



## The Mediating Effect of Empowerment in the Relationship between Transformational Leadership and Service Quality

Azman Ismail (Corresponding author), Farida Abd Halim, Dayang Nailul Munna Abang Abdullah, Ahmad Sofian Shminan, Agatha Lamentan Anak Muda & Shairazi Samsudin

Faculty of Cognitive Sciences and Human Development, Universiti Malaysia Sarawak

Kota Samarahan 94300, Sarawak, Malaysia

Tel: 60-82- 581-558 E-mail: iazman@fcs.unimas.my

Antonia Girardi

Murdoch Business School, Murdoch University

South Street. Murdoch. Western Australia 6150, Australia

Tel: 61-08- 9360- 6980 E-mail: a.girardi@murdoch.edu.au

### Abstract

Transformational leadership has two salient characteristics: intellectual stimulation and individualized consideration. Recent studies in this area reveal that the effect of such leadership characteristics on job performance is indirectly affected by empowerment. The nature of this relationship is interesting, but little is known about the mediating effect of empowerment in leadership management models. Therefore, this study was conducted to measure the effect of transformational leadership characteristics and empowerment on service quality by using 110 usable questionnaires gathered from employees working in a city based local authority (CBLAUTHORITY) in Sarawak, Malaysia. Outcomes of a stepwise regression analysis showed that the relationship between empowerment and selected transformational leadership characteristics (i.e. intellectual stimulation and individualized consideration) is positively and significantly correlated with service quality. The result confirms that empowerment does act as a full mediating variable in the leadership model of the organization under study. This paper also discusses implications and limitations, as well as directions for future research.

**Keywords:** Transformational leadership, Empowerment, Service quality

### 1. Introduction

In the early development of human resource literature, the internal properties of organizational leadership were given much attention (Spreitzer, 1995; Yammarino & Dubinsky, 1994). Many scholars, such as Bass (1988; 1990), Bass and Avolio (1993), Hartog, Muijen and Koopman (1997), discuss transactional leadership and transformational leadership as two salient organizational leadership styles that affect organizational effectiveness. Transactional leadership believes that an exchange of commodities (e.g., rewards) between leaders and followers is an important instrument to achieve job targets (Howell & Avolio, 1993; Pounder, 2002). In this exchange process, leaders often promise to fulfill followers' needs (e.g. wages, promotion) if they comply with their wishes (Bass, 1990, 1994, Jabnoun & AL-Rasasi, 2005). In this era of global competition, many organizations have shifted their management style paradigms from transactional to transformational in order to achieve their strategies and goals (Bass, 1990, 1994; Howell & Avolio, 1993; Humphrey, 2002). Transformational leadership believes that relationships between leaders and followers must focus on developing the followers' full potentials, higher needs, good value systems, moralities and motivation. If this development is properly done this may motivate followers to unite, change goals and beliefs (Bass, 1990, 1994; Bycio, Hackett & Allen, 1995), and look forward beyond fulfilling their self interests (Hartog et al., 1997; Keller, 1995).

Existing research in this area shows that the ability of leaders to properly implement transformational styles may have significant impact on service quality (Humphreys, 2002, Pounder, 2002). Several scholars, such as Bass and Avolio (1994), Jabnoun and AL Rasasi (2005), identify intellectual stimulation and individualized consideration as the most salient transformational leadership characteristics. Intellectual stimulation is often seen as the extent to which a leader

encourages followers to exhibit intelligent, rational, logical and careful problem solving behaviors in organizations (Dionne, Yammarino, Atwater and Spangler, 2003). This approach is frequently implemented through stimulating followers to re-examine traditional ways of doing things, and encourage them to try novel and creative approaches (Bass & Avolio, 1994; Yammarino & Dubinsky, 1994). Individualized consideration is the extent to which leaders care about their followers' concerns and developmental needs. This concept encourages leaders to develop followers' potentials through proper coaching and mentoring, continuous feedback thus linking followers' needs to organizational strategies and goals (Bass & Avolio, 1994; Avolio, Zhu, Koh & Bhatia, 2004).

Many quality management scholars, such as Parasuraman, Zeithmal and Berry (1985), Parasuraman, Zeithmal and Berry (1988), Jabnoun and Al Rasasi (2005) and Jun, Peterson and Zsidsin (1988) interpret service quality as a multidimensional concept where it is often related to delivering products that meet five generic quality features: reliability, responsiveness, tangibility, assurance and empathy. Reliability is often associated with the willingness of a service provider to perform the service dependably and accurately. Responsiveness is usually seen as the willingness of a service provider to be helpful and punctual in providing services. Tangibility is referred to the physical appearance of service facilities, equipments, staff and communication materials. Assurance is viewed as a service provider's knowledge, courtesy and ability in conveying trust and confidence. Empathy is often related to the readiness of a service provider to increase the level of care and individual attention when dealing with customers. Within a transformational leadership framework, the ability of leaders to properly stimulate followers' intellect and to develop their potentials in performing duties and responsibilities (Bass, 1994; Bass & Avolio, 1994; Avolio et al., 2004) may directly increase the quality of service deliveries, such as customers' satisfaction and retention (Spreng, MacKenzie & Olshavsky, 1996; Rust & Olivier, 1994) therefore eliminating complaints and continuing relationships with customers (Jabnoun & AL Rasasi, 2005; Pounder, 2002).

A thorough review of such relationships reveals that the effect of transformational leadership characteristics on service quality is indirectly affected by empowerment (Bartram & Casimir, 2007; Klidas, van den Berg & Wilderom, 2007). Empowerment is often seen as a proactive and strategic management practice that exist in an organization to promote high commitment HR practices (Menon, 2001; Spreitzer, 1995) and refers to the willingness of leaders to delegate power and responsibility of making decisions to their followers in managing organizational functions (Bowen & Lawler, 1992; Honold, 1997; Sternberg, 1992; Lashley, 1999). In a transformational leadership context, many scholars such as Bartram and Casimir (2007), and Klidas, van den Berg and Wilderom (2007) opined that intellectual stimulation, individualized consideration, empowerment and service quality are distinct but highly interrelated constructs. For example, leaders who stimulate employees' intellect and develop their potentials will enable employees practice empowerment in their jobs therefore leading to an increased service quality in organizations. The nature of this relationship is interesting but little is known about the mediating role of empowerment in transformational leadership models (Bartram & Casimir, 2007; Klidas et al., 2007; Ismail, Samsudin & Ibrahim, 2008).

Many scholars reveal that previous studies in the field of leadership emphasized more on the internal properties of transformational leadership (e.g., conceptual debate) but the importance of human psychological factors such as empowerment in influencing the effect of transformational leadership on service quality have been less emphasized (Bartram & Casimir, 2007; Klidas et al., 2007). In addition, past research have relied very much on segmented research approaches less emphasizing multidisciplinary research approaches in developing organizational leadership models. These conditions fail to capture the dynamic nature of transformational leadership development therefore decreasing the abilities of past research findings to explain how and why transformational leadership styles affect service quality through empowerment in dynamic organizations (Bass & Avolio, 1993; Bycio, Hackett & Allen, 1995; Ismail et al., 2008). With this in mind, this study was primarily conducted to examine the effect of transformational leadership characteristics (i.e., intellectual stimulation and individualized consideration) and empowerment on service quality that occurs in one city based local authority (CBLA) in Sarawak, Malaysia. For confidential reasons, the name of the organization is kept anonymous.

## **2. Context of the study**

CBLA is a state owned agency that has been established to realize the organization's vision of maintaining an attractive, clean and safe city. Aligned with this vision is the organizational mission that emphasizes on continually improving the delivery of services for enhancing the quality of life of its community. The researchers conducted in-depth interviews with four experienced employees to understand the role of leadership in achieving the organization's mission and vision. The information gathered from the interview reveals that staff of the organization can be divided into two major categories: management employees and supporting employees. Management employees are leaders (i.e. department heads, assistant department heads and supervisors) who are given duties and responsibilities to plan, organize, lead and monitor employees' jobs in the organization. Supporting employees are followers (e.g., general administration assistants, personal assistants to department heads and technicians) who are hired to assist their bosses in achieving the organizational and job targets. At the departmental levels, management employees often use policies and

procedures set up by the stakeholders (i.e., senior management team, board of directors, government and a central government agency) as guidelines to ensure integrity and accountability in implementing management functions, such as general service, human resource, finance, and technical activities.

These guidelines provide limited authority to management employees in designing broad policies and procedures but they are given opportunities to stimulate followers' intellect and develop their potentials in achieving organizational and job targets. For example, management employees promote intellectual stimulation through encouraging followers to think and try new ways in completing tasks (e.g., human resource information system, internet, automations and machineries), asking followers' opinions in making decisions (e.g., enforcing rules and regulations), and motivating followers to use their capabilities in doing challenging works (e.g., applying knowledge, skills and attitudes gained from training programs). Besides that, management employees emphasize individualized consideration by conducting one-on-one conversation about the progress of work (e.g., teamwork), assist followers to complete work when needed (e.g., physical facilities and work schedules) and appreciating the strengths and weaknesses of each follower (e.g., skill based courses). If management employees can properly implement such transformational styles this will increase the followers' empowerments in planning and performing their jobs. Consequently, it may lead to an increased service quality (e.g., followers care 24-hours tele-service to receive reports from customers, courtesy when dealing with the customers, take action for minor complaints received within 24 hours, and perform action for major complaints received within three days).

### 3. Literature review

The mediating role of empowerment in the leadership management model of the CBLAUTHORITY is consistent with transformational leadership studies conducted in Western and Eastern organizational settings. For example, Jabnoun and AL Rasasi (2005) had conducted a study on transformational leadership in six UAE hospitals. This study found that intellectual stimulation and individualized consideration had increased service quality in these organizations. Bartram & Casimir (2007) examined transformational leadership constructs based on a sample of 150 customer service operators in an Australian call-centre. This study found that the abilities of leaders to properly implement intellectual stimulation and individualized consideration have increased employees' empowerments in performing their jobs. As a result, it could lead to higher service quality. Further, Klidas, van den Berg and Wilderom (2007) surveyed the role of empowerment with 356 frontline employees of 16 luxury hotels in European countries. The study found that properly implemented intellectual stimulation and individualized consideration had increased followers' empowerment in delivering services. As a result, it could lead to higher service quality in the organization.

The leadership research literature gained strong support from the notion of leadership theories, namely Burns' (1978) transformational leadership theory and Bass's (1985) transformational leadership theory. Specifically, Burns' (1978) transformational leadership theory highlights that mutual understanding between leaders and followers when managing organizational functions may increase their moralities. Besides that, Bass's (1985) transformational leadership theory posits that the interaction between leaders and followers in managing organizational functions can inspire followers to go beyond their self-interests in supporting the organization's interests. Application of these theories in an organizational leadership framework show that followers' moralities and concern about organizational interests can be developed if leaders stimulate their followers' intellect and develop their potentials in managing organizational functions (Bass, 1990, 1994; Bycio et al., 1995; Dionne et al., 2003; Hartog et al., 1997). When such leadership styles are properly implemented this will increase followers' empowerments to perform job better because they believe that they can use their creativities and innovations to achieve difficult goals (Lashley, 1999; Locke & Latham, 1991; Pounder, 2002; Waldman, 1993). As a result, it may lead to improved service quality in organizations (Bartram & Casimir, 2007; Klidas et al., 2007).

Supporting literature was used as foundation to develop a conceptual framework for this study (Figure 1).

Based on this framework, it seems reasonable to assume that a high degree of empowerment in performing a job will influence CBLAUTHORITY employees just as this practice had influenced Western and Eastern employees. Transformational leadership theories suggest that if CBLAUTHORITY employees have high empowerment opportunities in performing their jobs, this may lead to higher service quality. Therefore, it was hypothesized that:

H1: Empowerment mediates the effect of intellectual stimulation on service quality.

H2: Empowerment mediates the effect of individualized consideration on service quality.

### 4. Methodology

This study used a cross-sectional research design that allowed the researchers to integrate training management literature, in-depth interviews, a pilot study and the actual survey as main procedures to gather data. The use of such methods may gather accurate and less biased data (Cresswell, 1998; Sekaran, 2000). This study was conducted at a city based local authority (CBLAUTHORITY) in Sarawak, Malaysia. At the initial stage of this study, in-depth interviews were conducted involving four experienced employees, namely HR manager, training executive and two experienced

supporting staff in the Human Resource Department of the organization. Information gathered from the interviews was used to develop the content of a pilot survey questionnaire. Next, a pilot study was done by discussing the survey questionnaire with the participants to further understand leadership styles, empowerment characteristics, service quality characteristics and the relationship of such variables in the organization under study. This information was used to verify the content and format of survey questionnaires for the actual study.

The survey questionnaire has 4 sections. First, the intellectual stimulation section had 10 items and individualized consideration section had 10 items that were modified from the multi factor leadership questionnaires (Bass, 1990, 1994; Bycio et al., 1995; Dionne et al., 2003; Hartog et al., 1997). The items used to measure intellectual stimulation were: (1) provides me with assistance in exchange for my efforts, (2) re-examines critical assumptions to questions whether they are appropriate, (3) encourage me to seek different perspective when solving problems, (4) goes beyond self-interest for the good of the group, (5) considers the moral and ethical consequences of decisions I make regarding my work, (6) gets me to look at problems from many different angles. (7) suggest new ways of looking at how to complete an assignment, (8) encourage me to do more than I expected to do, (9) effective in representing me to higher authority, and (10) increase my willingness to try harder. The items used to measure individualized consideration were: (1) talk optimistically about the future, (2) instill pride in me for being associated with him/her, (3) talks enthusiastically about what needs to be accomplished, (4) specifies the importance of having strong sense of purpose, (5) spends time teaching and coaching, (6) treats me as individual rather than just as a member of a group, (7) articulate compelling vision of the future, (8) considers me as having different needs, abilities, and aspirations from others, (9) helps me to develop my strength, and (10) heightens my desire to succeed.

Second, empowerment was measured by using 7 items modified from the service management literature (Klidas et al., 2007). The items used to measure this variable were: (1) confident in my ability to do my work, (2) the work that I do is important to me, (3) come up with creative ways to please customers, (4) the support and authority to make the decisions necessary for accomplishing assigned task, (5) take initiatives beyond what is expected of me in order to please the customer, (6) rely on my own judgement to make most of the decisions required in my job, and (7) enough involvement in decisions that affect my work.

Finally, service quality was measured by using 12 items modified from the SERVQUAL questionnaire (Parasuraman et al., 1985, 1988). The items used to measure this variable were: (1) provide services based on the organization's policies, (2) show a sincere interest in helping customers when they are having a problem, (3) deliver my service correctly at any time, (4) inform the customers when services will be performed, (5) give prompt services to the customers, (6) never be too busy to respond to customers' request, (7) the appropriate knowledge to answer customers' questions, (8) be consistently courteous to the customers, (9) instill confidence in the customers when providing services, (10) give personal attention to the customers when I provide services, (11) understand the needs of the customers, and (12) the customers' best interest at heart. All items used in the questionnaires were measured using a 7-item scale ranging from "strongly disagree" (1) to "strongly agree" (7).

Demographic variables were used as controlling variables because this study focused on employees' attitudes. The back translation technique was used to translate the survey questionnaires in Malay and English and this may help to increase the validity and reliability of the instrument (Van Maanen, 1983; Wright, 1996).

The targeted population of this study was employees of the CBLAUTHORITY. This organization has 1,007 officers employed with 35 professional full time staff, 696 support staff and 276 daily paid workers. In this study, a convenience sampling technique was used to gather data from employees in the organization. This sampling technique was used because the researchers were not given the list of registered employees due to confidentiality reasons. The researchers were not allowed to personally distribute survey questionnaire to employees who work in different departments. They were asked to give survey questionnaires to the HR manager, assistant HR managers and/or supervisors who later redistributed the survey instruments to employees. These constraints restricted the researchers in using random sampling techniques to choose participants for this study. Consequently, 260 survey questionnaires were distributed to employees through the contact persons. Of this number, 110 usable questionnaires were only returned to the researchers yielding a response rate of 42.31 percent. The survey questionnaires were answered by participants based on consent and voluntary basis. The number of sample exceeded the minimum sample of 30 respondents as required by probability sampling technique. Thus, the data collected can be analyzed using inferential statistics (Leedy & Ormrod, 2005; Sekaran, 2000).

## **5. Result**

Table 1 shows the sample profile of this study. The majority of respondents were females (56.4 percent) rather than males (43.6 percent), with ages above 40 years old (30.9 percent), were Malays (67.3 percent), possessing the Malaysia Certificate of Education (55.5 percent), and have worked more than 10 years (58.2 percent).

Table 2 shows the results of the validity and reliability analyses for measurement scales. Factor analysis with direct oblimin rotation was done for four variables with 39 items, which were related to four variables namely intellectual stimulation (10 items), individualized consideration (10 items), empowerment (7 items), and quality service (12 items). Next, the Kaiser-Mayer-Olkin Test (KMO), which is a measure of sampling adequacy, was conducted for each variable and the results indicated that it was acceptable. Specifically, the results of these statistical analyses showed that (1) all research variables exceeded the minimum standard of Kaiser-Meyer-Olkin's value of 0.6 and were significant in the Bartlett's test of sphericity, (2) all research variables had eigenvalues greater than 1, (3) the items for each research variable exceeded factor loadings of 0.40 (Hair, Anderson, Tatham & Black, 1998), and (4) all research variables exceeded the acceptable standard of reliability analysis of 0.70 (Nunnally & Bernstein, 1994). These statistical results confirmed the validity and reliability of measurement scales used for this study.

Table 3 shows the results of the Pearson correlation analysis and descriptive statistics. The means for the variables are from 5.24 to 5.91, signifying that the level of intellectual stimulation, individualized consideration, empowerment and service quality ranges from high (5.24) to highest (5.91). The correlation coefficients for the relationship between the independent variable (i.e., intellectual stimulation and individualized consideration), the mediating variable (i.e., empowerment), and the dependent variable (i.e. service quality) were less than 0.90, indicating that the data were not affected by serious collinearity problem (Hair et al., 1998).

Stepwise regression analysis was then undertaken to test the mediating hypothesis because it can assess the magnitude of each independent variable. This analysis can vary the relationship of the mediating variable between many independent variables and one dependent variable (Baron & Kenny, 1986; Foster, Stine & Waterman, 1998). According to Baron and Kenny (1986), the mediating variable can be considered when it meets three conditions. First, the predictor variables are significantly correlated with the hypothesized mediator. Second, the predictor and mediator variables are all significantly correlated with the dependent variable. Third, a previously significant effect of the predictor variables is reduced to non-significance or reduced in terms of effect size after the inclusion of mediator variables into the analysis (Wong, Hui & Law, 1995). In this regression analysis, standardized coefficients (standardized beta) were used for all analyses (Jaccard, Turrissi & Wan, 1990).

Table 4 shows the inclusion of empowerment in Step 3 of the process revealing that the relationship between empowerment and selected transformational leadership characteristic (i.e., intellectual stimulation and individualized consideration) is significantly correlated with service quality ( $\beta=.63$ ,  $p=0.000$ ). Therefore H1 and H2 were fully supported. This result demonstrates that before the inclusion of empowerment into Step 2, intellectual stimulation was found to be not significantly correlated with service quality ( $\beta=.02$ ,  $p=0.892$ ), while individualized consideration was found to be significantly correlated with service quality ( $\beta=.48$ ,  $p=0.001$ ). As shown in Step 3 (after the inclusion of empowerment into the analysis), the previous insignificant relationship between intellectual stimulation and service quality remained insignificant ( $\beta=.04$ ,  $p=0.72$ ) while the previous significant relationship between individualized consideration and service quality changed to insignificant ( $\beta=.11$ ,  $p=.34$ ). This implies that the inclusion of empowerment in Step 3 had explained 75 percent of the variance in the dependent variable. Therefore this result meets the requirements of Baron and Kenny (1986), and Wong, Hui and Law's (1995) mediating model testing which states that a previously significant effect of predictor variables (i.e., transformational leadership characteristics) is reduced to non-significance or reduced in terms of effect size after the inclusion of mediator variables (i.e., empowerment) into the analysis. Thus, the result of this study confirms that empowerment does act as a full mediating variable in the relationship between the transformational leadership characteristics and service quality in the organizational sample.

## 6. Discussion, Implications, limitations and Directions for Future Research

This study confirms that the effect of intellectual stimulation and individualized consideration on service quality is indirectly affected by empowerment in this organization. In CBLAUTHORITY, leaders have actively stimulated followers' intellects and potentials in implementing management functions. The majority of employees perceive that such leadership styles had increased their empowerment in planning and implementing their jobs. When employees perceive that their degree of empowerment is high, this may motivate them to increase service quality.

The implications of this study can be divided into three major aspects: theoretical contribution, robustness of research methodology, and contribution to practitioners. In term of theoretical contribution, this study revealed that empowerment does mediate the relationship between selected leadership features (i.e., intellectual stimulation and individualized consideration) and service quality. This outcome is consistent with studies by Bartram & Casimir (2007), and Klidas, van den Berg & Wilderom (2007). Therefore the findings of this study have supported and broadened leadership research literature mainly published in Western and Eastern organizational settings. Thus, the notion of empowerment has been successfully applied within the leadership management models of the organization under study. With respect to the robustness of research methodology, the data gathered using leadership management literature, in-depth interviews, pilot study and survey questionnaires have exceeded acceptable standards of validity and reliability analysis leading to accurate and reliable findings.

The results of this study can be used as a guide by organizations' management to upgrade the effectiveness of leadership styles in their respective organizations. This objective might be achieved if the management consider the following suggestions. First, leadership styles will be sharpened if employees are continuously trained with updated date knowledge, relevant skills and universal moral values. These training programs can help to improve leaders when handling the needs and demands of employees from different socio-economic backgrounds. Secondly, participative leadership styles can be meaningful if followers are allowed to be involved in decision making. This might motivate employees to perceive that their contributions are appreciated therefore motivating them to use their own creativity and innovations in performing jobs. Finally, interactions between followers and leaders will increase positive subsequent personal outcomes (e.g., satisfaction, commitment, performance and ethics). If employers were to consider these suggestions, this may positively motivate followers and leaders to support organizational strategies and goals.

The conclusion drawn from the results of this study should consider the following limitations. First, the data was only taken one time during the duration of this study. Therefore, it did not capture the developmental issues such as personal development changes of individuals, restrictions of making inferences to participants and causal connections between variables of interest. Second, this study only examines the relationship between latent variables and the conclusion drawn from this study does not specify the relationship between specific indicators for the dependent variable, mediating variable and dependent variable. Third, this study only focused on particular elements of a leadership style and neglected other important factors (e.g., communication, encouragement, and contingent reward plan). Fourth, other transformational leadership outcomes (e.g., job satisfaction, job performance, job commitment, and job turnover) that are significant for organizations and employees are not discussed in this study. Fifth, although a substantial amount of variance in dependent measures explained by the significant predictors is identified, there are still a number of unexplainable factors that can be incorporated to identify the causal relationship among variables and their relative explanatory power (Tabachnick & Fidell, 2001). Sixth, the respondents of this study were selected using a convenient sampling technique and their opinions might be influenced by several factors in terms of integrity, loyalty and willingness to answer questions truthfully. This might affect the ability to collect reliable data that represents the organization's environment. Finally, the sample for this study was taken from one organization that allowed the researchers to gather data via survey questionnaires. These limitations may decrease the ability of generalizing the results of this study to other organizational settings.

The conceptual and methodology limitations of this study need to be considered when designing future research. First, the organizational and personal characteristics as potential variables that can influence the effectiveness of leadership styles needs to be further explored. If organizational (e.g., division and ownership) and personal characteristics (e.g., gender, age, position, length of service, education level and position) are used, this may provide meaningful perspectives for understanding individual differences and similarities that affect leadership outcomes. Second, as suggested by prominent scholars, other important elements of leadership style such as communication, encouragement, and contingent reward plan to be added in a future study may represent the effectiveness of leadership roles in an organization (Avolio, Bass & Jung, 1999; Bass & Avolio, 1993, 1994; Casimir, Waldman, Bartram & Yang, 2006; Dionne et al., 2003). Third, the weaknesses of cross-sectional research design may be overcome if longitudinal studies are used to collect data describing the patterns of change and the directions and magnitudes of causal relationships between variables of interest. Third, the findings of this study may produce different results if this study is done in other organizational sectors (e.g., manufacturing and construction companies). Finally, as an extension of this study, other theoretical construct such as trust in leaders needs to be considered in future research because it has been recognized as a link between the transformational leadership and performance outcome (Avolio et al., 2004; Bartram & Casimir, 2007; Dionne et al., 2003; Moya & Henkin, 2006; Politis, 2002). The importance of these issues needs to be further explored in future research.

## 7. Conclusion

This study confirms that empowerment does act as a full mediator in the relationship between intellectual stimulation, individualized consideration and service quality. This result had supported and extended leadership research literature mostly published in Western and Eastern organizational settings. Therefore, current research and practices within transformational leadership models needs to consider empowerment as a crucial aspect of organizational leadership styles where increasing followers' empowerments in planning and implementing their jobs may strongly induce positive subsequent personal outcomes (e.g., competency, performance, satisfaction, commitment, trust, and positive moral values). Therefore, these positive outcomes may motivate employees to sustain and support organizational strategy and goals.

## References

Avolio, B.J., Bass, B.M., & Jung, D.I. (1999). Re-examining the components of transformational and transactional leadership using the multifactor leadership questionnaire. *Journal of Occupational and Organizational Psychology*, 72 (4), 441-462.

- Baron, R.M. & Kenny, D.A. (1986). This moderator-mediator variable distinction in social psychological research: Conceptual, strategic, and statistical considerations. *Journal of Personality and Social Psychology*, 51 (6), 1173-1182.
- Bartram, T. & Casimir, G. (2007). The relationship between leadership and follower in-role performance and satisfaction with the leaders: The mediating effects of empowerment and trust in the leader. *Leadership & Organization Development Journal*, 28 (1), 4-19.
- Bass, B.M. (1985). *Leadership and performance beyond expectations*. Free Press New York. NY.
- Bass, B.M. (1988). The inspirational process of leadership. *Journal of Management Development*, 7, 21-31.
- Bass, B.M. (1990). *Bass and Stogdill's handbook of leadership: theory research and managerial applications*. 3rd ed. Free Press New York. NY.
- Bass, B.M. (1994). *Transformational leadership and team and organizational decision making*. Sage Thousand Oaks. CA.
- Bass, B.M., & Avolio, B. (1993). Transformational leadership and organizational culture. *Public Administration Quarterly*, 17, 112-21.
- Bass, B.M., & Avolio, B. (1994). *Improving organizational effectiveness through transformational leadership*. Sage Thousand Oaks. CA.
- Bowen, D.E., & Lawler, E.E. (1992). The empowerment of service workers: What, why, how, and when. *Sloan Management Review*, 33 (3), 31-9.
- Burns, J. (1978). *Leadership*. Harper & Row New York. NY.
- Bycio, P., Hackett, R.D. & Allen, J.S. (1995). Further assessment of Bass's (1985) conceptualization of transactional and transformational leadership. *Journal of Applied Psychology*, 80, 468-478.
- Casimir, G., Waldman, D., Bartram, T., & Yang, S. (2006). Trust and the relationship between leadership and follower performance: Opening the black box in Australia and China. *Journal of Leadership and Organizational Studies*, 12, 72-88.
- Cresswell, J.W. (1998). *Qualitative inquiry and research design: choosing among five traditions*. SAGE publications. London.
- Dionne S.D., Yammarino F.J, Atwater L.E. & Spangler W.D. (2003). Transformational leadership and team performance. *Journal of Organizational Change Management*, 17 (2), 177-193.
- Foster, D.P., Stine, B., & Waterman, R. (1998). *Business analysis using regression: A casebook*. Springer-Verlag.
- Hair, J.F., Anderson, R.E., Tatham, R.L., & Black, W.C. (1998). *Multivariate data analysis*. Prentice Hall International Inc. New Jersey.
- Hartog, D.N.D., Muijen J.J. & Koopman V. (1997). Transactional vs. transformational leadership: An analysis of the MLQ. *Journal of Occupational and Organizational Psychology*, 70: 19-34.
- Honold, L. (1997). A review of the literature on employee empowerment. *Empowerment in Organizations*, 5 (4), 202-212.
- Howell, J.M., & Avolio, B.J. (1993). Transformational leadership, transactional leadership, locus of control and support for innovation: Key predictors of consolidated-business unit performance. *Journal of Service Marketing*, 16, 487-502.
- Humphreys, J. H. (2002) Transformational leader behaviour, proximity and successful service marketing. *Journal of Service Marketing*, 16 (6), 487-502.
- Ismail, A., Samsudin, S., & Ibrahim, Z. (2008). *Selected transformational leadership characteristics and service quality: The mediating role of empowerment*, the Proceeding of Trengganu International Business and Economic Conference (TiBEC08), 26-28 November, UiTM, Malaysia.
- Jabnoun, N., & AL Rasasi, A.J. (2005). Transformational leadership and service quality in UAE hospitals. *Managing Service Quality*, 15 (1), 70-81.
- Jaccard, J., Turrisi, R. & Wan, C.K (1990). *Interaction effects in multiple regression*, 72. SAGE Publications Inc. Newsbury Park California.
- Jun, M., Peterson, R.T. & Zsidisin, G.A. (1998). The identification and measurement of quality dimensions in the health care: focus group interview results. *Health Care Management Review*, 23 (4), 81-96.
- Keller, R.T. (1995). Transformational leaders make a difference. *Research Technology Management*, 38 (3), 41-44.
- Klidas, A., van den Berg, P.T. & Wilderom, C.P.M. (2007). Managing employee empowerment in luxury hotels in Europe. *International Journal of Service Industry Management*, 18 (1), 70-88.

- Lashley, C. (1999). Employee empowerment in services: A framework for analysis. *Personnel Review*, 28 (3), 169-191.
- Leedy, P.D. & Ormrod, J.E. (2005). *Practical research: Planning and design*. Pearson Education Ltd.
- Locke, E. A. & Latham, G. P. (1990). *A theory of goal setting and task performance*. Englewood Cliffs. Prentice Hall. NJ.
- Menon, S.T. (2001). Employee empowerment: an integrative psychological approach. *Applied Psychology: An International Review*, 50 (1), 153-80.
- Moye, J., & Henkin, B. (2006). Exploring associations between employee empowerment and interpersonal trust in managers. *Journal of Management Development*, 25, 101-117.
- Nunally, J.C., & Bernstein, I.H. (1994). *Psychometric theory*. New York:McGraw-Hill.
- Parasuraman, A., Zeithmal, V.A. & Berry L.L. (1988). SERVQUAL: A multiple-item scale for measuring consumer perceptions of service quality. *Journal of Retailing*, 64, 12-40.
- Parasuraman, A., Zeithmal, V.A., & Berry, L.L. (1985). A conceptual model of service quality and its implications for future research. *Journal of Marketing*, 49, 41-50.
- Politis, J.D. (2002). Transformational leadership and transactional leadership enabling (disabling) knowledge acquisition of self-managed teams: The consequences for performance. *Leadership and Organization Development Journal*, 186-197.
- Pounder, J. S. (2002). Employing transformational leadership to enhance the quality of management development instruction. *Journal of Management Development*, 22 (1), 6-13.
- Rust, R.T., & Oliver, R.L. (1994). *Service quality: New directions in theory and practice*. Sage: London.
- Samsudin, S. (2008). Selected transformational leadership characteristics and service quality: A mediating role of empowerment. *Unpublished Final Year Project Report*. Universiti Malaysia Sarawak, Malaysia.
- Sekaran, U. (2000). *Research methods for business: A skill building approach*. John Wiley & Sons Inc. NY.
- Spreitzer, G. (1995). Psychological empowerment in the workplace: Dimensions, measurement and validation. *Academy of Management Journal*, 38 (5), 1442-65.
- Spreng, R.A., MacKenzie S.B. & Olshavsky R.W. (1996). A re-examination of the determinants of consumer satisfaction. *Journal of Marketing*, 60, 15-32.
- Sternberg, L.E. (1992). Empowerment: trust vs control. *Cornell Hotel and Restaurant Administration Quarterly*, 33 (1), 69-72.
- Tabachnick, B.G., & Fidell, L.S. (2001). *Using multivariate statistics*. Sydney: Allyn & Bacon.
- Vaan Maanen, J. (1983). *Qualitative methodology*. Sage Publications. Beverly Hills CA.
- Waldman, D.A. (1993). A theoretical consideration for leadership and total quality management. *Leadership Quarterly*, 4 (1), 65-79.
- Wong, C., Hui, C. & Law, K.S. (1995). Causal relationships between attitudinal antecedents to turnover. *Academy of Management Journal*, 342-346.
- Wright, I.L. (1996). Qualitative international management research. In B.J. Punnett, & O. Shenker (Eds.), *Handbook for international management research*. Blackwell Publishers Inc. UK.
- Yammarino, F.J., & Dubinsky, A.J. (1994). Transformational leadership theory: using levels of analysis to determine boundary conditions. *Personnel Psychology*, 47, 787-811.

Table 1. Participants' characteristics (N=110)

Gender (%)	Race (%)	Age (%)	Education (%)	Length of Service (%)
Male 43.6	Malay=67.3	18-20=0.9	SPM/MCE/Senior Cambridge =55.5	<1 year =7.3
Female=56.4	Chinese =5.5	21-25=17.3	STPM/HSC=10.0	1-3 years =20.9
	Indian=0.9	26-30=11.8	Diploma =14.5	4-6 years =6.4
	Native=23.6	31-35=13.6	Degree =12.7	7-9 years =7.3
	Others=2.7	36-40=25.5	Others =7.3	>10 years =58.2
		>40=30.9		

Note:

SPM/MCE/Senior Cambridge: Sijil Pelajaran Malaysia/Malaysia Certificate of Education

STPM/HSC: Sijil Tinggi Pelajaran Malaysia/High School Certificate



Table 2. Validity and reliability analyses for measurement scales

Measure	Item	Factor Loadings	KMO	Bartlett's Test of Sphericity	Eigenvalue	Variance Explained	Cronbach Alpha
Intellectual Stimulation	10	0.72 to 0.87	0.920	1055.19, p=.000	7.28	72.64	0.96
Individualized Consideration	10	0.43 to 0.654	0.934	1201.24, p=.000	7.57	75.73	0.96
Empowerment	7	0.47 to 0.72	0.846	505.05, p=.000	4.36	62.31	0.89
Quality Service	12	0.68 to 0.84	0.903	1088.25, p=.000	7.66	63.84	0.95

Table 3. Pearson correlation analysis and descriptive statistics

Variables	Min	Standard Deviation	Pearson Correlation (r)			
			1	2	3	4
1. Intellectual Stimulation	5.29	1.12	(1)			
2. Individualized Consideration	5.24	1.11	0.79**	(1)		
3. Empowerment	5.66	0.73	0.42**	0.53**	(1)	
4. Service Quality	5.91	0.81	0.39**	0.48**	0.73**	(1)

Note:

Correlation Value is significant at \*p<0.05, \*\*p<0.01, \*\*\*p<0.001

Reliability estimation are shown diagonally (value 1)

Table 4. Outcomes of stepwise regression analysis

Variables	Dependent Variable		
	Step 1	Step 2	Step3
<u>Control Variables</u>			
Gender	0.01	-0.04	0.03
Age	-0.10	-0.17	-0.12
Race	-0.23	-0.21	-0.12
Education Level	0.18	0.10	0.08
Length of Service	0.18	0.30	0.20
<u>Independent Variables</u>			
Intellectual Stimulation		0.02	0.04
Individualized Consideration		0.48**	0.11
<u>Mediating Variable</u>			
<b>Empowerment</b>			<b>0.63***</b>
R Square	0.27	0.55	0.75
Adjust R Square	0.03	0.25	0.53
R square change	0.07	0.22	0.27
F	1.65	6.16***	16.50***
F Δ R Square	1.65	16.22***	62.76***

Note: \*p<0.02, \*\*p<0.01, \*\*\*p<0.001

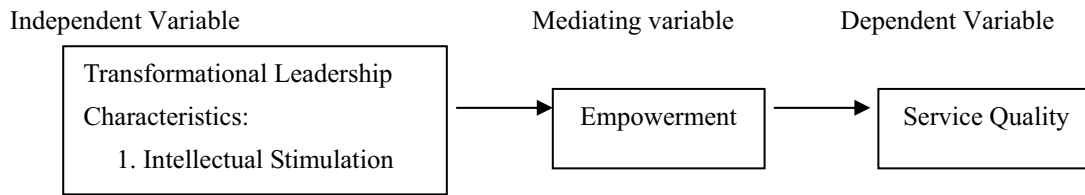


Figure 1. Empowerment Mediates the Effect of Transformational Leadership Characteristics on Service Quality