

The Effect of Transformational Leadership Style on Employee Loyalty and Empowerment of Petrochemical Company

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ABSTRACT

The behavior and qualities of a managerial leader play an important role in fostering employee loyalty and increasing engagement. Effective people-centered communication increases employee trust and facilitates their continuous development, while trust in management encourages open and transparent communication. As a result, employees in the organization feel proud and motivated to show unwavering dedication to their work. As a result, employees in the organization feel proud and motivated to show unwavering dedication to their work. Therefore, this study was conducted with the aim of investigating the effect of transformational leadership style on employee loyalty and empowerment. The statistical population of the present study is a total of 941 employees of Isfahan -Petrochemical Company, of which 160 people were selected as a sample based on Cochran's formula and using the method Convenience sampling. responded to the items of the questionnaire, and these statistical analyses included factor analysis, reliability analysis, correlation analysis, and structural equation models (SEMs). Based on the results of the analysis, it was observed that among the participants in the study, the transformational leadership style had a strong and positive effect on employee loyalty and empowerment. Similarly, the interaction leadership style showed a moderate yet positive effect on employee loyalty and empowerment.

Introduction

In today's dynamic and highly competitive business environment, the importance of effective organizational leadership cannot be emphasized enough. So that the mission of management and the main goal of the managers of each organization is the effective and optimal use of various resources and facilities such as labor, capital, materials, energy and information. Having the capacity and opportunity to influence the skills and actions of an organization's executive leadership, as well as the ability to guide and inspire employees, has become increasingly vital. Effective leadership requires knowing each and every employee, anticipating their needs, and motivating them to achieve the best. The manager acts as a pivotal factor in shaping employee attitudes, fostering loyalty, empowering, and building partnerships within the organization (Popli and Rizvi, 2016).

Employee loyalty is evident through their alignment with the organization's goals, increased productivity, efficient operations, and a commitment to providing quality customer service. Loyal employees use their knowledge and skills to make the most of their contribution to the organization, thereby having a direct and positive impact on its performance and overall performance (Tomic et al, 2018). Loyal employees support the organization's management, principles, and policies. Their commitment and dedication give the organization a distinct competitive advantage. By aligning with the organization's values and goals, loyal employees help to create a cohesive and harmonious work environment, fostering innovation, productivity, and overall success (Foster et al, 2008). Managers who actively support the development of their employees prioritize and strengthen cohesive relationships, increase organizational responsibility and loyalty, and ultimately lead to tangible results (Brashear et al. al, 2006). By investing in the growth of their employees and providing opportunities for upskilling and advancement, these managers create a culture of trust, empowerment, and participation. This, in turn, encourages employees to take ownership of their work, fulfill their responsibilities, and deliver exceptional performance.

In the face of intensifying business competition, there is a growing need to maximize production while minimizing costs. As a result, organizations should strive to engage the minds, thoughts, and hearts of each employee, encouraging them to share their energy and effort toward the organization's goals and values on a daily basis. Recognizing this importance, many organizations have adopted the "committed and capable employee" policy as a key component of their human resources policies and activities. Empowerment of human resources is the most important tool for making a change in any organization. Empowering people makes managers and the organization achieve their goals faster and without wasting resources Empowering makes managers consider the organization and the job as their own and take pride in working in it. Proper design of the organization and jobs, methods that increase the responsibility of employees individually and in groups, and training workshops to strengthen competence and self-confidence in the Employees will make the organizational people capable people who serve the higher goals of the organization. At present, involving human resources in the management process with the aim of achieving higher organizational performance and creating a competitive advantage for organizations has become necessary, so empowering managers and employees is inevitable.

With that in mind, organizations are increasingly prioritizing nurturing passionate and committed employees. Understanding the impact of leadership management on employee loyalty and tanness, as well as discovering the interrelationships between them, has become an urgent area of study. Therefore, the aim of this study was to investigate the interrelationship between managerial skills, loyalty, and employee empowerment in the framework of petrochemical companies.

- Research literature

• Leadership:

Leadership is the process of influencing followers to achieve the expected results. How this influence is described based on the leader's innate behaviors and characteristics, followers' perceptions, and the context in which the infiltration process occurs. Leaders build a culture and their primary role is to influence others in a way that they eagerly pursue predetermined goals

(Valencia et al., 2010). Leadership is the process of directing and exerting influence over the activities of the group or members of the organization. Such a definition has three important uses: First, leadership is in relation to other people or people (such as subordinates or followers), because these people or followers must accept the leader's orders, determine his status, and thus make the process possible. will be converted. Second, leadership requires an unequal distribution of power between the leader and the members of the group, although the members of the group are not without power and can shape the activities of the group in a variety of ways. But there is no doubt that the power of leadership is usually greater. Third, the aspect of leadership is his ability to use different forms of power to influence the behavior of followers in different ways

Leadership style can be defined as the way a leader uses power to exert influence over others. In the 21st century, the most successful management and leadership approaches are widely recognized as transformational and interactive leadership.

1) Transformational Leadership Style

James McGregor Burns first introduced the concept of change in his book "Leadership," which was introduced as a seminal work of transformational leadership. Transformational leaders continuously enhance their leadership skills by challenging and motivating their followers, leading them to achieve unparalleled levels of success. These types of leaders are not limited to achieving the organization's goals, they prioritize the development of their employees and consistently exceed expectations in the process. Transformational leadership styles exhibit five distinct characteristics: recognition and praise, individual impact, inspiration and motivation, attention to all people, and spiritual support (Bass & Riggio, 2006). Transformational leadership plays an important role in HR because it motivates employees and increases loyalty and empowerment among them.

2) Interactive Leadership Style:

This style is based on a series of interactions between the leader and subordinates. Such leadership clarifies the role of followers in achieving the expected results and influences the behaviors and characteristics of subordinates by awarding rewards. The dimensions of this style include contingency reward and exception-based management (Politis and Crawford, This type of leadership is defined as an approach that uses a combination of rewards and punishments to advance the achievement of organizational goals. In this approach, employees are rewarded based on their performance in fulfilling their responsibilities while avoiding punishment by adhering to the leader's requirements and expectations (Aarons, 2006). Positional rewards are awarded to individuals who meet the goals and performance criteria set by the leader, thereby leading to potential promotion (Akram et al., 2006).

- **Employee loyalty**

An individual's loyalty can be thought of as an expression of their affiliation with an organization or social group, as well as their willingness to make sacrifices for the benefit of someone or something (Hajdin, 2005; Elegido, 2013). Loyalty is demonstrated through a person's attitude, behavior, and psychological characteristics. Employee loyalty arises from the alignment between the responsibilities of the organization, the psychological state of the individual, and the relationship between the individual and the organization in the psychological environment. Employee loyalty is evident in their commitment to achieving organizational goals, increasing productivity, working effectively, and striving hard to provide quality customer service.

Employee loyalty can be considered as a form of organizational citizenship behavior whereby employees actively demonstrate their loyalty to promote the interests of the organization and maintain its image in the external environment (Bettencourt et al, 2001). Loyal employees are motivated to use their knowledge and skills as much as possible and directly contribute to the operations and performance of the organization. Their dedication and commitment have a significant impact in advancing organizational success (Tomic et al, 2018). Loyalty is very important for companies because the work done by employees who are loyal to the company will

do better than the employees who don't. According to Sivagandi (2018), loyalty to an employee's desire is to contribute all their abilities, skills, thoughts, and time to achieve organizational goals, maintain organizational secrets, and refrain from actions that harm the organization as long as the employee is a member of the organization.

- **Employee Empowerment**

Empowerment is the process of development, which increases the ability of employees to solve problems, promotes the political and social insight of employees, and enables them to identify and control environmental factors (Cartwright, 2002). Empowerment is granting authority and decision-making to employees in order to increase their efficiency and play a useful role in the organization. Empowerment is granting authority and decision-making to employees in order to increase their efficiency and play a useful role in the organization. Empowerment means that employees are able to understand their tasks well before you tell them what to do (Savery and Luks, 2001).

Conceptual Model and Research Hypotheses.

According to the research literature, in order to clarify the relationship between the research variables with each other, the conceptual model of the research is presented in Figure 1.

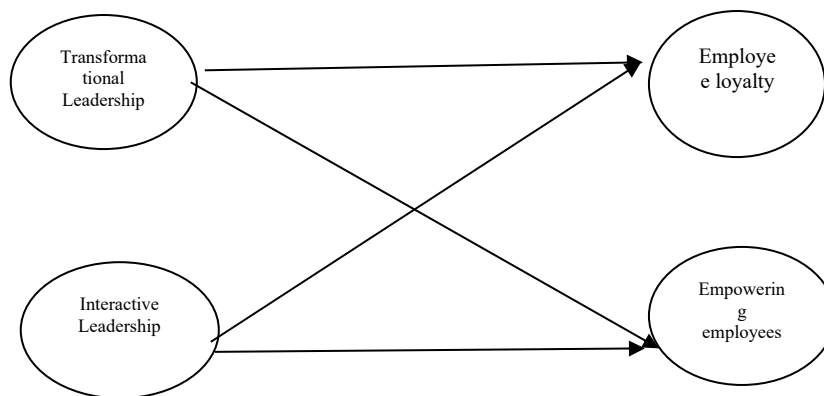


Figure 1- Conceptual Model of the Research

The research hypotheses are as follows:

- 1) Hypothesis 1: Transformational leadership has an impact on employee loyalty.
- 2) Hypothesis 2: Transformational leadership affects the ability of employees.
- 3) Hypothesis 3: Interactive leadership has an impact on employee loyalty.
- 4) Hypothesis 4: Transformational leadership affects employee empowerment.

Research Methodology

In terms of purpose, this study is applied and from the point of view of data collection, this study is in the field of descriptive survey research. The statistical population of the present study consists of employees of Isfahan Petrochemical Company, which has 941 official employees, of which about 160 people passed the questionnaire as a sample based on Cochran's formula and using the available sampling method.

-Tools and data analysis

The instruments of this study are the standard Transformational Leadership Questionnaire of Bass and Avalio which includes 20 questions, the Spritzer Empowerment Questionnaire and the Loyalty Questionnaire of Bettencourt et al. (2001) were analyzed to ensure the quality of the measurements, reliability and correlation of the variables in the research. To investigate the relationships and obtain the results, structural equation modeling (SEM) was used.

-Variable reliability analysis

In each study, there is a need to ensure the reliability and validity of the variables before performing the analysis. For the reliability test, Cronbach's alpha value is tested to validate the reliability of the variables and shows a minimum cut-off point of 0.7 (Nunnally, 1978) and proves that the data are acceptable for subsequent measurements. Then, hybrid reliability (CR) is used to assess internal compatibility. According to Hair et al. (2014), a CR value above 0.7 indicates satisfactory internal adaptation. As a result, all the constructs of this study meet the criteria of the internal hogness test. In addition, the validity of the questions shown above is 0.3. The average AVE coefficient of the extracted variance is also shown for the variables (Awang, 2014), which means that it is acceptable for measurement. Table 1 provides a summary of the results of the analysis.

Table 1: Results of Factor Reliability Analysis

AVE		Variables
889/0	731/0	Transformational Leadership
863/0	691/0	Interactive Leadership
878/0	661/0	Employee loyalty
931/0	69/0	Empowering employees

Results

The demographic distribution of the sample studied in this study was assessed as indicators of age, marital and education, and the results are as shown in Table 2.

Table 2 - Participants' Faces

Frequency Percentage	Status	Demographic variables
2/56	Man	sex
8/43	wife	
5/17	Less than 20 years	Age
65/37	20 to 30 years	
40	30 to 40 years	
0/5	40 to 50 years	
5/7	Associate Diploma	Education
0/5	Diploma & Postgraduate	
8/38	Bachelor	
5/47	Master's Degree and Above	

- Correlation analysis

Correlation analysis is used for statistical correlation to estimate whether the relationships between independent and dependent variables are strong or weak. In addition, it is used to analyze data from more than one variable. It shows the relationship between two or more variables in such a way that it examines the variations of one variable over another. The results of correlation analysis are shown in Table 3.

Table 3 - Results of Correlation Analysis

Empowering employees	Employee loyalty	Interactive Leadership	Transformational Leadership		
			1		Transformational Leadership
		1	628/0	r	Interactive Leadership
			014/0	Sig	
	1	416/0	690/0	r	Employee loyalty
		000/0	000/0	Sig	
1	723/0	454/0	656/0	r	Empowering employees
	000/0	004/0	009/0	Sig	

The results of the analysis showed that there was a positive and significant correlation between transformational leadership and employee loyalty ($r=0.690$, $p<0.01$) and employee empowerment ($r=0.656$,

$p < 0.01$) among the participants in the study. Similarly, exchange leadership was positively and significantly associated with employee loyalty ($r < 0.01$, $p = 0.61$) and employee empowerment ($r < 0.01$, $p = 0.54$). These results suggest a strong positive relationship between leadership styles and employee loyalty and empowerment.

Structural Equation Modeling (SEM)

To test the significance of the structural model and variables, R-Square is estimated for PLS analysis. The correlation between independent and dependent variables was investigated during the analysis. The results of the analysis confirmed all four assumptions and all the weighted values of the regression were positive and significant $> (p$. The results of the survey are shown in Table 4.

Table 4: PLS-SEM results

Results	T-Value	StandardizeBeta	Direct Hypotheses
Hypothesis Confirmation	20/11	644/0	Transformational Leadership $\leftrightarrow$ Empowering Employees
Hypothesis Confirmation	75/9	673/0	Interactive Leadership $\leftrightarrow$ Employee Loyalty
Hypothesis Confirmation	72/13	413/0	Interactive Leadership $\leftrightarrow$ Empowering Employees
Hypothesis Confirmation	123/8	381/0	Interactive Leadership Employee Loyalty

The results of the analysis show that for the study participants, transformational leadership has a strong positive effect on employee loyalty (β , 0.01, $p > 0.01$) and employee empowerment ($\beta = 0.644$, $p > 0.01$). This means that when there is transformational leadership, it has a significant effect on increasing employee loyalty and empowerment. On the other hand, transactional leadership also has a positive effect, but it is mediocre in comparison. It positively affects loyalty ($\beta = 0.381$, $p > 0.01$) and employee empowerment ($\beta = 0.413$, $p > 0.01$). While the impact of exchangeable leadership is not as strong as transformational leadership, it still helps foster employee loyalty and empowerment. Please refer to Figure 2 for a visual representation of the standardized estimates.

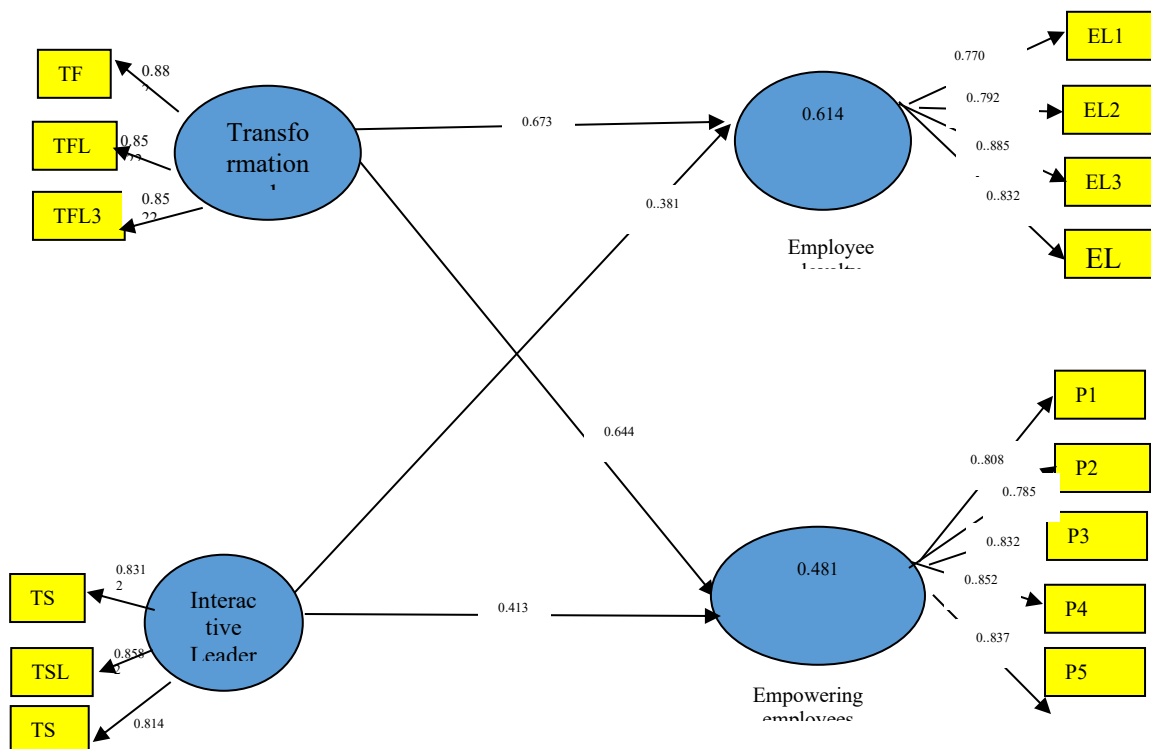


Figure 2. Path model and PLS-SEM estimation.

Discussion and conclusion

An organization's ability to maintain a competitive advantage and strengthen its position in the market is highly dependent on the long-term stability, loyalty, and dedication of its valuable employees (Bidisha and Mukulesh, 2013). Employees who are loyal to the organization are more likely to stay with the company, which reduces turnover and ensures that valuable knowledge and expertise are maintained. Committed employees tend to go above and beyond in their work, driving innovation, productivity, and customer satisfaction. Therefore, improving employee loyalty and empowerment is a challenging yet vital task for business leaders. In this study, we investigated the relationship between leadership style, loyalty, and employee empowerment with the inclusion of employees of Isfahan Petrochemical Company, based on research conducted by previous researchers.

The first findings of this study show the strong effect of transformational leadership style on employee loyalty and empowerment. These results are consistent with previous studies conducted by Khuong et al. (2014), Lin and Hsiao (2014), and Abasilim et al. (2019). These researchers showed the positive effect of transformational leadership styles on increasing employee loyalty.

The second key finding of this study shows that interactive leadership style has a positive effect on employee loyalty and empowerment overall. This finding is consistent with research conducted by Birsenau et al. (2014), which shows that interactive leadership has an effect on increasing employee loyalty. However, it's worth noting that the impact of interactive leadership is relatively weaker compared to the impact of transformational leadership.

Many scientists, including Bennis, Balk, Nance, etc. They have studied the effects of leadership on employee empowerment. Transformational leaders are leaders who have a kind of deep and extraordinary influence over their followers and create high levels of performance in them. Transformational leaders are those who guide and motivate their followers in the direction of specific goals by defining the assigned roles, requirements, and tasks. Bono and Judge have found that the followers of transformational leaders consider themselves significantly more capable than others. This belief may have been formed because of this belief, perhaps because of their sense of belonging and sense of independence (Chen, 2006).

This study emphasizes the importance of leadership style in fostering employee loyalty and empowerment. It was found that transformative leadership style has a significant positive effect on loyalty, while interactive leadership style also has a positive, albeit weaker effect. These findings provide valuable insights for organizations that intend to increase their competitive advantage by nurturing a loyal and committed workforce.

In future studies, it is recommended to broaden the scope by taking into account a wider range of leadership styles and not limiting research to one organization. The inclusion of multiple organizations in one industry provides an opportunity to conduct large-scale research and gain a comprehensive understanding of how different leadership styles affect employee loyalty and empowerment. This helps to create a more complete picture of the relationship between leadership style and employee loyalty and empowerment.

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