

# **The Impact of Transformational Leadership on Turnover Intentions Directly and Through Talent Engagement in the Banking Sector of Twin Cities of Pakistan**

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## **Abstract**

*The aim of this study was to investigate the relationship between transformational leadership and turnover intentions among the managers in the banking sector in the twin cities of Pakistan. This study filled the literature gap by exploring the role of talent engagement (job engagement and organization engagement) in the relationship between transformational leadership and turnover intentions among banking sector employees. A total of 450 questionnaires were distributed among top five banks branches operating in twin cities of Pakistan. Structural Equation Modeling (SEM-AMOS) was used to test the hypotheses. Results of the study portrayed that transformational leadership had a significant negative relationship with turnover intentions. An interesting finding of this study is that the organization engagement mediated the relationship between transformational leadership and turnover intentions but the job engagement did not mediate the relationship between transformational leadership and turnover intentions. The findings of this study have significance for the top management of the banking sector, to implement talent engagement in two dimensions properly. Management of banking sector should implement transformational leadership along with talent engagement (job engagement and organization engagement) to reduce the turnover intentions of managers.*

**Keywords:** Transformational Leadership, Talent Engagement, SEM, Turnover Intentions

## **Introduction**

In order to achieve growth, success and the long-run survivability of the organization, the prime factor is the human capital (Mosadeghrad,

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2003). It is the human capital which gives a competitive advantage to the organization over another organization and makes it unique (Solnet and Kandampully, 2008). Human capital is considered to be the main driver of innovation and creativity in the high-income economy. Due to business globalization, the hunt for talent and to engage them in a way that they drive the organization forward towards success and sustainable performance. The “War for talent” as described by McKinsey in 2000 has drawn the practitioners’ and academicians’ attentions towards talent engagement and how can they be utilized. Various studies have found that value creation is initiated and driven by employees which are intangible assets. Echols (2007) conducted a study and found that more than 80 percent of value creation is driven by human capital, not by physical assets that existed on the balance sheet. In the same way, the employees are key elements in the banking sector because the banking sector is more challenging and demanding than ever before. Banking sector jobs have become for tough and difficult because of extreme workload, excessive customers dealings, more paperwork formalities and time restrictions. Employees who are suffering from these issues mainly having intentions to quit the job. The turnover phenomena are complex and require the dire attention from organizations to manage it, even though more than 1500 academicians conducted research on employee turnover but still, it remains the vibrant field to carry out further research (Holtom et al., 2008). Employee turnover phenomena are complex because there are multiple reasons for employees’ turnover decisions. Most of the research work carried out regarding turnover intentions in a western context like UK, Australia, Canada (Maertz et al., 2003; Ovadje, 2009). The findings of such studies may not be applicable in other countries like in Asian countries, South Asian, Africa etc. Different researchers still conducting research to determine what factors lead to employee turnover intentions and this phenomenon and how the context matters (Chen and Francesco, 2000). Different scholars have advocated the engagement is the key to retain the talent in the organization. This is because engaged employees are absorbed in the organizational activities and consider themselves as part of the organization and they are rarely intended to quit the job. Talent retention is the top priority of any organization because it is the talent which enables the organization to gain the competitive advantage and ensure the long-term survivability of the organization. Engaged employees are the more productive and go the extra mile to achieve the organizational goals because they want to do it. The concept of talent engagement is gaining much attention from scholars because now the success of the business is entirely depending on the employees (Shah and Beh, 2016). To retain the top performing

employees who are considered as talent must be retained in order to ensure the growth and success of the organization. Similarly, the engagement concept is taken as in two dimensions (Saks, 2006) because engagement can be towards job and organization. In the same way, the role of a transformational leader is to take the maximum output from employees while keeping in view the importance of the employees and their due compensation to develop their engagement with the organization as well as with their jobs. Therefore, the role of transformational leadership is important in managing the employees' turnover intentions. Studies by Mokgolo et al., (2012) and Gibson et al., (2012), also mentioned and suggested to conduct future research on transformational leadership with respect to turnover intentions. This study is trying to fill the gap by identifying the factors that lead to the employees' turnover intentions, as to the best of researchers' knowledge, limited research has been conducted regarding it.

#### **Literature Review**

##### **Employee Turnover**

The concept of employee turnover is vital for the human resource professionals (Peterson, 2004). Due to its significance, the much of attention has been paid to this complex phenomenon (Ton and Huckman, 2008). Because of employee turnover can pose a big threat to the organizational success, growth, and survival. Employees are the most vital resource for the organization and lead the organization towards gaining the competitive advantage (Perez et al., 2003). In order to understand the employee turnover intention phenomenon, it is important to highlight the difference between the turnover and turnover intentions. Researchers mainly consider turnover and its proxy, turnover intentions as withdrawal from the organization (Price, 2001). Even though, the distinction needs to be established first. The term turnover refers to actual employee turnover, who has already left the organization while the turnover intention is the intention to move to another organization (Price, 2001). It can be said that turnover intentions are the movement of employees from one organization to another organization because of the different factors. In the same way, it can be concluded that it's the perceived probability of quitting the present employer or organization to switch to the new organization or employer (Cotton and Tuttle, 1986). The success of the organization is entirely dependent on employees of the organization and how the organization retain their talented employees actually make the difference and enable the organization to gain a competitive edge (Rousseau, 1998).

Employee turnover is detrimental for an organization not only that organization loses the employees but also suffers from the

suspension of the operational activities of the organization (Morrell et al., 2001). Employees' turnover has direct and indirect cost attached to it. Direct costs can be employees' replacement, giving ads for potential candidates, recruitment of new employees and the selection of new employees and after hiring training of new employees for the job. The indirect costs can be in the form of suspension of work until new employees take over the job, demoralization of employees who are left behind in the organization (Beach et al., 2003).

Some researchers consider the turnover as rotation of employees between the job, market, occupation and employer (Abbasi and Hollman, 2000). Employee turnover can be from employer side which can be in the form of termination, firing and from an employee it can be initiated by resigning. The turnover can be termed as employees quitting behavior (own paper reference). Moreover, it is hard to trace all the employees who have left already the organization and the response rate is comparatively low (Johnsrud & Rosser, 2002). Similarly, another study conducted by (The Youth Employment Network, 2009) in Ghana banking sector found that employee turnover was the main concern of top management of banks. Keeping in view the following reasons, many studies (Tett and Mayer, 1993; Allen et al., 2003) advocated that turnover intentions is the best predictor of actual turnover intentions. **Leadership**

In today's dynamic environment, the term of leadership is taken in multidisciplinary fields right from the business to academic research in which importance has been given to the role of people in relation to an organization. It can be said that leadership has its roots in various other fields like humanities, applied sciences and social sciences and other field of research like management and education which can be termed as professional fields. The role of leadership is so important and directly related to managing the organizational goals and objectives. Researchers and scholars have defined leadership in different ways but until now there is no universal or comprehensive definition of leadership exists (Yasir and Mohamad, 2016; Yasir et al., 2016) which means there is a still gap which could be filled by other researchers, theorists to conduct studies and define the leadership (House et al., 1997; Shamir et al., 1993; Leithwood, 1994; Northhouse, 2010). Some researchers define the leadership as it's the influencing behavior on others to get their consent on what needs to be carried out and how, moreover, to be done in a way to facilitate the overall efforts and to gain the common goals and objectives of the organization (Yukl, 2002). Similarly, another popular definition of leadership by Lincoln, 2012, he advocated that leadership is the approach towards employees and their utilization with regard to the

prescribed goals and objectives of an organization. The role of leadership is so vital for any organization to lead employees in the right direction towards organizational goals. There are several different styles of leadership but this study has emphasized on the transformational leadership.

#### **Transformational leadership**

The concept of transforming leadership originated by Burns (1978). He advocated that it is both leader and followers who facilitate and support each other in order to gain another higher stage of motivation and morality. The Bass, (1985) carried out extensive studies on leadership and finally came with proper definition and an appropriate term called transformational leadership. This term is further extended by Bass and Avolio (1995) worked and developed a theory which they called as transformational leadership. Burns emphasized that the role of transformational is so vital and it helps followers to change and bring transformation in their lifestyle and attitude.

Moreover, James McGregor Burns worked on transformational and initiated steps to introduce this new concept in his book "Leadership" in 1978. The Burns emphasis was on the distinctive features of management and leadership, he insisted on the viewpoint that they both are completely different from each other and their roles are different. The main theme of his worked based on this argument that they both are different and needs to be treated differently. Burns work opened the way for further research that how the transforming leaders bring the change in the existing value of work and its meaning while carrying out the duties and responsibilities of a job. It's the management who motivate the employees to work in a way to achieve goals and objectives while the leadership motivates employees in such manner that they will give preference to organizational goals, growth, and success rather than their own. This portrays that such leadership vision and work bring employees to the state where they care about their organizational success more than their selves. Burn worked emphasizes on transforming leadership as a role model for employees and further he advocated that management needs to redesign organizational model towards employees individual as well as an organizational system which bring change and motivation in a way that it develops the morale of employees towards certain goals and objectives of the organization. the bottom line of Burns worked is that the leadership brings together the organization and individual in a way that they make one identity and keeping in view the strength and weakness of employees and assign the ultimate control of their work.

Now the further advancement in the area of leadership which Burn (1978) presented the concept, it was further extended by Bass

(1985). Bass came up with another perspective of transformational leadership. He advocated that it can be viewed through psychological perspective and how this mechanism work. It was the Bass (1985) who replace the word transforming to transformational. The center point of Bass (1985) study was the psychological pattern and paradigm of the leaders who influence the employee's values, perceptions, assessments, and concepts in numerous ways. It is the leaders who build the confidence, trust, loyalty, sincerity and other psychological attributes in employees towards the organization. this led to the development of the multifactor leadership questionnaire which is usually called as MLQ. This concept of transformational leadership is based on four dimensions: the first dimension is an idealized influence, the second is inspirational motivation and the third dimension is the intellectual stimulation and the final the fourth dimension is the individual consideration. It is important to mention that the work of Bass (1985) was further extended by Avolio and Bass (2004), who further categories the concept of idealized influence and advanced it further by dividing it into further two types which are an influence (attributed) and influence (behavior).

Idealized influence (behavior) refers to the behavior of leaders that how the leaders behave in a different way and pattern that leaders become the role models and the followers want to follow them to become the exemplary (Bono and Judge, 2004; Komives and Wager, 2009; Anotoakis et al., 2003). Furthermore, leaders perform and obey the moral values and display ethical consideration which in turn influence the behavior of followers. Idealized influence (attributed): this type of leadership aspect is defined as the believing in leaders that they form the foundation of any relationship with employees by setting directions and moral values standards to follow. Moreover, this idea is further refined by Bass and Riggio (2006), they advocated that a clear path of vision towards organizational goals and objectives even develop the leader's commitment as well. The second dimension is the inspirational motivation, in this dimension leaders present the mission and vision in a way that attracts the employees (followers). By attracting mission and vision means which trigger the employees for better performance and take on the difficult duties and responsibilities. In this dimension, the leaders inspire the employees by presenting the organization as optimistic and promising. Intellectual stimulation is defined as the level up to leaders curious about followers (employees) basic ideas about their risk-taking abilities, their capabilities and their attempts towards different things and analyses the followers (employees) perception with respect to it. In this aspect, the theme is to advance the creativity among followers (employees) by inciting them which ultimately translate in organizational

innovation (Bass & Riggio, 2006; Groenewald & Ashfield, 2008; Khan et al., 2014; Marquis & Huston, 2008; Stander & Rothman, 2010). Individualized consideration in this dimension the leaders focus on the requirements and need of the employees (followers). Leaders center of attention is to build the free flow of information through proper feedback and guiding them in the right direction by taking appropriate measures (Avoli et al., 1999; Bass, 1985; Bass & Riggio, 2006; Mokgolo et al., 2012).

Based on above discussion the following hypothesis has been developed:  
H1: There is a negative relationship between transformational leadership and turnover intentions.

### **Talent Engagement and its Dimensions**

Engaging talent in the organization is the prime responsibility of the management. How to attract, build and then to retain the talented employees is the major issue for any organization. Building the employee's engagement is one of the big challenges for any organization (Christian et al., 2011). Talent engagement can be termed as retaining the employees in the organization by focusing on the building the engagement of employees towards the organization. The concept of engagement has been introduced by Kahn, (1990, p 964) which he defined as "Harnessing of organization members' sleeves to their work role: in engagement, people employ and express themselves physically, cognitively, emotionally and mentally during role performance." In the same way, Rutledge (2006) advocated that it is the state in which employee grows and elevate them to a higher level in terms of energy and align themselves with the organization. Different studies conducted to examine the outcome and antecedents of engagement (Karatepe and Nheche, 2012; Lockwood, 2007). Employees engagement is important and especially the managerial engagement towards job and organization is very vital for organizational long survival and success (Dimitroy, 2012). Studies have shown that engaged employees are less likely to quit the organization (Bux and Tay, 2010). In this study, the engagement has been viewed as in two dimensions with consistent with Saks, (2006) and Shah & Beh, (2016), Bux and Tay, (2010) the two dimensions are the job engagement and organizational engagement. As an employee, they have two kinds of engagement and both are equally important. This study adopted the concepts of engagement in two dimensions which has never been used in the context of Pakistan before, especially in the banking sector of Pakistan.

As mentioned by Saks, (2006) that engagement concepts have been taken in two dimensions

#### **1) Job Engagement**

## 2) Organization Engagement

Engagement can be term as the psychological presences during carrying out the organizational activities (Kahn, 1990; Rothbard, 2001). Being a member of any organization, the employees play two main roles, first is the role as a work role and second is the as a member of the organization. The first role is called as job engagement and the second role is called organization engagement (Saks, 2006). In a nutshell, engagement concept has its micro and macro perspective, this study is an agreement with the view of Saks, (2006) to investigate the concept of engagement in two dimensions. Based on the above discussion, this study proposes the following hypotheses:

H2: Job engagement mediates the relationship between transformational leadership and turnover intentions

H3: Organizational engagement mediates the relationship between transformational leadership and turnover intentions

### **Relationship between Transformational Leadership, Talent Engagement, and Turnover Intentions**

Leadership can be used to develop the engagement of employees towards job and organization. various studies have advocated that it is the transformational leadership which incites the engagement of employees (House and Howell, 1992; Stone et al., 2003) which in turn reduce the turnover intentions. Another study conducted in Sidney in Australia among sales employees portrayed that leadership style had a positive relationship with employees' engagement. similarly, Yukl & Chavez (2002) advocated that transformational leadership motivate and inspire employees (followers) which lead them to effort more for organizational performance (Harter et al., 2002) which translate in developing the employees' engagement which results in enhanced overall performance (Gill, 2006; Northouse, 2010; Bass, 1985). The other studies showed that transformational leadership positively effects the commitment, engagement, employees' motivation (Jessica et al., 2011). Same is the view of Davood et al., (2014) that transformational leadership contributes to developing employees' engagement which in turn lead to greater organizational growth and success. Another study conducted by Joubert and Roodt, (2011) postulated that leadership had a direct relationship with employee engagement. moreover, same is narrated by Clegg et al., (2008) that transformational leadership had the main role in shaping employees' engagement and achieving the organizational goals. Furthermore, Dupre and Day, (2007) conducted a study to investigate the relationship of transformational leadership on turnover intentions and they found a negative relationship between them. Moreover, Hamstra et al., (2011) asserted and found also a negative

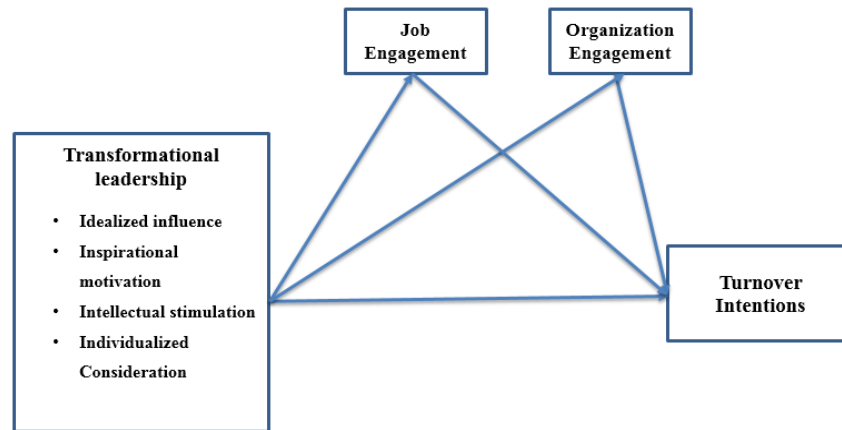


relationship between transformational leadership and turnover intentions. Many other studies like Pieterse-landman, (2012), Hughes et al., (2010), Long et al., (2012), and Well and Pearchey, (2011), showed that the relationship between transformational leadership and turnover intentions is negative.

**Objective of the study**

1. To investigate the effect of transformational leadership on turnover intentions.
2. To examine the mediating role of job engagement between transformational leadership and turnover intentions.
3. To analyze the mediating role of organizational engagement between transformational leadership and turnover intentions.

**Conceptual Framework of the study**



**Explanation of framework**

This framework indicates the main two types of relationship, in first the direct relationship of transformational leadership on turnover intentions and second is the talent engagement (job and organization engagement) mediate the relationship between transformational leadership and turnover intentions.

**Theoretical bases of the framework**

The baseline for this study has been provided by the social exchange theory (SET). SET states that when employees have the feeling of gaining economic and socio-emotional resources from organization then they try to pay back to the organization by performing better (Saks,2006). The transformational leadership develops the engagement by social exchange and which in turn reduces the turnover intentions. This theory guides the framework of this study.

**Methodology**

The unit of analysis is the officers rank of employees (Grade 1 to Grade 3 officers) working in a top five banks by capital according to the state bank of Pakistan (SBP, 2016), which are Allied, UBL, HBL, MCB, and NBP operating in twin cities of Pakistan (Islamabad and Rawalpindi). Five strata's were made of these five banks and the number of branches was selected according to their total population in the whole population in twin cities while a number of officers were selected randomly from each strata. A total of 450 questionnaires were distributed among the different branches of these selected banks and the returned questionnaires were 420 while usable questionnaires were 401.

**Table 1: Population and Sampling of bank branches**

<b>Banks</b>	<b>Number of branches</b>	<b>Percentage</b>	<b>Selected Banks</b>
<b>NBP</b>	93	31%	28
<b>Allied</b>	66	22%	14
<b>HBL</b>	63	21%	13
<b>MCB</b>	48	15%	7
<b>UBL</b>	32	11%	4
<b>Total</b>	<b>302</b>	<b>100%</b>	<b>66</b>

**Data collection instruments**

Multifactor Leadership Questionnaire consisted of 16 questions to measure the transformational leadership which consists of four attributes. 11 questions were related to talent engagement (job and organization engagement) and 4 questions were asked to measure the turnover intentions. The questionnaires have been adopted from different studies and have been modified. The transformational leadership was from Bass & Avolio, (1995) and Bass & Avolio, (2004), talent engagement from Saks, (2006) and turnover intentions from Kelloway et al., (1998). Items have been measured by using a five-point Likert scale ranging from Strongly disagree to strongly agree.

**Data Analysis Tools**

This study employed the SPSS for descriptive analysis and which can be seen in table 2 and it consists of standard deviation, minimum, maximum and mean values. To investigate the relationship and to test hypothesis this study employed SEM using AMOS. For the purpose to ensure the validity and reliability of the construct; this study measured the Cronbach's alpha, factor loading construct reliability and Average Variance Extracted (AVE) for reliability and for validity the discriminant validity and convergent validity was established. Table 3 portrays the values of all constructs.

**Table 2: Descriptive Statistics**

**Economics, Business and Management (EBM 2017)**

<b>Variables</b>	<b>Mean</b>	<b>Maximum</b>	<b>Minimum</b>	<b>Number</b>	<b>SD</b>
Transformational Leadership	3.61	5	1	401	.665
Job Engagement	3.56	5	1	401	.723
Organization Engagement	3.63	5	1	401	.677
Turnover Intentions	2.32	5	1	401	.773

**Table 3: Construct Validity**

<b>Construct</b>	<b>Number of dimensions</b>	<b>Factor Loading</b>	<b>AVE</b>	<b>CR</b>	<b>CB alpha</b>
<b>Transformational Leadership</b>	TL1	0.66	0.526	0.86	0.81
	TL4	0.56			
	TL6	0.54			
	TL9	0.91			
	TL11	0.76			
	TL15	0.66			
<b>Job Engagement</b>	JE1	0.62	0.53	0.82	0.80
	JE2	0.85			
	JE3	0.82			
	JE4	0.65			
<b>Organization Engagement</b>	OE1	0.71	0.52	0.85	0.77
	OE2	0.72			
	OE3	0.83			
	OE5	0.67			
	OE6	0.73			
<b>Turnover Intentions</b>	TI1	0.87	0.51	0.81	0.86
	TI2	0.64			
	TI3	0.65			
	TI4	0.87			

**Table 4: Squared Multiple Correlation and Average Variance Extracted**

	<b>CR</b>	<b>AVE</b>	<b>MSV</b>	<b>ASV</b>	<b>TI</b>	<b>JE</b>	<b>OE</b>	<b>EMP</b>
<b>TI</b>	0.817	0.526	0.339	0.221	0.718			

**Economics, Business and Management (EBM 2017)**

<b>JE</b>	0.824	0.537	0.016	0.012	-0.128	0.732		
<b>OE</b>	0.857	0.528	0.357	0.234	-0.582	0.107	0.728	
<b>TL</b>	0.868	0.517	0.357	0.224	-0.554	0.074	0.598	0.716

SEM analysis was performed in two stages, in order to establish the goodness of fit this study conducted the Confirmatory Factor Analysis (CFA). In CFA the researcher deleted some of the items of transformational leadership, job engagement, organization engagement of which factor loadings were below the threshold. The initial goodness of fit model was GFI=.677; CFI=.642; RMSEA=2.091;  $\chi^2/df=16.882$  and after deleting the items the appropriate goodness of fit model was GFI=.921; CFI=.913; RMSEA=.085;  $\chi^2/df=4.253$ , thus model fitted the data adequately (Hair et al., 2009).

**Hypotheses of the study:**

H1: There is a negative relationship between transformational leadership and turnover intentions.

H2: Job engagement mediates the relationship between transformational leadership and turnover intentions

H3: Organizational engagement mediates the relationship between transformational leadership and turnover intentions

**Results and Discussion**

To achieve the objectives of this study and to investigate the direct and indirect effects, this study adopted the Preacher and Hayes, (2008) approach. Thus the mediation is checked through two stages. In first to calculate the direct effects of independent on dependent variable while in the second stage the mediator is involved and again calculate the direct and indirect effects. In order to check the significance of indirect effects the bootstrapping was used as recommended in the literature by different researchers (Shrout & Bolger, 2002; Lockwood & Mackinnon, 1998).

**Hypothesis Testing**

To investigate and test the hypothesis, this study runs the model for three times for analyses. At first, the direct relationship of transformational leadership on turnover intentions was calculated and then in the second stage, the mediation effect of job engagement was checked without organization engagement while in third attempt the mediation of organization was investigated. The fit of all three models is mentioned in table 7, 8, and 9. And the direct and mediation analysis are shown in table 5 and 6.

**Table 5: Results of direct Hypothesis Testing (TL & TI)**

No	Hypothesis	$\beta$	S.E	Standardized Estimates	C.R	P-Value	Decision
H1	TL→TI	-0.628	0.71	-.543	-8.822	0.001	Accepted

**Table 6: Mediation analysis (Indirect effect) of Model**

No	Hypothesis	Direct without mediator	Sig	Direct with mediator	Sig	Indirect effect	P-value (bootstrap)	Mediation	Decision
H2	TL→JE→TI	-0.543	(0.001)	-.537	(0.001)	-0.006	0.073	No Mediation	Rejected H2
H3	TL→OE→TI	-0.543	(0.001)	-.331	(0.001)	-0.219	0.012	Partial Mediation	Accepted H3

**Table 7: Goodness of Fit of Direct relation**

Variables	GFI	CFI	RMSEA	$\chi^2/df$
TL→TI	0.905	0.898	0.212	4.655

**Table 8: Goodness of Fit, through job engagement**

Variables	GFI	CFI	RMSEA	$\chi^2/df$
TL→JE→TI	0.924	0.902	0.116	3.022

**Table 9: Goodness of Fit, through organization engagement**

Variables	GFI	CFI	RMSEA	$\chi^2/df$
TL→OE→TI	0.899	0.896	0.080	5.673

**Results of Structural Equation Modeling and Discussion**

Results of the study confirmed the acceptance of hypothesis H1, coefficient values -.543 which are depicted in table 5, indicates that one-unit change in the transformational leadership will bring -.543 change in the turnover intentions. The findings are consistent with the various research studies like Najam, (2010) found a negative relationship between transformational leadership and employees' turnover intentions in Kuwait. Same is postulated by Kedsuda and Ogunlana, (2008) that transformational leadership had a negative relation with employees' turnover intentions. Furthermore, Dupre and Day, (2007) conducted a study to investigate the relationship of transformational leadership on turnover intentions and they found a negative relationship between them. Similarly, Hamstra et al., (2011), found also a negative relationship of transformational leadership on turnover intentions. many other studies like Pieterse-landman, (2012), Hughes et al., (2010), Long et al., (2012), and Well and Pearchey, (2011), showed that the relationship between transformational leadership and turnover intentions is negative.

To examine the mediation analysis, the first mediation effect of job engagement was tested for which the proposed hypothesis was H2.

As depicted by Preacher and Hayes, (2008) that for mediation the model was run for two times, in a first only independent variable which is transformational leadership on dependent variables which is turnover intentions then in the second stage the mediator which is job engagement was inserted in the model and again the model was run and calculated the direct and indirect effects. As presented in table 6, Without mediator the coefficient value direct relationship of transformational leadership on turnover intentions was -.54 with t-value (-8.822) and p-value 0.001. This showed that the direct effect was significant, while after entering the mediating variable which is job engagement again the direct and indirect effects were checked. The indirect effect of job engagement was -0.006 to check whether the indirect effect was significant or insignificant the bootstrapping as employed as postulated by Preacher and Hayes, (2008), with 1000 iteration to test the p-values. The p-value of the indirect path was 0.073 which was higher than 0.05 which indicated that the indirect effect was insignificant. Findings showed the rejection of hypothesis 2. This portrayed that there was no mediation according to Baron and Kenny, (1986). So job engagement did not mediate the relationship between transformational leadership and turnover intentions. The findings are inconsistent with other studies conducted by Joubert and Roodt, (2011) postulated that leadership had a direct relationship with employee engagement. Razi, (2006) also found the positive relationship between transformational leadership and work engagement. The reasons may be as the banking sector has neglected the importance of job engagement or neglected the two dimensions of engagement, further are explanations are given in the conclusion and recommendations.

The same procedure was applied for examining the mediating effect of organization engagement. The direct effect of transformational leadership on turnover intentions was reduced after entering the mediating variable the coefficient value was -.331 and statistically significant. The indirect effect of organization engagement was -0.219. Furthermore, to check whether the indirect effect was significant or not bootstrapped was applied and the p-value was 0.012 which was less than 0.05, it indicated that organization engagement mediated the relationship between transformational leadership and turnover intentions.

The finding of this study is consistent with the previous studies by Clegg et al., (2008) that transformational leadership had the main role in shaping employees' engagement and achieving the organizational goals, same are the views of Robbins et al., (2009), they conducted a study and found that transformational leadership had a positive relationship with work engagement. Same are the views of Bycio et al., (1995), found that transformational leadership builds the

employee engagement towards the organization which in turn reduces turnover intentions. Similarly, May et al., also proved that the leadership role is important in shaping the employees' engagement and leads to reduction in employees' turnover intentions. Further, Flade, (2003) postulated that transformational leaders build the trust environment which nurtures the engagement and which actually reduces the turnover intentions. Many other studies also found the positive relationship of transformational leadership and employees' engagement and a negative relationship of them with turnover intentions (Therkelsen and Fiebich, 2003; Schulz et al., 1995; Diedendorff et al., 2002; Paullay et al., 1994).

### **Conclusion**

It is concluded that transformational leadership has a negative relationship with turnover intentions while organization engagement mediates the relationship transformational leadership on turnover intentions, interesting findings of the study that job engagement did not mediate the relationship. This indicates that in the banking sector the job engagement has been neglected by leaders/management. To retain the talented employees (officers rank), their job engagement should be considered with proper attention. The findings shed a light on the very important issue for a banking sector that they need to work on to build and develop job engagement of employees. The management should have the policies and practices to build job engagement as suggested by Saks, (2006) that job engagement and organization engagement are two different constructs and this study further strengthens this notion by adding the empirical evidence from Pakistan in the banking sector. The problem lies in the management where they do not consider engagement concept in two dimensions. The finding of this study and the other studies like Saks, (2006), Bux and Tay, (2010) clearly advocated that these two dimensions of engagement should be built so that it can lead to retention of employees. Khan, (1990), Routledge, (2001), Saks, (2006) and other researchers postulated that engaged employees are absorbed in the organization and they do not want to quit the organization because they are physically, mentally and emotionally attached to the organization. In order to discourage the turnover intentions of employees, the management of banking needs to develop the environment which nurtures the engagement of employees towards job and organization because both are equally important for retention of employees. In the same way, the role of transformational leadership is so vital to reducing the turnover intentions, moreover, by using the framework of this study, transformational leadership can elevate the employees' engagement towards job and organization. The behavioral aspect, the inspirational

aspect and the andstimulation aspects of transformational leadership to develop engagement of employees and which in-turn will reduce the turnover intentions of them. Leaders are the role models of the employees when they see that their leaders friendly towards them and committed to build engagement in two dimensions then they turned out tobe more attached with the organization as they believe that they are being taken care of and regard as organizational assets. Such practices will enhance their attachment towards their job and organization.

### **Limitation and Future Recommendations of The Study**

This study provided the in-depth analyses of leadership on turnover intentions through talent engagement but nevertheless, this study has also some limitation which can be overcome by future research studies. The first limitation of this study comes as this study focused on officers' level (Grade 1 to grade 3officers) of thebanking sector. Another limitation is the data nature is cross-sectional.The third limitation of the study is thatit has targeted the twine city of Pakistan (Islamabad and Rawalpindi). Therefore, in order to generalize the findings of this study can be a bit difficult. The recommendations for future studies can be like to target the other level of employees like front desk employees, cashiers and others. Second recommendation is that future studies can conduct experimental or longitudinal studies. Moreover, future studies can also take an account of other service sectors by investigating the same research framework of this study in order to reduce the turnover intentions of employees.



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