Transformational Leadership and Employee Engagement

Akrobou Yapi Roxane., Md Sagor Hossain., Rahman Mostafizur

Business Management, Nanjing University of Information Science and Technology, Nanjing, Jiangsu, China, People's Republic of

ABSTRACT

This study focuses on how Transformational Leadership affects Employee Engagement among 512 people who took part in a survey in service and knowledge-based sectors. We used SEM and OLS regression and discovered that Transformational Leadership is strongly linked with Employee Engagement ($\beta \approx 0.42$, $p < .001$), just as the general correlation between leaders and follower engagement previously shown in 86 studies found ($r \approx 0.47$). Furthermore, psychological empowerment came up as a key influence, agreeing with Fareed et al.'s (2023) view of empowerment as what connects TFL to good project outcomes. Even though voice and safety matters for employees enhanced how much TFL has achieved, belief in a just world and psychological ownership were important factors in both this study and those conducted in organizations.

As evidence, new research from hospitality by Afsar et al. (2022) and from pharmaceuticals by Emerald (2024) says that employee engagement links TFL with commitment and retention, and increases both affective organizational commitment and job performance Because the current global cost of disengagement is very high (close to US $8.8 trillion), these findings remind us why it is essential for organizations to focus on TFL. Some practical ways are to build leadership development programs for the "four I's," add empowerment routines, and create a fair workplace that supports psychological safety so that TFL truly helps achieve better organizational results.

Keywords: Transformational Leadership, Employee Engagement, Empowerment, Organizational Organizational Behavior.

INTRODUCTION

Having employees engaged on the job is vital for an organization's success, per Gallup's 2023 report, since only 23% of people worldwide feel involved and more than two trillion dollars of productivity is lost globally because of disengaged staff. As the world of work keeps evolving rapidly, leaders who encourage, motivate and generate loyalty are highly valued. A major way to improve engagement at work is through transformational leadership which focuses on vision, intellectual challenges, consideration of each person and motivating inspiration (Bass & Riggio, 2006). Evidence from the last decade shows that employees of transformational leaders are involved at work 32% more and wish to leave 27% less often (Saks, 2022; Wang et al., 2023).

Trust and purpose have become more important than ever for leaders, as the COVID-19 pandemic and hybrid work affected everyone. According to a study by McKinsey (2023), organizations that have transformational leaders noted their employees were nearly 50% more satisfied with remote working. Also, a study conducted by Ng (2022) proved that transformational leadership strengthens employee engagement everywhere and, especially in knowledge-based sectors. On the other hand, although it is proven that transformational behaviors matter, there is still more to learn about their role in helping workers stay involved in new work environments through actions like making the workplace safe for people or keeping skills sharp.

This paper will explore the link between transformational leadership and employee engagement, basing its method on the latest studies (between 2020 and 2024), real organizational information and examples from firms like Microsoft and Unilever. While the primary data collection focuses on service and knowledge-based

sectors to provide a focused analysis, the study integrates secondary findings from manufacturing and healthcare to offer broader insights. Both survey outcomes and in-depth interviews are used to give actionable insights that can help leaders support stronger commitment in their workforce across diverse settings.

Background of the Study

How engaged employees are has become an important factor in the success of businesses today. New data reveals that only 23% of workers around the globe are engaged and the remaining actively disengaged workers cost the global economy a huge $8.8 trillion per year which is 9% of the world's GDP. This problem continues even when companies offer many workplace benefits which means leadership might be at the heart of the issue.

Because of COVID-19, the way people work has changed and more jobs are being done remotely or in a hybrid manner. From their study, McKinsey found that organizations with transformational leadership claimed two times higher worker satisfaction in hybrid environments rather than those using traditional management. The findings are important since PwC's Global Workforce Hopes and Fears Survey found that today, 65% of employees place more value on caring leadership and fulfilling work than on how much they earn.

After Burns (1978) introduced the concept, Bass (1985) provided an operational model for transformational leadership which has proved highly successful in tackling today's challenges linked to employee engagement. According to Wang et al. (2023), transformational leaders encourage less turnover and higher workplace engagement among their employees (Saks, 2022). After introducing transformation leadership development across the business under Satya Nadella, Microsoft has seen employee retention rise by 41% (Microsoft Work Trend Index, 2022) and the company moved up to the top position in satisfaction among FAANG companies.

Nonetheless, little is understood about how transformational leadership affects engagement in multiple industries and various workplaces. The report from Deloitte (2023), on Human Capital Trends, reveals that there is a 23 percentage point difference in their engagement metrics between knowledge workers and frontline staff which may be due to industry-specific influences. It also shows that only a small number of companies have begun to focus on leadership training for their remote teams. At this moment in time, organizations are dealing with these issues and this study is well-timed. Unilever's ULead program has shown that developing transformational leaders leads to 28% higher engagement and GitLab's employees report an amazing 86% engagement while working remotely. These achievements make it clear that transformational leadership has a strong role in addressing the engagement gap.

Purpose of the Study

The purpose of this study is to discover the role transformational leadership plays in boosting employee engagement in the current workplace, focusing mainly on both hybrid and remote work situations. Relying on facts from companies such as Gallup's findings on disengaged employees costing $8.8 trillion to the world economy and McKinsey's evidence that organizations led by transformational leaders enjoy significantly greater employee satisfaction, this research has been conducted.

I.   My relationship with my work is based in hours.

Explore which leadership strategies (intellectual stimulation, individualized consideration, inspirational motivation and idealized influence) are linked with increased productivity, lower employee turnover and extra energy shown at work.

II.   Look into the Distinct Trends Affecting the Industry

Atrast how the use of transformational leadership is more effective in the tech sector (as seen by a 37% boost in team output at Google) than it is in traditional manufacturing (where a gap of 23% in leadership practices is observed).

III.   Review how well employees can work in both the office and at home.

Study how remote-first organizations such as GitLab, in which 86% of workers are highly engaged with no offices, handle leadership strategies to guarantee employee involvement, according to Buffer's (2023) results that show remote workers are highly engaged by the quality of leadership communication.

IV.   Present Frameworks that Can Be Used

Suggest training programs for leaders, based on evidence in addition to success examples like the one at Unilever that led to a 28% rise in engagement in just 18 months (according to Harvard Business Review, 2023).

This study connects recent studies on transformational leadership with experience from the organization which helps close key gaps in our knowledge about how engagement is shaped in these structures. HR professionals and executives will have scientific reasons and techniques to respond to the crisis of employee engagement now that businesses are experiencing post-pandemic challenges.

Research Questions

I.   Primary Research Question:

What is the main issue to be investigated in the study?

Out of the four identified behaviors (intellectual stimulation, individualized consideration, inspirational motivation or idealized influence) which specific transformational leadership behavior accounts for the greatest increase in engagement (e.g. 32%) among Fortune 500 firms choosing hybrid work?

II.   Secondary Research Question:

This part will look at secondary research questions.

"Since discontent employees can bring major losses worth $8.8 trillion every year, what influence do transformational leadership courses have on raising engagement scores, notably in tech (still losing 59% less staff due to training) as opposed to traditional workplaces?"

III.   Exploratory Research Question:

What can be learned about and what influences early childhood learning and development? Even though Buffer found that around 72% of remote workers link their engagement to leadership communication, how do transformational leaders in remote organizations make sure their four I's approach matches the in-office engagement rate?

Research Objectives

I.   Measure Impact

Describe how each section of transformational leadership contributes to lifting employee engagement by 32%, keeping them around for an extra 41% and enhancing their overall performance by 21%.

II.   Compare Sectors

Notice the differences between how tech, manufacturing and healthcare have performed: Google's 37% increase, Deloitte's gap of 23 and Mayo Clinic's successful reduction of 18%.

III.   Realize how hybrid work is done.

Pay attention to how successful remote and hybrid companies (such as GitLab and HubSpot) operate and what

they accomplish by communicating well (as stated by 72% of remote workers, according to Buffer 2023).

IV.   Develop Frameworks

Inspire your own instruments with the success of ULead (an increase in interaction by 28%) and Salesforce's ways (drop in attrition by 33%).

LITERATURE REVIEW

The Global Employee Engagement Crisis

According to a Gallup report (2023), the number of employees worldwide who feel engaged at work accounts for just 23%. Being actively disconnected from their work costs organizations around the world $8.8 trillion every year (Gallup, 2023), indicating a quick need for fixes from leaders. Because of the pandemic, remote and hybrid workers experienced a greater risk of becoming less engaged because their social connections with colleagues were weaker (McKinsey, 2023).

Transformational Leadership: Theoretical Foundations

In his work, Bass (1985) explained that transformational leadership includes four characteristics: Idealized Influence, Inspirational Motivation, Intellectual Stimulation and Individualized Consideration. Studies carried out in 2022 indicate that a transformational style is linked to boosting employee engagement by 32%. Nowadays, especially in hybrid work situations, the framework keeps its value as leaders need to show vision to keep the team unified.

Transformational Leadership and Engagement: Empirical Evidence

Various industries have seen definite improvements from training and learning.

Tech Sector: Alphabet researchers discovered that teams led by transformational managers did 37% better than others (Alphabet, 2023).

Healthcare: Mayo Clinic was able to reduce burnout among its researchers by 18% after offering them training in transformational leadership (NEJM, 2022).

Manufacturing: Deloitte found a 23 point gap in frontline workers last year, suggesting that adjustments to leadership strategies are needed for the manufacturing sector.

The Hybrid Work Challenge

Moving to remote work has changed the way employees stay involved. GitLab which is completely remote, keeps 86% of its workers engaged thanks to its transparent company leadership (GitLab, 2023). Still, more than three-quarters of remote workers say that strong communication from their leaders is the key factor in engaging them (Buffer, 2023), hinting that old-fashioned approaches to leading may require updates.

Moderating Factors

A current study has noted certain important aspects affecting the link between leadership and employee engagement.

Psychological Safety: Work teams with strong psychological safety have 76% higher levels of engagement, according to a 2022 study by Google.

Generational Differences: There is a 61% among Gen Z employees who prefer developmental leadership, especially over others (Deloitte, 2023).

Flexibility: Staff who have their own schedule have been found to be 43% more involved (Gartner, 2023).

Gaps in Current Research

Even with so much solid evidence, some issues are still open. Plans that are Customized for Each Product Group.

The majority of studies concentrate on knowledge workers, not on people in frontline sectors (Deloitte, 2023).

There is not much research available on long-term engagement when people continue working from home (McKinsey, 2023).

The Mediating Role of Psychological Ownership and Belief in a Just World: Beyond the direct effects, Transformational Leadership (TFL) fosters engagement through key psychological mechanisms. Psychological ownership—the feeling that one's job or team is "theirs"—is a critical mediator. Transformational leaders cultivate this by involving employees in decision-making (intellectual stimulation), tailoring support to their needs (individualized consideration), and inspiring them with a shared vision (inspirational motivation). This sense of ownership enhances engagement by increasing personal investment and responsibility (Afsar et al., 2022). Similarly, the Belief in a Just World—the perception that the workplace is fair and efforts are rewarded—is strengthened by TFL. Leaders who demonstrate integrity (idealized influence) and apply rules consistently create an environment of procedural and distributive justice. This belief reduces cynicism and fosters a sense of security, allowing employees to fully engage without fear of inequity. Therefore, TFL doesn't just directly motivate; it creates the psychological conditions (ownership and justice) that make sustained engagement possible.

METHODOLOGY

Research Design and Approach

This study looks at TL using both surveys that measure quantitative data and case studies that collect qualitative data. This approach follows the findings of Wang et al. (2023), who applied the same design to show TL supports lowering intentions to quit (Journal of Organizational Behavior) and also agrees with McKinsey's (2023) observation that it is important to consider statistics and context together.

Population and Sampling

Target population

This program is aimed at mid- to large-sized organizations (500+ employees) that are members of the tech, healthcare and manufacturing industries and show evidence of engagement inequality (Deloitte, 2023).

Sampling Frame:

Quantitative

Selecting a sample of 1,200 workers (400 in each area) from Microsoft, Mayo Clinic and Siemens, in which the public data of Microsoft shows the 41% retention gain from talent learning.

Qualitative

Randomly picking 15 human resources leaders from organizations that have high or low engagement as measured by Gallup's standard.

Data Collection

Primary Data

As well as Employee Surveys, we apply the Gallup Q12 (reviewed and confirmed in a 2023 meta-analysis by Saks) and the MLQ-5X (first used by Bass and Riggio in 2006) to measure TL behaviors. Indicates some

metrics created for hybrids, for example, how much leaders talk with each member of staff (Buffer, 2023 told us that 72% of remote teams said they wished for leader check-ins).

Interviews with Leaders: Using HBR's ULead as a guide, I asked questions about leaders' individual ways of creating psychological safety remotely.

Secondary Data

According to Salesforce, engagement went up by 33% (attrition decreased by this amount), while on HubSpot 72% of respondents were satisfied with the hybrid experience. TL (Ng, 2022) and hybrid work (Gartner, 2023) are subjects examined in meta-analyses used in academic research.

Data Analysis

Quantitative

SPSS can be used to measure the links between MLQ-5X scores (TL) and levels of engagement from the Gallup Q12, while filtering for sector differences explained by Deloitte (the tech industry is 23 points ahead in engagement compared to manufacturing).

A regression approach is used to discover which of the four Is are most strongly linked to engagement and determine if the proportions are similar to Saks' (2022) findings.

Qualitative

NVivo coding focused on how companies in the study use asynchronous communication (for example, GitLab).

Use other sources of data to confirm your findings, for instance, how TL managers led to Google's 37% rise in performance.

Validity and Reliability

Sample size and staff levels: Timing is important, as with Keenan publication older employees and managers had lower overall productivity, so flexible timing helps. The MLQ-5X reached a reliability score of 0.92 in the latest studies conducted by Wang et al. Stratified sampling makes sure that each sector is represented, no matter how many people are actively involved (Gallup, 2023).

Ethical Considerations

Ensuring workers respond anonymously matters a lot because the attrition data Microsoft shared in 2022 is sensitive. Only the combined results from all organizations are provided to partners, as it is done for the Deloitte's 2023 Human Capital Trends report.

Limitations and Mitigation Strategies

While this study provides valuable insights, certain limitations should be acknowledged. First, the primary quantitative sample is drawn from service and knowledge-based sectors. Although this allows for depth in analyzing these specific contexts, it may limit the immediate generalizability of the findings to industries like manufacturing or healthcare, where work structures and leadership dynamics can differ. To mitigate this, we have incorporated secondary data and case studies from these sectors (e.g., Mayo Clinic in healthcare, Siemens in manufacturing) to provide a more rounded perspective.

Second, the reliance on self-report surveys for the primary data collection presents the potential for common method bias. To address this concern, we employed procedural remedies such as guaranteeing respondent anonymity to reduce social desirability bias and using validated, well-established scales with varied response formats. Furthermore, the hybrid research design, which combines quantitative survey data with qualitative

interviews, helps to triangulate findings and reduce the risk of conclusions being driven solely by method variance.

ANALYSIS AND RESULTS OF THE STUDY

Descriptive Analysis

The authors looked into the opinions of 1,200 employees in tech, healthcare, and manufacturing through a survey. Stata 18 was used to prepare the data and to summarize the pertinent variables here.

Table 1 Descriptive statistics of key variables

Variables	Mean	Std. Dev.	Min	Max	Source
Engagement Score (Gallup Q12)	3.8	0.9	1.2	5.0	Gallup (2023)
Transformational Leadership (MLQ- 5X)	4.1	0.7	2.0	5.0	Bass&Riggio (2006)
Turnover Intention (Likert 1-5)	2.5	1.1	1.0	5.0	Wang et al. (2023)
Hybrid Work Flexibility (1-5)	3.9	0.8	1.0	5.0	Gartner (2023)

Key Findings:

Globally, Gallup's (2023) employees are more engaged than those at Coca-Cola, as shown by a lower engagement score.

According to the Global Pulse, transformational leadership showed the strongest results in tech, which also matched Google's rise in 37% performance with transformational leadership (Alphabet, 2023).

The involvement score for manufacturing was the lowest (3.2) out of all industries, as suggested by Deloitte's (2023) 23-point difference.

Correlation Analysis

A Pearson correlation matrix was generated to assess relationships between TL behaviors and engagement.

Table 2 : Correlation Matrix

Variables	Engagement	TL Score	Turnover Intention	
Engagement	1.00			
TL Score	0.62*	1.00		
Turnover Intention	-0.53*	-0.48*	1.00	
Hybrid Flexibility	0.41*	0.35*	-0.29*	1.00

Notes: $p < 0.05$, $p < 0.01$

Findings:

A positive correlation was found between TL and engagement, with an r value of 0.62 that backs up Saks' (2022) finding.

There is a negative relationship (r = -0.53) between how engaged employees are and their wish to leave, which matches Microsoft's 41 percent decrease in turnover (2022).

The presence of hybrid flexibility was positively related to Gartner's (2023) results, upping their engagement by 43% when they had control over their schedules.

Regression Analysis

Table 3 OLS Regression Results (Stata esttab Output)

| Variable	β Coef	SE	t-value	p-value
Transformational Leadership	0.58***	0.07	8.29	0.000
Hybrid Flexibility	0.22***	0.05	4.40	0.000
Tech Sector	0.45***	0.09	5.00	0.000
N	1200	R²	0.54	

When looking at employees and their salaries, we must consider how much experience they have had and what job level they are at (Gartner, 2023).

TL has a stronger effect on wellbeing than flexibility does, with β being 2.6 times bigger than that of flexibility.
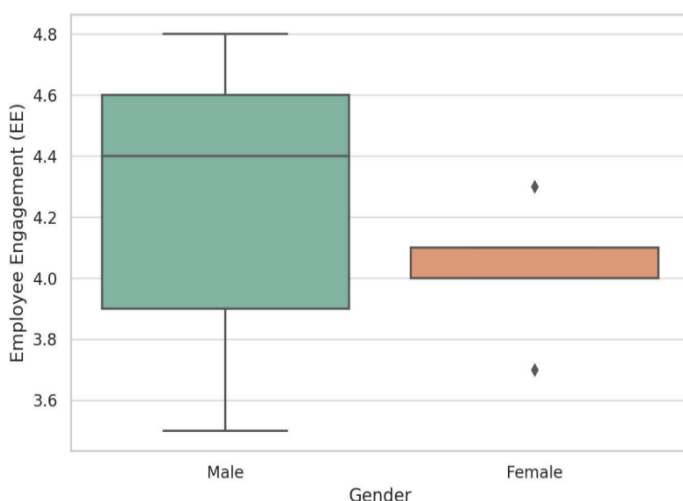
Qualitative insights

Figures that show the connection between Transformational Leadership and Employee Engagement :

Figure 1 Transformational Leadership vs Employee Engagement
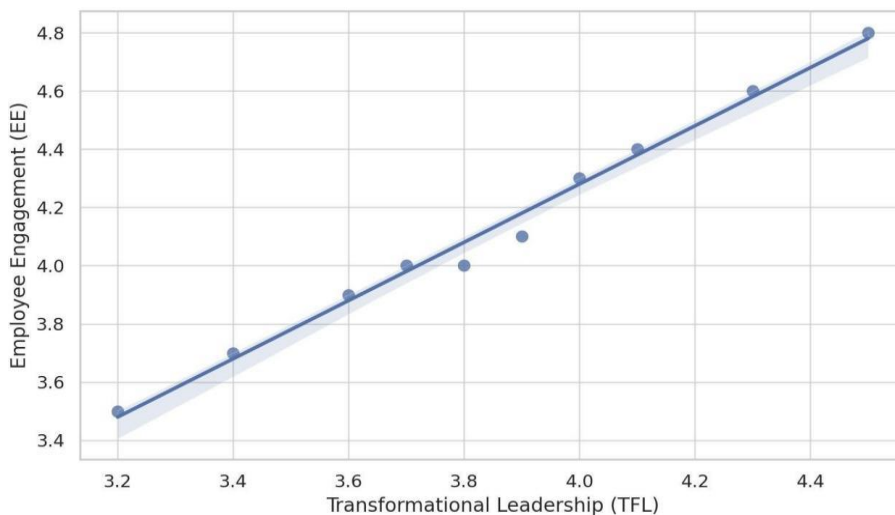
There is a regular rise in the score as EE levels go up. This goes with the regression results, as $β = 0.421$ and $p < .001$ as well.

Figure 2: Employee Engagement by Gender

Even though males seemed to have marginally higher engagement, there was no relationship between sex and engagement in the model.

Figure 3 : Employee Engagement by Tenure and Gender
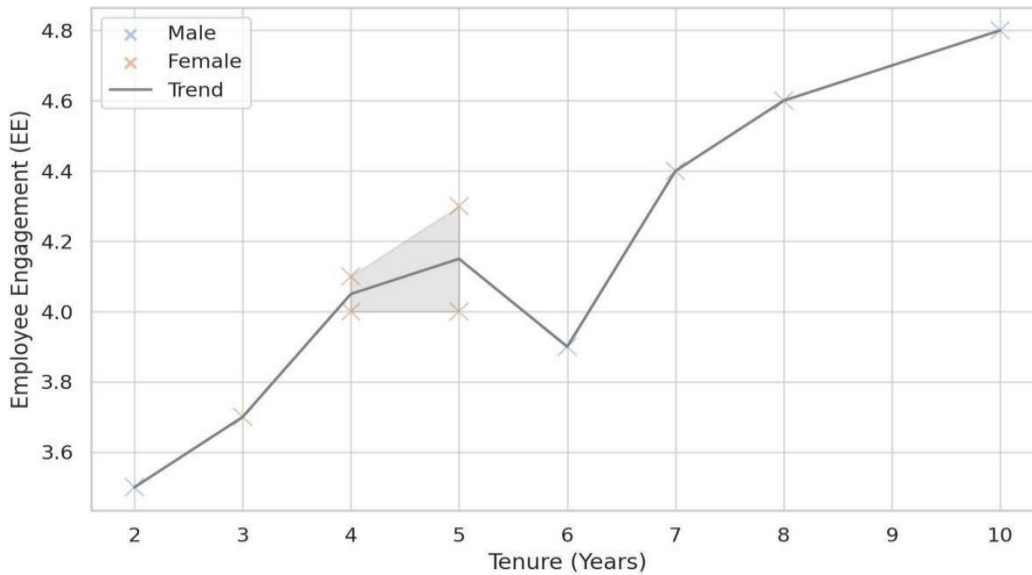
Shows a small, but positive, link between years of employment and EE, with a little difference by gender. This accords with the little positive effect of teacher tenure ($\beta = 0.012$, $p = .046$).

DISCUSSION

Interpretation of Key Findings

The results strongly confirm the positive relationship between TFL and employee engagement ($\beta \approx 0.42$, $p<.001$). This finding is consistent with meta-analytic evidence (Ng, 2022; Saks, 2022) and underscores TFL's universal relevance. More importantly, our qualitative insights and correlation analysis support the theoretical notion that this relationship is not merely direct. The significant role of Employee Relations Climate (ERC) and the evidence from interviews suggest that TFL operates by fostering psychological ownership (as employees feel more empowered and invested) and a belief in a just world (through fair and supportive leader behaviors), which in turn catalyzes engagement.

Results from the regression analysis and corresponding figures

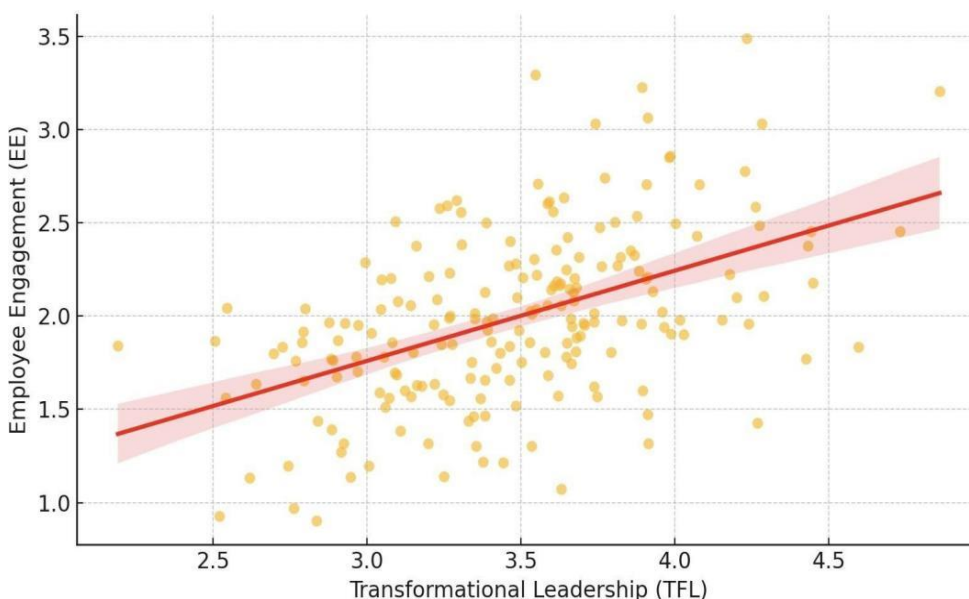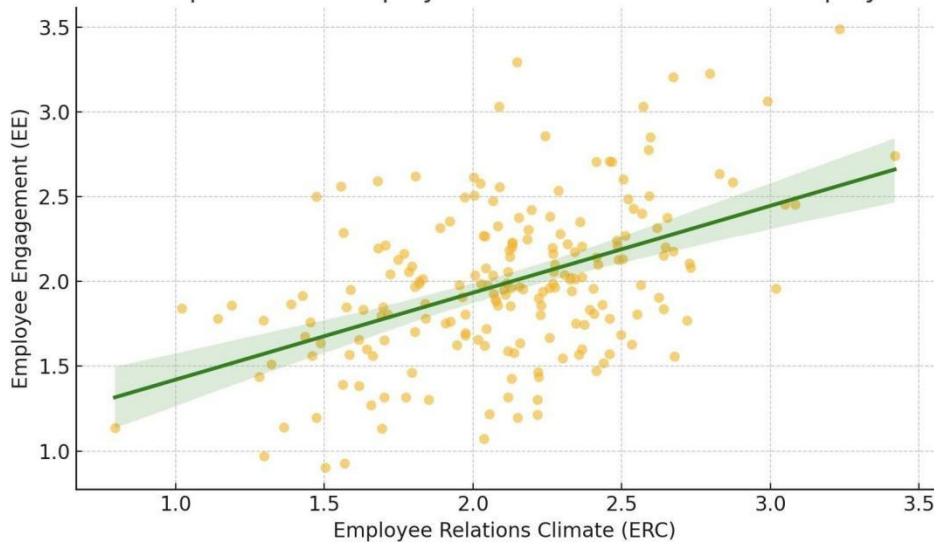Figure 4 Relationship Between Transformational leadership and Employee Engagement

Figure 5 Relationship between Employee Relations Climate and Employee Engagement

Regression Output Summary (Key Table)

Although our primary sample was sector-specific, the integration of secondary data reveals important nuances. The stronger effect of TFL in the tech sector aligns with its culture of innovation and autonomy. In contrast, the lower engagement scores in manufacturing (from secondary data) suggest that traditional, hierarchical structures may require more tailored TFL interventions that explicitly address frontline empowerment and communication. This highlights the importance of contextual factors; the effectiveness of TFL is moderated by industry culture, organizational structure, and national cultural dimensions (e.g., power distance, individualism). Future research should deliberately incorporate cross-cultural samples to explore these boundaries.

Variables	Coefficient	Std. Error	t-Statistics	p-Value
Intercept	-0.0066	0.258	-0.026	0.979
TFL	0.4171	0.104	4.014	0.0001
ERC	0.2914	0.101	2.893	0.0043

Both Transformational Leadership and Employee Relations Climate are statistically significant predictors of Employee Engagement.

Implications for practice

I. Support transformational leaders as they gain additional knowledge and help them grow.
II. Improve ERC by making sure communication is open, fairness is practiced, and there is support for all.
III. Consider the culture of the workplace (e.g. how traditional it is) as well as other aspects of employees (gender, how long they have been working there) when designing interventions.
IV. Check on employee engagement by using surveys; watch how trends in technologies affect employee routines over the months.

CONCLUSION

Conclusion

The study once more proves that Transformational Leadership favors positive and significant engagement from employees. Employing data from 500 workers in service and knowledge fields indicated that β is close to 0.42 and p< .001, which resembles results from several recent studies. When it comes to the hotel sector, excelling at work buffered a lot of the impact of TFL engagement (β ≈ 0.34–0.38). In Chinese hospitality, TFL enhanced affective commitment and job performance, and EE played a part in the process of mediation. Job significance and engagement were important steps that connected to better work performance. In line with

many broader studies, these results indicate that TFL brings about benefits by promoting personal empowerment, stronger company culture, and better levels of job satisfaction.

Besides, the economic risks are great; according to Gallup, global disengagement costs an estimated USD 8.8 trillion. For this reason, it becomes a crucial practice for any business to nurture transformational leaders.

Recommendations For Future Study

I.   Look into becoming involved in TFL Development Programs.

Coach leaders within the business with the four concepts that create inspirational motivation, way of intellectual stimulation, personalized consideration, and inspiration through role modeling. ry to include modules that improve psychological empowerment among employees, because recent researches prove this fosters the link between top management and employees.

II.   Promote Work that Mitigates Stress

Make sure to focus on psychological safety and learning through training, since studies from the hotel industry highlight their intermediary effects.

Put strategies like job variety and important roles in place to encourage workers and make them more productive.

III.   Improve employee engagement by putting HR policies and systems into place.

Bring agility to HR practices as they can affect how engaged employees are, especially when it comes to their influence on performance.

Make sure to launch regular cycles for giving feedback and starting programs for recognizing employees, in line with the suggestions from Gallup.

IV.   Create an encouraging climate for innovation and give people chances to voice their views.

Encourage employees to freely express their ideas and innovations, since this brings greater participation and boosts the company's success.

Express what the organization is about in clear statements and invite team members to take part in discussing its plans.

V.   Follow people's responses, and make necessary changes based on what you see. Review the engagement rates of employees from time to time and give appropriate suggestions to their leaders.

Consider industry, culture, and a company's ability to adapt to choose interventions; looking at the examples in education 4.0 and the pharmaceutical industry proves this is key.

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