

## CHAPTER I

### INTRODUCTION

#### 1.1 Background of the Research

In this 4<sup>th</sup> industrial revolution era, most of organizations realized the importance of its human resources existence cannot be replaced by technology. The sustainment of its human resources is important in achieving organizational objectives. Leadership emerges as an important factor in sustainment of employees within organization. The retention of employees within organization might be affected by leadership style that a leader has, it will determine how individual feel attached to the organization. The definition of leadership usually related to how an individual or leader can influence their surroundings or followers in achieving common objectives. One of the desired outcomes of leadership is a team of employees committed to the organization (Kekes et al., 2017). Thus a leader should know and understand what kind of leadership style needed by followers as well as the condition within organization in order to achieve an effective leadership.

Effective leaders can have specific impact on organizational outcomes. Leadership can foster the development of an emotional attachment to the organization on followers (Keskes et al., 2017). Thus the quality and capacity of leader is crucial, because leader is as a central point that determines the direction of organizational visions. According to Bass (1985) there are two of the most prominent leadership

theories: transformational and transactional leadership theories. As a dominant leadership theory, transformational leadership has received considerable scholarly attention over the past four decades (Peng, Liao, & Sun, 2019). Transformational leadership has been considerably as an effective leadership style where can influence followers' attitudes to a leader that can lead success within organization. In line with this, according to Hater and Bass (1988), transformational leadership has been positively correlated with how effective the leader is perceived by subordinates. Transformational leadership is a leadership style where "leaders and followers make each other to advance to a higher level of moral and motivation" (Burns, 1978; as cited by Keskes et al., 2017).

Transformational leadership can result in positive outcomes of employees to the organization. Transformational leadership can build followers' commitment (Peng, Liao, & Sun, 2019), and thereby increasing performance and it maximizes the capabilities of individual employees by emphasizing values and morals in order to accomplish organizational objectives (Freeborough & Patterson, 2015). Organization needs transformational leaders to encourage individuals in order to build their commitment that will lead success to the organization. Transformational leaders will motivate followers to exceed their own interests on behalf of the interests of the group or organization (Ribeiro, Yücel, & Gome, 2018). Organizational commitment has been identified as an important variable that influence various organizational outcomes such as turnover (Gyensare et al., 2016), employees' individual

performance (Brimhall, 2019), intention to stay and organizational citizenship behavior (Simo et al., 2014). Scholars have relatively focused more on studying the outcomes of organizational commitment compared to its antecedents (Lamichhane & Shrestha, 2017). Thus this research will more focus on the antecedents of organizational commitment itself. Prior research suggests that work experiences, personal and organizational factors serve as antecedents to organizational commitment (Allen & Meyer, 1990). In addition, according to Avolio et al. (2004) one of such personal and organizational factor that is considered a key determinant of organizational commitment is leadership. Hence leadership is considered as an important antecedent of organizational commitment.

Organizational commitment divided in to three components model by Meyer and Allen (1990), the components are: affective, normative and continuance component. Affective component is considerable as the core of organizational commitment. Mercurio (2015) proposed a conceptual framework in which affective commitment is seen as the core essence of organizational commitment. In organization, employees' affective commitment is essential in determine employees' intention to stay or leave the organization. Employees with high affective commitment are more committed to contributing to organizational success (Ribeiro, Yücel, & Gomes, 2018). In line with this, Meyer et al. (1993) found that affective commitment to the occupation correlated positively with desirable behaviors or behavioral intentions (e.g., professional activity, voice, and citizenship) and

negatively with undesirable behaviors (e.g., intention to leave the occupation and the organization, absenteeism, and neglect). Based on the definition in literatures, employees' affective commitment is related to employees' emotional attachment to the organization.

There is an important role of leader in building employees' affective commitment within organization. The degree to which employees show their emotional intimacy with organization is largely influenced by leadership style (Riaz, Akram, & Ijaz, 2011). In line with this, according to Braun et al. (2013), the identification with and attachment to, the leader results in improved affective commitment in the followers. Transformational leadership has been indicated as an important antecedent of employees' attachment to the organization. According to Gyensare et al. (2016) transformational leaders influence their subordinates' emotional attachment to and involvement with the organization. In other study, Bycio (1995) argued that inspirational aspects of transformational leadership enhance employees' affective commitment. There are several previous studies have sought to determine the relationship between transformational leadership and employees' affective commitment (Riaz, Akram, & Ijaz, 2011; Gyensare et al., 2016; Ribeiro, Yücel, & Gomes, 2018; Peng, Liao, & Sun, 2019).

Transformational leaders act through empowerment in influencing employees' affective commitment. Transformational leadership theory emphasizes the role of empowerment as a central mechanism of building commitment to the organization's

objectives (Bass, 1999). According to Jomah (2017) empowerment consists of two concepts, which are psychological and structural empowerment. Psychological empowerment is an act that a transformational leader takes in order to bind employees with the organization. A psychological perspective focuses more on how personnel experiences their responsibilities in the organization rather than focusing on managerial activities which distribute power to all human resource (Jomah, 2017). Therefore psychological empowerment intended to increase employees' commitment levels within organization.

There are various challenges that faced by leaders in for profit and nonprofit organizations in creating employees' affective commitment. In nonprofit organizations creating employees' commitment can be more complex since they are relying on the voluntary workforce, where employees' intention to stay or leave the organization is mostly affected by a leader. When leaders seek organizational commitment from their followers, they need to engage in behaviors that go beyond the economic exchange (Ribeiro, Yücel, & Gome, 2018). Effective leadership behavior is needed to respond to various challenges in nonprofit organizations. According to Seyhan (2013), nonprofit organizations need transformational leaders since effective leadership is associated with leader's role during transformation process. Thus the role of transformational leader is particularly important for individuals who work in nonprofit organizations.



Nonprofit organizations have an important role in solving various social problems. Nonprofit organizations exist to improve the quality of community life in modern societies (Seyhan, 2013). In other study, Anheier (1990) confirmed previous research shows that the nonprofit sector performs important social, economic, and political functions in society. Thus the main objective of nonprofit organizations is not to seek profit. Instead the main objectives of this organization can be defined in terms of social, cultural, political, educational or other nonprofit goals.

Nowadays nonprofit organizations have had increasing role not just in national but also international development. According to Anheier (1990), in recent years, there are more attention has been paid to nonprofit sector especially in developing countries. There is a growth in nonprofit sector both locally but also internationally. At the local level, nonprofit organizations have become part of community-building and empowerment strategies and at national level nonprofit organizations are increasingly involved in welfare, health care, education reform and public-private partnership, while at international level, there are an increasing number of international nonprofits or non-governmental organizations that have expanded role (Anheier, 2005). There are various types of nonprofit organizations. These types of organizations are driven by issues such as social, politic, economic, education and others. It moves people with the same vision to contribute and answer challenges related to the issue.

According to Noermijati and Ikhwan (2018) in nonprofit organizations, employees' organizational commitment has close connection with the values or the organizational culture, and also their satisfaction in conducting activities. Thus, in nonprofit organizations employees' emotional attachment and well-being is important in build the commitment to organizations. This emotional attachment to the organization results in employees' willingness to exert effort on behalf of the organization (Gyensare, 2016). In line with this, Peng, Liao and Sun (2019) found that nonprofit employees manifest higher affective commitment than public employees.

In Indonesia, one of nonprofit organization that already expands its role to international level is humanitarian organization. Humanitarian organizations exist to improve the quality of community life by giving humanitarian assistance. Moreover these organizations not just provide humanitarian assistance locally but also internationally, for example humanitarian programs for humanitarian crisis in Palestine, Syria, Rohingya etc. This shows the growth of nonprofit humanitarian organizations that have consciousness to provide humanitarian assistance for whoever need.

Employees' affective commitment is particularly important for employees in nonprofit organizations because all activities within nonprofit organizations are at the end will give impact to the society. How employees see their contribution or what they are doing can give impact to the society will affect in their affective commitment

to the organization. The role of leader in nonprofit organizations is important in reinforce employees' perception of work impact that will lead to increase their affective commitment to the organization. Perceived work impact is about how employees' see their contribution or effort in the organization can give impact to the organization or societies. Transformational leadership behaviors alter employees' perceptions in ways that foster heightened motivation, whereby employees feel a proactive orientation to perform well through participation in organizational goals (Dust, Resick, & Mawritz, 2014). In line with this, according to Peng, Liao and Sun (2019) transformational leaders can successfully bolster employees' affective commitment through reinforcing their perception of work impact. Hence in nonprofit organization, transformational leader can enhance employees' perceived work impact that will lead to increase their affective commitment.

Although some researchers argued that nonprofits have a relevant impact on societies' well being, they face various problems that need to be addressed by organizational leadership. One of the problems is how employees committed to the organization that will lead to increase their voluntary contributions both for the organization and society. O'Reilly and Chatman (1986) found that one's commitment may be related to positive manifestations of involvement such as voluntary participation and contributions beyond those required by the job, as well as a reduced tendency to leave the organization.



This research is purported to examine the influence of transformational leadership on employees' affective commitment. This research also would like to investigate the mediating effect of both perceived work impact and psychological empowerment on the relationship between transformational leadership and affective commitment of employees in nonprofit organization (see figure 2.1).

## 1.2 Research Questions

Based on the background described in this research, the problem statements are built as follows :

1. How does transformational leadership effect on employees' perceived work impact for nonprofit humanitarian organizations?
2. How does perceived work impact effect on employees' affective commitment for nonprofit humanitarian organizations?
3. How does transformational leadership effect on employees' psychological empowerment for nonprofit humanitarian organizations?
4. How does psychological empowerment effect on employees' affective commitment for nonprofit humanitarian organizations?
5. How does perceived work impact mediates the relationship between transformational leadership and employees' affective commitment for nonprofit humanitarian organizations?

6. How does psychological empowerment mediates the relationship between transformational leadership and employees' affective commitment for nonprofit humanitarian organizations?

### 1.3 Objectives of the Research

This research intended to examine the mediating role of perceived work impact and psychological empowerment on the influence of transformational leadership on employees' affective commitment.

1. To examine the effect of transformational leadership on employees' perceived work impact in nonprofit organizations
2. To examine the effect of perceived work impact on employees' affective commitment in nonprofit organizations
3. To examine the effect of transformational leadership on employees' psychological empowerment in nonprofit organizations
4. To examine the effect of psychological empowerment on employees' affective commitment in nonprofit organizations
5. To examine the effect of perceived work impact mediates the relationship between transformational leadership and toward employees' affective commitment in nonprofit organizations

6. To examine the effect of psychological empowerment mediates the relationship between transformational leadership and toward employees' affective commitment in nonprofit organizations

#### **1.4 Contributions of the Research**

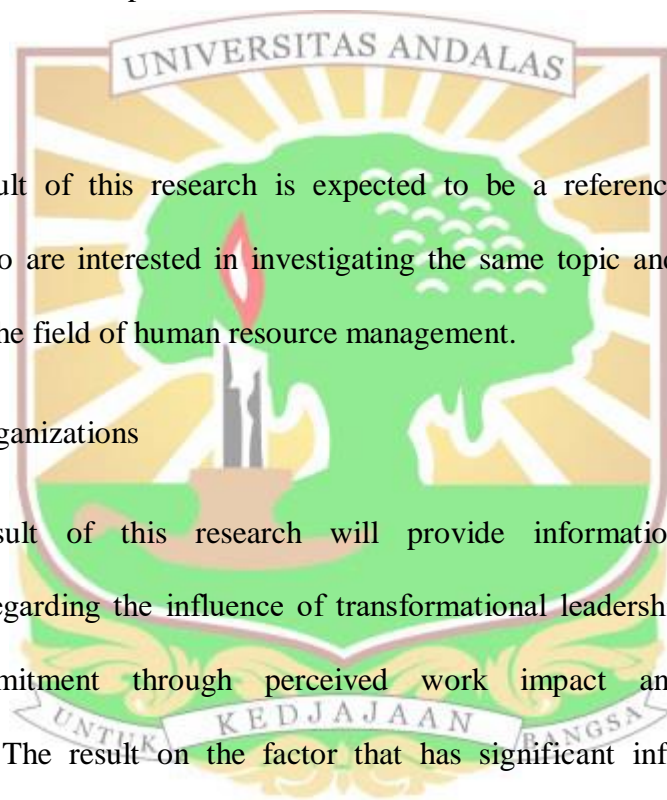
This research is expected to contribute on:

##### **1. Academic**

The result of this research is expected to be a reference for subsequent researchers, who are interested in investigating the same topic and to be add more information in the field of human resource management.

##### **2. Nonprofit Organizations**

The result of this research will provide information for nonprofit organizations regarding the influence of transformational leadership on employees' affective commitment through perceived work impact and psychological empowerment. The result on the factor that has significant influence will be a reference for nonprofit organizations to determine their strategy.



## **1.5 Scope of the Research**

### **1.5.1 Theoretical Scope**

The theoretical scope of this research will be focusing on the four variables which are transformational leadership, perceived work impact, psychological empowerment and employees' affective commitment.

### **1.5.2 Contextual Scope**

The contextual scope of this research will be focusing on employees that work in nonprofit organizations in Padang.

## **1.6 Outline of the Research**

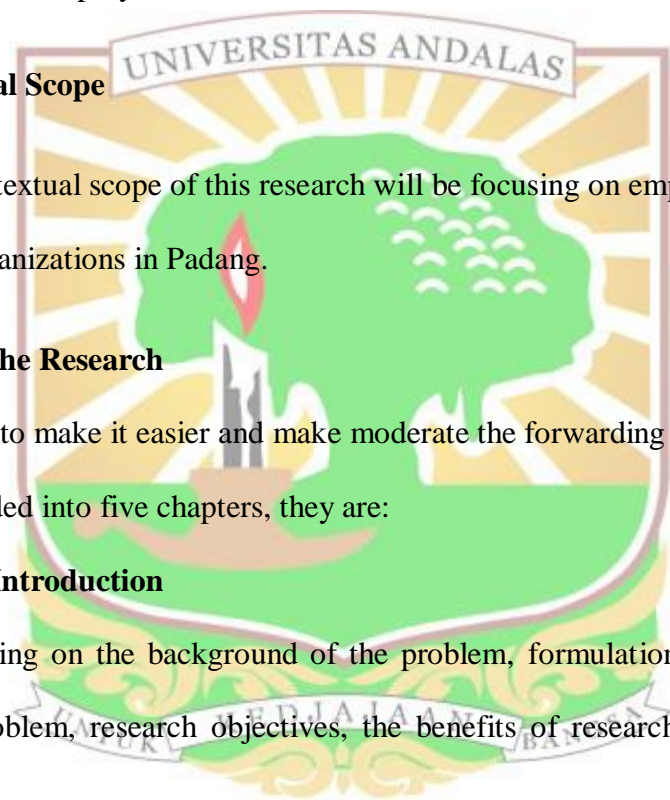
In order to make it easier and make moderate the forwarding of content, this research is divided into five chapters, they are:

### **CHAPTER I: Introduction**

Elaborating on the background of the problem, formulation of the problem, limiting the problem, research objectives, the benefits of research, and systematic thesis.

### **CHAPTER II: Review of the Literature**

This chapter contains description of theoretical variables that include the theories that support and underline the variables used in the research and framework.



### **CHAPTER III: Research Method**

In this chapter, the author put forward about the object of study, population data and data sources, techniques data collection, operational definitions of variables, data presentation techniques, and data analysis techniques.

### **CHAPTER IV: Analysis and Discussion**

The fourth chapter contains the result of the analysis of the study, the characteristic of the respondent, and the descriptive analysis.

### **CHAPTER V: Conclusion**

The fifth chapter will show the conclusion from the analysis and research that has already been conducted. This chapter will also show the positive or negative influence between the variables and provide advices for future researches.

