

Transformational Leadership and Turn Over Intention on Organizational Sustainability with Turn-Over Intention as Mediator

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Manufacturing and private enterprise are challenged to be effective, efficient organization, and sustain in the competitive world. The objective of this paper is to test the model about the role of transformational leadership on organizational sustainability, through turn-over intention (negative) as mediator. The study was conducted at one of manufacturing enterprise with 350 respondents, using 3 questionnaires (Transformational Leadership, Organizational Sustainability, Turn Over Intention) for data collection and SEM for data analysis. The SEM results showed that transformational leadership had a direct and indirect impact on organizational sustainability and negative turn-over intention act as a partial mediator of the relationship between transformational leadership and organizational sustainability. Implications of the study can be used for management and/or organizational psychologist practitioner in relation with people management, and organizational sustainability, by paying attention to the transformational leadership, as well as turn-over intention.

Keywords: Transformational Leadership, Organizational Sustainability, Turn-over intention.

1. INTRODUCTION

The In order to survive and compete, an organization has to focus on the fundamental questions of survival and sustainability in a turbulent and continuously changing environment. In this regard, as leader plays important roles in the success of the organization and is viewed as a prime force that may determine the organizational competitiveness in a global economy.¹ One type of leadership style that has the characteristic of motivating and inspiring followers is Transformational Leadership.² When discussing human resources (employees), one of the important issues is about turnover intention (TI) behavior of employees. The reason for this issue being important is mostly due to the cost of turnover intention on any organization. In addition to that, turn over intention could cost management a large amount of cost and time, and could have several negative influences on any outcome.³⁻⁴ As every organization would like to sustain, compete and achieve. In order to do that, it is very important to identify many variables that can influence organizational sustainability. According to Bass and Riggio,⁵ a transformational leader with his style of leadership can inspire, motivate and empower their followers and they can develop the organization. This study will identify the link between transformational leadership, turn over intention and organizational sustainability at manufacturing company.

2. LITERATURE REVIEW

Colbert and Kerecz⁶ define sustainability as keeping the business going, whilst another frequently used term in this

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context refers to the future proofing of organizations, sustainability implies a simultaneous focus on economic, social, and environmental performance. To measure Organizational Sustainability, Colbert and Kurucz⁶ introduced the concept of a three-way focus for organizations striving for sustainability, namely: a) Operational/organizational capital; b) HR Capital/Human Capital; and c) Image/Social Capital. Transformational leadership by Bass,² stated as the extent to which employees can interpret and understand that leaders implement leadership practices that can increase the commitment, engagement, loyalty, and employee performance.² Transformational leadership has 5 dimensions namely: a) Idealized Influence Attributed; b) Idealized Influence Behavior, (these two dimensions were the extension of idealized influence), which refers to charisma;⁷ c) Inspirational Motivation; d) Intellectual Stimulation; and e) Individualized Consideration. In order to reach this objective, a leader should also make sure that they redefine the organizational climate to a support that can promote new learning opportunities for followers.

Turnover intention is inevitable in the life of an employee. In this regard, employee retaining strategies have a great influence on the individual attachment both direct effect (higher salaries) and indirect effect (through organizational

experience) on turnover intention.⁸ Due to the nature of the direction of influence, the complexity of defining and measuring the antecedents and predictors of turnover intention required further research to expose additional antecedents and predictors of turnover intention.⁹

Research conducted by Sparks & Schenk¹⁰ showed that high productivity, low turnover rate, high motivation and job satisfaction is also achieved by the transformational style of leadership. Research conducted by Ijere & Abisilim¹¹ also showed that transformational leadership had a significant impact on organizational performance. From those previous research,¹¹⁻¹⁴ it showed that there is a critical significance of transformational leadership styles in fostering and reinforcing the role of leaders in understanding and working with the characteristics of organizations in creating complex social systems, and organizational sustainability. Based on this discussion, the hypothesis for this research as follows: Transformational Leadership has a positive impact on Organizational Sustainability (H1).

Research conducted by Schenk¹⁴ also showed that high productivity, low turnover rate, high motivation and job satisfaction was achieved by the leader who masters transformational style of leadership. The relationship between leadership and turnover intention is also discussed by Sellgren et al.¹⁵ who confirmed that there is a strong relationship between leadership styles and the organizational work environment. In the same context, Bass¹⁶ suggested that most of the previous studies show that leadership behavior could be a key element and a vital key to reducing and justifying staff turnover intention. It was found that there is a stronger relationship between leadership style and turnover intention.¹⁷ Wells & Peachey¹⁸ carried out a study to investigate the nature of the strength of the relationship between leadership style and turnover intention, and found that there is a strong negative relationship between leadership style and turnover intention. Based on those discussions, the following hypothesis was established: Transformational leadership has a negative impact on turnover intention (H2)

Organizations may replace employees who leave, but time must pass before replacements accumulate similar levels of human capital. Moreover, turnover generates additional human resource management costs such as recruitment, selection, and training expenses. Increases in turnover rates disrupt an organization's social fabric and its operational and collective functions.¹⁹⁻²⁰ Previous research¹⁹⁻²¹ showed that the relationship between turnover rates and organizational performance has been examined, from those discussions, the following hypothesis is proposed: Turn-over intention has a negative impact on organizational sustainability (H3).

Based on the assumptions that transformational leadership had an impact on turnover intention and turn-over intention had an

impact on organizational sustainability, it can be concluded that negative turn-over intention act as a mediator for transformational leadership in order to achieve organizational sustainability. With those arguments, and based on hypothesis 2 and 3, the following hypothesis is proposed: Transformational leadership has a positive impact on organizational sustainability through turn over intention (H4).

3. METHODS

The sample was collected from one manufacturing company, consists of 350 participants. The inclusion criteria were permanent employees, minimum working in the company is 2 years, minimum education is senior high school. Data were analyzed using Structural Equation Model (SEM) to test the model,²² and descriptive analysis to see the profile of respondents. Organizational sustainability was measured based on the concept of Colbert and Kurucz,⁶ consists of three dimensions namely a) Operational/Organizational Capital (OC), which refers to systems and practices to be able to get things done, and to do them well consistently, consists of physical space (infrastructure); organizational culture and practices; strategic and business planning; operational system and related technology, and financial capital (FC), which represents the financial health of the organization in a form of currency that can be traded. b) HR Capital/Human Capital, which represents the knowledge, skills, abilities, and capabilities possessed by people involved in the social enterprise.; and Intellectual capital (IC), which captures the knowledge assets of an organization such as ideas, inventions, general knowledge designs, and processes. c) Image/Social Capital, which represents the number and quality of the social enterprise's relationships. Transformational Leadership was measured based on The Multi-Factor Leadership Questionnaire established by Avolio and Bass⁷ which has been acknowledged as a valid research tool, consists of 5 dimensions, namely a) Idealized Influence Behavior, b) Idealized Influence (Attributed) c) Inspirational Motivation, d) Intellectual Stimulation and e) Individualized Consideration. Turnover intention measurement based on Trevor & Nyberg⁹ which representing the three items that were used to assess turnover intentions relevant to the workplace.

4. RESULTS

Results are presented by the analysis of respondents (Descriptive analysis), inter-correlation analysis and hypothesis and model testing using SEM. The results showed that the majority of the respondents are male (98%), bachelor degree (69%), and had been working around 2 (two) to 5 (years) 40%. This profile of respondent in general representing the majority profile of the employees. The results are summarized on the table below.

Table 1. Path Analysis and Hypothesis Testing

Path Analysis	Standardized	SE	t-Value	Significant (t-value>1.96)	Hypothesis testing
TL → OS	0.55	0.04	13.84	Significant	H1 Supported
TL → OTI	-0.22	0.06	4.54	Significant	H2 Supported
OTI → OS	-0.15	0.03	5.65	Significant	H3 Supported
Mediation Effect of PE					
TL → OTI → OS	0.033 (0.22x0.15)	0.04	3.53	Significant	H4 Supported

Chi Square 28.77; p-value=0.06937; df=19; RMSEA=0.030; GFI=0.986

The results showed that transformational leadership had a positive impact on value=13.84>1.96), which can be concluded that hypothesis 1 (one), is supported. Furthermore, results of the study also showed that all the five dimensions (Intellectual Stimulation, Inspirational Motivation, Idealized Influence, Idealized Influence Attribute, and Idealized Influence Behavior) had almost the same amount of loading factor, which means that all the five dimensions together are indicators representing of Transformational Leadership. Meanwhile, results of the study also showed that Operational/Organizational Capital and HR Capital have higher loading factor compare to image capital, it can be concluded that the best indicator of organizational sustainability are Operational and HR Capital. The results showed that transformational leadership had a significant and negative impact on turnover intention (standardized score 0.27, negative coefficient, t-value=4.54>1.96), which can be concluded that hypothesis 2 (two) is supported. Results showed that turn over intention had a negative impact on organizational sustainability, (standardized score 0.16, positive coefficient, t-value=5.65 >1.96), which can be said that hypothesis 3 (three) is supported. In other words, a leader with transformational leadership will be able to influence employees to stay in the organization, and low intention to leave an organization. The higher perception about transformational leadership, the less willingness of the employees to leave the organization. Results showed that transformational leadership had a positive impact on organizational sustainability through turn over intention (standardized score 0.04, negative coefficient, t-value=3.535>1.96), which can be said that hypothesis 4 (four) is supported. Transformational leadership had an impact on turn over intention, and turn over had an impact on organizational sustainability, which can be concluded that transformational leadership had an indirect impact on organizational sustainability with turn-over intention as mediator.

5. DISCUSSION, CONCLUSION, RECOMMENDATION

In this study, the role of transformational leadership was tested. Results of the study showed that transformational leadership had both direct impact and indirect on organizational sustainability with turn over intention as partial mediator. This study is supported the previous research conducted by Bass² who found that organizational leaders can influence behavior by creating systems and processes that fit the needs of the organization, both the needs of the individual, the group needs as well as needs of the organization. Results of the study also supported the research by Ijire & Abisilim¹¹ which showed that transformational leadership had an impact on organizational performance.

Results also showed that transformational leadership had a negative relationship on turn over intention. A leader with transformational leadership is able to motivate, inspire and empower organizational members, and as a result will develop lower turn-over intention. Results further showed that turn over intention had a negative impact on organizational sustainability. Transformational leadership had an indirect impact on organizational sustainability through turn over intention and transformational leadership had a stronger impact directly on organizational sustainability compares through turnover intention. The result, also showed that operational capital and HR capital is more important in achieving organizational sustainability compare to social or image capital. Some of the limitations of this research are as follows; First, the concept of organizational sustainability is still new

and not standardized yet, as a result, can be interpreted in multi-meaning/interpretations. Second, this research only used one single method in data collection, which is questionnaires that can lead to Common Method Biases (Podsakoff et.al., 2003). Third, the sample of this research comes from 1 (one) manufacturing industry, which might have a special characteristic, compared to other types of organization and industries. The implication of the study can be used for the organization/management, especially for the leader. Results of the study can be used for management in order to develop organizational sustainability.

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