0.05 level of significance. The Spearman correlation coefficient was also investigated in order to determine the strength and whether the two variables were positively or negatively correlated.

**Null hypothesis: Transformational leadership is not significantly related to engagement among employees in the branch-banking sector in Bangladesh.** The statistical output of the Spearman's rank order correlation analysis is presented in Table 4. Results show that at the 0.05 level of significance, there was no statistically significant correlation between employee engagement and transformational leadership ( $r_s(61) = 0.183, p = 0.158$ ) in employees in the branch-banking sector of Bangladesh. This is because the  $p$ -value output of the Spearman rank order correlation was greater than the level of significance 0.05; hence, the null hypothesis is accepted. It coincides with the point of view that an increase in transformational leadership among managers does not have an impact on the engagement of employees in the banking sector in Bangladesh.

This result is also related to the findings of the study by Judge and Piccolo (2004). While their cross-sectional longitudinal study revealed the effect of transformational leadership on employee engagement, their study found that the behavior of employees might fluctuate within day-to-day activities. The impact of the leadership style varies depending on the daily fluctuation of employees' activities (Judge & Piccolo, 2004; Tims, Bakker, and Xanthopoulou, 2011). Additionally, the study by Schaufeli and Bakker (2004) supported this claim by concluding that employee engagement fluctuates within an individual. Furthermore, it was also found in the study by

Sonnetag et al. (2010) that even the employees who considered themselves to be engaged might have off-days.

**TABLE 4. SPEARMAN’S RANK ORDER CORRELATION STATISTICS**

			Employee engagement	Transformational Leadership
Spearman's rho	Employee Management	Correlation Coefficient	1.000	.183
		Sig. (2-tailed)	.	.158
		N	61	61
	Transformational Leadership	Correlation Coefficient	.183	1.000
		Sig. (2-tailed)	.158	.
		N	61	61

**Alternative hypothesis: Transformational leadership is significantly related to engagement among employees in the branch-banking sector in Bangladesh.** Based on Table 4, the  $p$ -value output of the Spearman rank order correlation was greater than the level of significance 0.05; thus, the alternative hypothesis is rejected. Results indicated that transformational leadership was not significantly related to engagement among employees, which is contrary to the findings of the previous studies of Ghadi, Fernando, and Caputi (2013); Gill, Flaschner, Shah, and Bhutani (2010); Raja (2012); Song, Kolb, Lee, and Kim (2012); and Tims, Bakker, and Xanthopoulou (2011). Those studies showed that transformational leadership influenced employee engagement, specifically employee attitudes and behavioral outcomes. This implies that there might be certain factors that were affecting or mediating the relationship of transformational leadership and engagement among employees, specifically in the banking sector of Bangladesh.

Despite the plethora of studies that found a positive association between transformational leadership style and engagement among the employees, the alternative hypothesis of this study is rejected; thus, there was no relationship between a transformational leadership style and engagement among the employees of the banking sector in Bangladesh. This result is primarily influenced by the status of the banking system in Bangladesh. According to Nguyen et al. (2011), the banking sector of Bangladesh is underdeveloped and falls short of international standards (IMF, 2010).

However, the responses of the employees were dispersed, thus violating the test for normality ( $p < 0.001$ ). This only means that the range of the scores is considerably higher from the subordinates. Therefore, while the main finding suggested that there was no relationship between the two variables, the test for normality showed that the responses for the UWES-9 (Bakker & Schaufeli, 2003) vary considerably among the participating employees. The variation of responses among the participants can be attributed to other possible mediators between the connection of transformational leadership style and engagement among employees.

Despite this violation of normality among the responses of the employees, the managers' responses followed a normality assumption ( $p = 0.153$ ). Thus, it can be concluded that the managers have less variation with their answers to the MLQ survey instrument (Avolio & Bass, 2014). This result also suggested that the responses of the managers concerning the impact of transformational leadership fell on the same plane. Statistically, it reflected that managers were more likely to have the same notion about transformational leadership.

## DISCUSSION, IMPLICAATIONS, AND RECOMMENDATIONS

The financial sector of Bangladesh is characterized to be small as well as underdeveloped (Nguyen et al., 2011). The banking sector is included in the financial sector. The banking sector is emergent but still underdeveloped compared to international standards (Nguyen et al., 2011). One study claimed that the banking sector of Bangladesh has improved compared to the 1990s (International Monetary Fund [IMF], 2010). Nguyen et al. (2011) and the IMF study stated that the supervisory system, or leadership of the banks, is one of the reasons for its ineffectiveness. Rubel and Kee (2013) stated that employee well-being is not considered a priority in Bangladesh. However, effective leadership and engaged employees are important in any organization (Oyedele, 2010). Because the banking sector of Bangladesh is still underdeveloped and inefficient, it was determined employee engagement would be one of the ways to develop the banking sector. Transformational leadership style used by leaders is considered to be an important factor to increase engagement among employees (Pounder, 2006). Moreover, it was found that

transformational leadership is the kind of leadership needed today to facilitate employee engagement (Pounder, 2006). As such, the specific problem that was explored in this study was about the connection amongst transformational leadership used by leaders and engagement among employees in the branch-banking sector in Bangladesh.

## **Discussion**

The main research finding of this study, that transformational leadership is not significantly correlated to engagement among the employees, disagrees with the outcomes of past studies (Ghadi et al., 2013; Gill et al., 2010; Raja, 2012; Song et al., 2012; Tims et al., 2011). These studies posit that transformational leadership style has an impact on engagement among the employees—specifically, employee attitudes and behavioral outcomes. Moreover, the study by Tims et al. (2011) revealed that transformational leadership used by leaders is positively correlated to the daily engagement of employees and their level of optimism. Raja (2012) found that transformational leadership can influence higher levels of employee engagement in the workplace with its multiple attributes such as, idealized influence, inspirational motivation, individual consideration, and intellectual stimulation.

These existing studies (Ghadi et al., 2013; Gill et al., 2010; Raja, 2012; Song et al., 2012; Tims et al., 2011) concluded that transformational leadership style used by leaders is significantly related to engagement among employees. However, focusing on the banking sector, the findings of the current study revealed that the two study variables have no significant correlation. This is a significant finding for the Bangladesh banking system. This finding is opposed to most of the studies on leadership style and employee engagement. However, through other existing literature (e.g., Nguyen et al., 2011), it can be assumed that other factors affect employee engagement. Other factors that may affect employee engagement in the banking sector of Bangladesh include personality, banking system, and compensation.

In the research of Sarangi and Srivastava (2012), the authors investigated the influence of culture and communication on engagement among employees through descriptive, analytical, and predictive research. The results of the study indicated that as organizational culture and organizational communication increase, employee engagement also increases. Organizational culture, therefore, is perceived as a prospect-mediating factor between transformational leadership used by leaders and engagement among employees and should be examined in future research.

## **Limitations**

There were several limitations in this study. The scope of this study was limited to the connection between transformational leadership and engagement among employees and management in the branch-banking sector in Bangladesh. Also, the participants in the study might not be representative of the whole population of the banking sector.

This research aimed to determine the association between transformational leadership and engagement among the employees in the Bangladesh's banking sector. Although the correlation method provided a particular relationship between the two variables, causality was not revealed. Correlation does not necessarily explain causation. Although the study by Tims et al. (2011) found that there was a significant relationship between engagement among employees and transformational leadership used by leaders, it could not determine whether transformational leadership affects employee engagement or vice versa.

In terms of validity, the use of an online self-report survey was a potential threat to the external validity of this research. This data collection method may have had an impact on the credibility of the data gathered, as participants from Bangladesh are accustomed to in-person data gathering. For instance, the respondents' answers to the online survey may not have represented their true experience.

Finally, the distribution of the study participants in terms of location was another limitation to the study, having participants from only a limited number of branch locations in only a few cities in Bangladesh.

## **Implications**

The results of this study revealed that in a work environment, applying transformational leadership style does not assure that the employees will be fully engaged. The results of the current study do not align with the existing body of literature (Ghadi et al., 2013; Gill et al., 2010; Raja, 2012; Song et al., 2012; Tims et al., 2011). Transformational leadership has no significant relationship with employee engagement among employees in the banking sector of Bangladesh. These findings are essential to organizational research, specifically on banking. These findings are

relevant to researchers who focus on examining the factors that influence employee engagement in the banking sector that may ultimately lead to better organizational performance. With these findings, banking industry leaders across Bangladesh can be aware of the influence of transformational leadership on employee engagement. Furthermore, bank managers can evaluate leadership styles currently implemented in the banking sector in Bangladesh. The findings of the current study contribute to the existing literature about leadership. Previous research (e.g., Harter et al., 2002) about leadership has focused primarily on the organizational outcomes when applying different leadership styles. Unlike the findings of existing studies about leadership, the present study revealed that engagement among the employees is not correlated to transformational leadership style used by leaders. The findings imply that other variables may negotiate the connection between transformational leadership style used by leaders and engagement among employees (e.g., personal resources and compensation).

Alternatively, scholars can also use the findings of the study in choosing the line of research. Although Spearman's correlation analysis in this study disclosed that transformational leadership is not connected to engagement among employees, the existing research shows that other factors (e.g., banking system) may influence employee engagement among employees in the banking sector (Kamal, 2006). Furthermore, Gowri and Mariammal (2012) posited that employee engagement may be affected by compensation to employees. Therefore, the results of the Spearman correlation analysis may suggest that other factors such as compensation and banking system should be considered in examining employee engagement among employees in the banking sector of Bangladesh.

Managers of banks in Bangladesh may use the findings of the current study to evaluate the current organizational programs implemented to promote employee engagement among employees. Moreover, given the available knowledge about transformational leadership and engagement among employees, managers may use other management/leadership styles in an organization. In this manner, there may be a higher tendency to increase employee engagement.

Most importantly, employees in the banking industry in Bangladesh can use the findings of the current study. These results can be used as guide for awareness of how employee engagement can be related to the leadership style displayed by management. With this knowledge, employees can better understand the relationship between the two variables and think of ways to improve their working environment.

### **Similarities to Existing Research**

The outcomes of the present study are related to the outcomes of Judge and Piccolo (2004). According to Judge and Piccolo (2004), the effect of leadership style varies depending on the day. Although most of the existing literature suggests that transformational leadership used by leaders is related to engagement among employees, it was revealed by the current study that there is no relationship between the two study variables.

Additionally, the study by Schaufeli and Bakker (2004) posited that employee engagement fluctuates within an individual. Moreover, it was also found that even engaged employees might experience off-days (Sonnentag et al., 2010). Previous studies (Sonntag, 2003; Xanthopoulou, Bakker, Demerouti & Schaufeli, 2009) posited that fluctuations of employee engagement across different individuals could be proven by further studies. It was also found that employee engagement should be measured both at the between-person and within-person levels (Sonntag, 2003; Xanthopoulou et al., 2009). Therefore, it can be argued that fluctuations of engagement is possible even in the presence of transformational leadership.

Focusing on the other factors, Xanthopoulou, Bakker, and Fischbach (2013) posited that personal resources influence the connection between transformational leadership style used by leaders and engagement among employees. Hobfoll, Johnson, Ennis, and Jackson (2003) defined personal resources as the ability of an individual to successfully control or influence his or her environment. It was also described by Xanthopoulou et al. (2009) that personal resources are the most critical determinants of employee engagement. According to Luthans and Youssef (2007), employees with high personal resources have a higher tendency to exert personal energy to meet their expectations as well as their goals. Furthermore, high involvement among employees facilitates the emergence of employee engagement (Xanthopoulou et al., 2013).

### **Differences to Existing Research**

The current study revealed that transformational leadership used by leaders is not significantly related to engagement among employees. This conclusion does not confirm the findings of existing studies (Ghadi et al., 2013; Gill et al., 2010; Raja, 2012; Song et al., 2012; Tims et al., 2011), which recommends that transformational leadership is associated to employee engagement. Comparing the impact of different styles of leadership, van Vugt, Jepson, Hart, and de Cremer (2004) posited that transformational leadership style can influence employee

engagement as opposed to transactional as well as laissez-faire leadership styles. Specifically, van Vugt et al. (2004) explained that the employees with transactional leaders reported unhappiness because of the limited amount of control given to them in decision-making process. On the other hand, employees with laissez-faire leaders reported that they have the sense of control but are not motivated to exert extra efforts for their work (van Vugt et al., 2004).

As opposed to the findings of the current study, the study by Shamir, House, and Arthur (1993) found that transformational leaders influence the cohesiveness, involvement, and overall performance of employees. For instance, an employee who is guided by a supervisor will consequently become engaged with the job task. Another study found that employee satisfaction with coworkers influences engagement, which can also have similar results when translated to working with transformational leadership (Avery, McKay, & Wilson, 2007). Furthermore, the findings of the current study do not agree with the study by Hobfoll, Johnson, Ennis, & Jackson, (2003). Hobfoll et al. (2003) also suggests that, transformational leaders may impact employee engagement as the inspiration from leaders can enhance the personal resources of employees. The contrasting results imply that there might be other variables of concern influencing the relationship of transformational leadership used by leaders and engagement among employees, and is deemed to be something worth examining in further research.

Focusing on the day-level employee engagement, Tims et al. (2011) found that as the level transformational leadership used by leaders for the day increases, the level engagement among employees for the day also increases. Moreover, it was also found that day-level optimism is a mediator amongst transformational leadership and engagement among employees. Tims et al. (2011) revealed the psychological mechanisms that mediate transformational leadership and engagement among employees. Moreover, Zhu, Avolio, and Walumbwa (2009) revealed that transformational leadership used by leaders is related to engagement among employees. It was particularly noted by Zhu et al. (2009) that the relationship between these variables is mediated by the creativeness, innovativeness, and proactivity of employees. Noting these mediating variables claimed by Zhu et al. (2009), it is recommended that further research explore these mediating variables, as they may be able to explain the contradicting results of this study and Zhu et al.'s (2009).

The findings of the current study may be influenced by several factors. One of the factors to be considered is the banking system of Bangladesh. This factor may be a confounding variable that influenced the result of the current study. Nguyen et al. (2011) supported this claim by noting that the banking system in Bangladesh lacks market discipline because of the lack of competition in the banking sector. Essentially, Nguyen et al. (2011) posited that the ineffectiveness of the banking sector is caused by excessive government intervention and political corruption. As a result, employees in the banking sector may experience dissatisfaction and burnout. Schaufeli and Bakker (2003) posited that engagement among employees is found to be the opposite of burnout. Thus, it can be assumed that the findings about employee engagement can be confounded by the difference between the banking systems considered in this study and the previous literature.

## **Recommendations**

Modifying the research methodology may establish broader insight into the effect of transformational leadership on employee engagement in the banking sector in Bangladesh. It was found in this study that transformational leadership is not significantly associated to engagement among employees. This finding opens new avenues for research. However, through examination of existing literature, it is also recommended that other variables (e.g., banking system and compensation) should be taken into consideration as it may affect employee engagement of employees in the banking sector of Bangladesh.

Another recommendation for future research is the use of qualitative method in order to reveal the lived experiences of respondents to explore the influence of transformational leadership on employee engagement. It is recommended specifically that future studies consider an exploratory inquiry study that looks at specific variables that might influence or are related to transformational leadership and employee engagement. Using face-to-face interviews will enable researchers to explore the perceptions of participants with regards to the impact of transformational leadership on employee engagement.

It is also recommended that the current study be replicated using a mixed-method research design. With this research design, the qualitative method can be used to further explore the perceptions and lived experience of employees of banking sector whereas the quantitative method can be used in order to explore the relationship of the study variables. The qualitative aspect of the mixed-method research will reveal rich data about the experience of employees whereas the quantitative aspect will focus on determining the relationships between the variables of the particular experience.

Although length of employment was a criterion in choosing the participants of the current study, it is recommended that other demographic variables should be included. Moreover, the study recommends that the

geographical location of the study participants be considered a significant variable that may influence results. The representativeness of the sample for the whole population may be at risk because of this limitation. Another recommendation is to conduct a quantitative study in other financial sectors of the country for comparison.

## Conclusion

The influence of the transformational leadership style used by leaders on engagement among their employees has been extensively researched. Thomas (2009) posited that individuals influenced by a transformational leader collaborate as a team to achieve a common organizational goal. Along with this claim, transformational leadership has been used to influence engagement among employees. Macey and Schneider (2008) posited that transformational leadership facilitates trust among employees, which also plays an important role in employee engagement. Furthermore, previous studies (Barbuto, 2005; Barnett & McCormick, 2004; Cicero & Pierro, 2007; Copland, 2003; Griffith, 2004; Marks & Printy, 2003) elaborated that transformational leaders possess qualities that generate positive change in employee performance and perception of work.

Alternatively, it was found that employee engagement is a critical element of organizational productivity and is directly related to the intrinsic motivation of employees (Tinto, 2012). Moreover, Tinto (2012) added that it pertains to the level of commitment an employee offers to the organization. For instance, employees with high engagement take pride not simply in earning the formal indicators of success but also in understanding new knowledge and incorporating or internalizing it in their lives (Tinto, 2012). Although there is a plethora of studies on employee engagement, there is not much focus on how it is influenced by transformational leadership style.

Marks and Printy (2003) also posited that transformational leaders might determine an expectation for high quality training and support employees' engagement. Moreover, transformational leadership and employee engagement are fundamentals of a productive organization (Marks & Printy, 2003). It shows how these two variables work together in making organizations more effective and efficient. However, Griffin et al. (2008) argued that there is not enough body of knowledge on how transformational leadership affects employee engagement when managers and employees interact. Essentially, although most of these studies indicate that transformational leadership used by leaders is positively associated with engagement among the employees of the banking sector of Bangladesh, it was revealed by the outcomes of the Spearman's rank order correlation analysis in this study that the two variables are not significantly related.

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