The Relationships among Transformational Leadership, Employees’ Learning Abilities, Creativity, and Job Performance

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ABSTRACT

This paper investigates the effects of transformational leadership on employees’ job performance through the mediation effects of employees’ learning abilities and creativity. Using a sample of 209 salespersons from 10 insurance companies in Taiwan, we found that (1) transformational leadership was positively related to employees’ learning abilities, (2) employees’ learning abilities were positively related to their creativity, (3) employee creativity was positively related to their job performance, and (4) employees’ learning abilities were positively related to their job performance. We discuss implications of these results for research and practice.

Keywords: Transformational Leadership, Employees’ Learning Abilities, Creativity, Job Performance

INTRODUCTION

In view that today we are living in an era when natural and man-made disasters are endless, everyone has the viewpoints of financial planning and safety and property protection. Furthermore, owing to underdeveloped medical in previous days, many people are suffered from occupational hazard, which influences those who are involved greatly. Thus, insurance industry is developing and flourishing to protect precious lives.

In insurance companies, the most valuable and indispensable resources are salespersons. With the transformation of people’s consumption viewpoints, salespersons have become professional counselor for personal career planning, and their sales type has become professional consultant from personal relationships. Because of the open policy these years, employees in insurance industries have increased largely, almost achieving a saturation state. Plus, taking part in WTO makes foreign banks and insurance companies come into the financial market, which leads every salesperson to make efforts to take insurance policies.

In this era when change has become constant, we need to keep improving ourselves in case of falling behind the society. Employees dedicate to acquire new knowledge by learning, which was considered as a crucial investment for survival (Calantone et al., 2002). Learning is described as a process of information acquisition, information dissemination and shared interpretation that increases both individual and organizational effectiveness due to its direct impact on outcomes (Kaya and Patton, 2011). Besides, employee creativity is also considered as one of the most significant aspects of an organizational environment (Sosik et al., 1999). Employee creativity refers to individuals’ generation of novel and useful products, ideas and procedures that are the raw materials for innovation (Cummings and Oldham, 1997). Thus, both employees’ learning abilities and creativity could be the source of competitive advantages of the organizations because of their positive impacts on work performance.
Some researchers believe that employee creativity can be successfully enhanced by a transformational leadership style (Shin and Zhou, 2003; Jaussi and Dionne, 2003). Transformational leaders provide much support to the learning and development of their employees by modeling learning behavior, encouraging people to contribute new ideas and ensuring the dissemination of knowledge that promotes creativity (Jyoti and Dev, 2015). Transformational leaders are also able to motivate their employees intrinsically (Joo and Lim, 2009) toward learning new concepts, ideas and technologies, which each result in creative behavior (Jyoti and Dev, 2015). Therefore, it seems that transformational leadership is beneficial to the cultivation of employees’ learning abilities and creativity.

Based on the background described above, this research would like to investigate the effects of transformational leadership on job performance through the mediation effects of employees’ learning orientation and creativity. Therefore, the purpose of this research is to better understand the relationships among transformational leadership, learning orientation, creativity, and job performance, and to examine if the mediation effects of learning orientation and creativity exist.

**HYPOTHESE DEVELOPMENT**

Leadership is an important aspect of the work environment for employees (e.g., Oldham & Cummings, 1996; Scott & Bruce, 1994). Transformational leaders often enact behaviors mainly composed of four dimensions: intellectual stimulation, charisma or idealized influence, inspirational motivation, and individualized consideration (Bass, 1985). Social cognitive theory brought up by Bandura (1986, 1997) indicates that transformational leadership represents a critical external factor in employee learning. Transformational leaders, by engaging in intellectual stimulation, set the expectation for creativity and serve as creative role models for employees. Because transformational leaders are charismatic and inspirational, employees are likely to attend to and learn from such leaders. Through the influence of behavioral modeling, transformational leaders enhance followers’ ability to develop new ideas and question outmoded operating rules (Bass & Avolio, 1990). Through individualized consideration, transformational leaders are empathetic, considerable, and supportive for employees, which should help overcome the fear of challenging the status quo, leading to higher creativity. Finally, transformational leaders delegate and encourage follower autonomy (Avolio & Gibbons, 1988; Bass, 1985). Such a developmental orientation should enhance employee learning, and thus creativity. As research has shown the four dimensions of transformational leadership to be highly correlated and to thereby reflect a higher order construct of leadership (e.g., Avolio, Bass, & Jung, 1999), we expect all dimensions to work together as whole to impact employee creativity (Shin & Zhou, 2003). Therefore, this study predicts that:

**H1:** Transformational Leadership is positively related to employees’ learning abilities.

**H2:** Transformational Leadership is positively related to employee creativity.

Past literature has shown that transformational leadership (Sosik et al., 1998) and learning orientation (Janssen and Van Yperen, 2004) are determinants of creativity in the workplace. Sujan et al. (1994) found that employees’ learning abilities helped employees develop their understanding of their environment and improve their knowledge of appropriate strategies, motivating them to work smartly and hard. Cheung (2011) proposed that learning would enhance employee creativity. He thought exploitative learning exposed the person to different perspectives, ideas, and approaches for the job. The more an employee acquires knowledge about the established routines and the diverse perspectives within his/her current job, the more likely he/she may identify opportunities and potential problems in the work.
Problem identification is an initial step in the creative process (Amabile, 1996). The knowledge base resulting from exploitative learning may facilitate the response generation by enabling recombination of knowledge within the current job, thus facilitating incremental creativity. Besides, Jyoti and Dev (2015) also stated that learning culture emphasized the open exchange of information and ideas that facilitated learning and its creative application. Thus, this study infers that:

**H3:** There is a positive relationship between employees’ learning abilities and their creativity.

Learning is acquisition of knowledge or skill through study and experience. It is an important operational resource because it enables the firm to maintain competitive advantage by continuously improving its capacity to process market knowledge at a faster rate than its rivals (Dickson, 1996). Organizations with good learning orientation have specific mechanisms for sharing lessons learned in organizational activities across the departments (Keskin, 2006). These organizations use the knowledge management system or mechanisms to create an opportunity for individuals and organizations to learn and ensure linking organization learning with strategy to improve the performance (Lien et al., 2007; Ajmal et al., 2009). Many studies have focused on the relationship between learning orientation and business performance (Ajmal et al., 2009; Pett and Wolff, 2010; Eshlaghy and Maatofi, 2011). Therefore, this study proposes that:

**H4:** High levels of employees’ learning abilities generally results in higher levels of job performance.

Research on the link between creativity and performance is diversified and has been constrained to academic settings. For example, Chamorro-Premuzic (2006) found a positive relationship between creative thinking and final dissertation grades in a sample of students. Similarly, in the business world, we expect a positive relationship between employee creativity and job performance. Specifically, when employees show their creativity at work, they generate novel responses that are useful in dealing with the tasks at hand (Amabile, 1996). Creative responses may include new procedures, processes, identifying products or services to better meet customer needs (Zhou, 1998; Zhou & Shalley, 2003). Creative responses may also take the form of refinements of existing procedures or processes to enhance efficiency, or the discovery of alternative procedures or processes that are more effective. These kinds of innovative solutions may enable employees to improve their personal job performance. Besides, other employees may take up a novel, useful idea and apply and develop it in their own work (Shalley et al., 2004). As a result, the performance of a whole unit or organization may improve. Furthermore, although such benefits of employees’ own creativity may not contribute directly to their actual work effectiveness or efficiency, supervisors may factor in such contributions when rating their employees’ job performance (Gong et al., 2009). Preliminary evidence suggests that employee creativity enhance job performance (Oldham and Cummings, 1996). Therefore, this study predicts that:

**H5:** High levels of employee creativity generally results in higher levels of job performance.

**DATA COLLECTION AND ANALYSIS**

**Variable Measurement**

Some items adapted from the Multifactor Leadership Questionnaire (MLQ) Form 5X-Short (Bass & Avolio, 1995) were used to measure transformational leadership, which has four sub-dimensions: idealized influence, inspirational motivation, intellectual stimulation, and individual consideration, comprised of 20 questions. Items are rated on a Likert 7-point scale, from 1 “strongly disagree” to 7 “strongly agree”. Transformational leadership is measured with some items, such as “My leader seeks different perspectives when solving problems.”
To measure employees’ learning abilities, the instrument of Lankau and Scandura (2002) was employed. The instrument was originally developed to investigate personal learning in two domains: relational job learning and personal skill development. Relational job learning refers to increased understanding about the interdependence or connected of one’s job to others. Personal skill development refers to acquisition of new skills and abilities. This study adjusted the instrument from 12 items to 14 items based on the research objectives and the salespersons’ characteristics. Respondents rated each item on a one-to-seven Likert scale ranging from strongly disagree (1) to strongly agree (7).

This study measured employee creativity using the ten-item scale developed by Zhou and George (2001). Each statement is rated on a 7-point scale (1 = Not correct at all, 7 = completely correct). A sample item is “Comes up with new and practical ideas to improve performance.”

In this study, subject performance was gathered. Participants were asked to evaluate their performance by themselves, using a 7-point Likert scale. The subjective performance measure consists of a 19-item questionnaire adapted from Behrman and Perreault (1982). The following criteria based on suitability for this research are selected: achieving quantity and quality sales objectives, developing and maintaining customer goodwill, providing information to the company and following company policy, and giving high-quality sales presentations and working well with customers. The responses to each question were totaled to produce a subjective rating of each employee’s performance.

**Data Collection**

Questionnaire protocol serves as the primary means for data collection. Salespersons in 10 insurance companies in Taiwan were contacted through senior managers for participating in this research. Participants were assured that their responses would be kept confidential and used for research purposes only. The data was collected from June, 2012 to August, 2012. We sent out 250 questionnaires and a total of 209 usable questionnaires were returned (excluding those having more than 10% incomplete responses). The overall response rate was 83.6%. This high response rate was achieved by telephoning or meeting each supervisor to request their participation and offering each a profile report at the end of the study. The respondents’ profile was mentioned in Table 1.

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Frequency</th>
<th>%</th>
<th>Characteristics</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
<td>Experience (yrs)</td>
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<tr>
<td>Male</td>
<td>62</td>
<td>29.7</td>
<td>&lt;1 year</td>
<td>32</td>
<td>15.3</td>
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<tr>
<td>Female</td>
<td>147</td>
<td>70.3</td>
<td>1~3</td>
<td>50</td>
<td>23.9</td>
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<tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20~25</td>
<td>24</td>
<td>11.5</td>
<td>4~5</td>
<td>19</td>
<td>9.1</td>
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<td>26~30</td>
<td>31</td>
<td>14.8</td>
<td>6~7</td>
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<td>4.3</td>
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<tr>
<td>31~35</td>
<td>22</td>
<td>10.5</td>
<td>8 and above</td>
<td>99</td>
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<tr>
<td>36~40</td>
<td>24</td>
<td>11.5</td>
<td>Sales Specialist</td>
<td>109</td>
<td>52.2</td>
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<tr>
<td>40 and above</td>
<td>108</td>
<td>51.7</td>
<td>Agency Supervisor</td>
<td>77</td>
<td>36.8</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Under Graduate</td>
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<td>63.6</td>
<td>Sales Manager</td>
<td>13</td>
<td>6.5</td>
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<tr>
<td>Graduate</td>
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<td>31.1</td>
<td>District Manager</td>
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<td>2.4</td>
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<tr>
<td>Post Graduate</td>
<td>11</td>
<td>5.3</td>
<td>Other</td>
<td>5</td>
<td>2.4</td>
</tr>
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</table>
EMPIRICAL RESULTS

A two-step approach to Structural Equation Modelling (SEM) was applied, as suggested by Anderson and Gerbing (1988). Confirmatory factor analysis (CFA) was conducted in step one to assess the proposed measurement model fit and construct validity, while step two aimed at developing and estimating the structural model for testing the significance of the theoretical relationship.

Measurement Model

The data were analyzed at the individual level by AMOS. CFA was applied to verify the fit of all the scales, including transformational leadership, learning abilities, employee creativity, and employees’ performance. After several rounds of CFA, this paper eliminated those indicators whose loadings were under 0.7. Thus, all factor loadings of remaining items were above 0.7, showing adequate convergence validity (Chin, 1998). Besides, the scores of composite reliability of these four measurements were 0.93, 0.942, 0.963, and 0.937 respectively, greater than the recommended level of 0.7 (Hair et al., 1998). As for the value of variance extracted of these four measurements were 0.773, 0.89, 0.763, and 0.789 respectively; all exceeded 0.5, showing good reliability and convergent validity (Hair et al., 1998).

Structural Equation Modeling

SEM was used to assess the overall fit of the model. A range of fit-indexes were used to evaluate the fitness of the model - chi-square/degree of freedom (x²/df) and the comparative fix index (CFI), incremental fit index (IFI), Tucker-Lewis index (TLI), and root-mean-square error of approximation (RMSEA). Suggested by some researchers, a value of 0.9 or higher for the CFI, IFI, and TLI, a value of 0.8 or lower for the RMSEA (Hu and Bentler, 1999), and a value of 3 or lower for x²/df (Carmines and McIver, 1981) are typically viewed as adequate fit. According to the criterion above, the best model (Figure 1) was tested in this study, and Table 1 showed the results of the model, concluding the model was acceptable.

Table 2: The Results of Structural Equation Model

<table>
<thead>
<tr>
<th>Relations</th>
<th>Unstandardized Coefficients</th>
<th>S.E.</th>
<th>C.R.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Path</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transformational Leadership --&gt; Learning Abilities</td>
<td>.335***</td>
<td>.043</td>
<td>7.808</td>
</tr>
<tr>
<td>Transformational Leadership --&gt; Employee creativity</td>
<td>.028</td>
<td>.038</td>
<td>.742</td>
</tr>
<tr>
<td>Learning Abilities --&gt; Employee creativity</td>
<td>.996***</td>
<td>.072</td>
<td>13.871</td>
</tr>
<tr>
<td>Learning Abilities --&gt; Job Performance</td>
<td>.603***</td>
<td>.109</td>
<td>5.536</td>
</tr>
<tr>
<td>Employee creativity --&gt; Job Performance</td>
<td>.341***</td>
<td>.090</td>
<td>3.769</td>
</tr>
<tr>
<td>Fix Index</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chi-Square</td>
<td>278.720</td>
<td>RMSEA</td>
<td>0.076</td>
</tr>
<tr>
<td>Degree of Freedom (d.f.)</td>
<td>126</td>
<td>GFI</td>
<td>0.869</td>
</tr>
<tr>
<td>Chi-Square/d.f.</td>
<td>2.212</td>
<td>AGFI</td>
<td>0.822</td>
</tr>
</tbody>
</table>

Note: 1.*: p<0.05 (C.R. >1.96); **: p<0.01 (C.R. >2.575); ***: p<0.001 (C.R. >3.08);
2. The coefficients are unstandardized values.
Figure 1: Structural Equation Model

Note: The coefficients are standardized values.

As the overall goodness of fit is satisfactory, it is encouraged to further identify the magnitudes and significance of the path structural coefficients of the model. As shown in Table 2, the TL-LO, LO-C, LO-P, and C-P paths were statistically positively significant, representing that transformational leadership had positive effects on employees’ learning abilities. Hypotheses 1 was thus supported. Furthermore, the results indicated that employees’ learning abilities had positive impacts on job performance not only directly but also indirectly through creativity, showing that Hypotheses 3, 4, and 5 were supported. Finally, we would like to examine the mediating effects of employees’ learning abilities and creativity. From Figure 1, the results showed that transformational leadership had statistically positive effects on job performance in two ways: one is TL-LO-P path, and the other is TL-LO-C-P path, indicating that employees’ learning abilities and creativity functioned as mediators in this model.

DISCUSSIONS AND CONCLUSIONS

Theoretical Contributions

This paper contributes to prior research in two ways. First, different from Jyoti and Dev (2015), this study highlights the mediating role of employees’ learning abilities between transformational leadership and creativity, rather than the moderating effect. The result shows that transformational leadership cannot enhance creativity without the channel of learning abilities. Second, this research finds another mediating role played by creativity on the relationships between learning abilities and job performance. This shows that developing employee creativity is critical to improve their job performance in an environment full of learning atmosphere.
Managerial Implications

The study has helped to generate the following suggestions for organizational management systems, as well as leaders and employees, and implementation of these could result in positive outcomes at both the employee and organizational levels.

For organizational management systems, it is important to cultivate and sustain an organizational culture that induce employees’ learning abilities and creativity. Also, management should use some selection tools, such as observations or questionnaires, to screen out those who have high learning abilities and creativity. For leaders, it is suggested that leaders develop their transformational leadership, which has positive effects on job performance through learning abilities and creativity. Therefore, leaders are encouraged to promote learning environment by suggesting new methods to complete work and by helping employees develop their strengths. Besides, leaders should clearly communicate and translate their visions into specific goals, so that employees may pursue and successfully achieve the goals in an open learning environment, where enhances their creativity. For employees, they should increase their learning abilities and creativity by training or motivation systems so that their job performance may be improved.

Limitations and Future Studies

Even though the empirical results of this study largely support the proposed research model, several limitations should be carefully considered. The foremost limitation of this study is the sample group that was limited to the insurance industry, indicating that the results cannot be applied to every industry in Taiwan. Second, though the sampling population consists of local and foreign companies, the data finally collected were only from local companies, which may cause the bias of the results generalization. Third, since individual informants provide the empirical data, possible biases or preferences, such as communication methods and social preferences, may exist due to different personal experiences, family, or educational backgrounds. Finally, since the data collection takes place in Taiwan, the characteristics of these participating firms may be quite different from those in other areas or countries. Thus, the causal relationships among the variables need to be interpreted carefully.

The study provided an investigation of the role of learning abilities and creativity between transformational leadership and job performance. For future studies, the following directions should be considered. First, other mediating or moderating variables should be examined to build stronger relationships between transformational leadership and its outcomes. Second, this paper suggests future studies collect data not only from insurance industry but also from other industries in Taiwan in order to apply the findings to a larger scope. Finally, future research should also validate the proposed model by using different samples and research settings to generalize the findings.

REFERENCES


