The Impact of Strategic HRM Practices on Employee’s Job Satisfaction: The Moderating Effect of Transformational Leadership

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Abstract—The purpose of this paper is to evaluate the positive impact of SHRM practices and transformational leadership style on employee’s job satisfaction and to develop a conceptual understanding of the moderating role of transformational leadership between the relationship of SHRM practices and employees job satisfaction. This study focuses on four SHRM practices that have positive relationship with employee’s job satisfaction.

Keywords—Employee’s job satisfaction, moderating effect of transformational leadership, SHRM practices, transformational leadership, theoretical framework.

I. INTRODUCTION

RECENTLY human resource management (consequently HRM) literature emphasis the strategic perspective with regards to its role in the value creation activities in the form of strategic human resource management (consequently SHRM) and employees job satisfaction which ultimately enhance employee’s performance and contribute to organizational performance [1]. The development of SHRM in the early 1990s came into view that stresses the value driven methodology in HRM [2] and this development has been noticed in both the research literature and noteworthy attention has been paid by the HRM practitioners [3]. According to [4] HRM is a procedure, philosophy and practices that deals with management of human resources in the organizations. HRM is an important area that influences the behaviors of employees such as organizational commitment and job satisfaction [5]. The study of [6]-[8] showed that HRM practices include compensation, and trainings are negatively related to employee’s turnover because these practices motivate employees and create a long term association between organization and employees. Employee’s job satisfaction is defined as feelings about the job that is related to availability of learning environment, career advancement, promotional opportunities, salary increments, benefits and security of job [9]. Another significant contribution to performance of organizations comes from the theoretical contribution from leadership literature.

Leadership is a process that can be better understood and explained as either transactional or transformational, it is a process that explains how leader-employee influence each other [10]. This paper focuses on transformational leadership style as theoretically transformational leadership motivate employees by engaging them to perform beyond primary objectives and goal to enhance the performance of organization. Further the study of [11] found a stronger effect of transformational leadership on job satisfaction of employees. Followers are influenced by the transformational leader in many ways such as; goals elevation of followers, and opportunity to improvement of self-confidence to go beyond minimum accepted principles [12].

There is growing evidence in the literature that shows that SHRM practices have an impact on employee’s job satisfaction [1], [13], [14] while transformational leadership has also been shown to have a significant impact on job satisfaction [1], [11], [13], [14] given that two demonstrate significant independent relationships with performance and intuitively suggests that there will be an inter relationship between two as well as employee job satisfaction. There is no study that comes to on knowledge which has empirically tested for such a relationship between the two and their interrelated relationship with performance.

Hence, this study attempts to fill the gap in the SHRM literature by proposing theoretical framework consisting four SHRM practices including training [15]-[17], compensation [16], [18], [19], employment security [16], [17], [19], and internal career opportunities [20], [21] that are positively related with employees job satisfaction. This study focus on four elements of employee’s job satisfaction: trainings, compensation, job security, and internal promotion/career opportunities. In addition, transformational leadership style may also influence the employee’s job satisfaction as the study of [22] showed a positive association between transformational leadership and employee’s job satisfaction. For instance, the empirical study of [23], showed a positive and significant moderating role of transformational leadership between the relationships of predictor, psychological empowerment and outcome variable job satisfaction. However, this study further conceptualizes the moderating effect of transformational leadership on employee’s job satisfaction.

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II. LITERATURE REVIEW

A. Strategic HRM

The notion of SHRM developed during the late 1980s and early 1990s that stressed on integrative, proactive and value-driven methodology to HRM. This new paradigm views the HRM as a strategic rather than responsive, rigid and managerial as it considers human resources as an asset for the organization.

It is worth noted that recognizing the competencies or systems by which SHRM stimulate the performance of a business is highly valuable [24]. Since, there is consensus among researchers that human resources of a firm cannot be imitated by the competitors, therefore considered to be as unique [13]. Additionally the awareness about the significance of the SHRM has grown among the organizations. This understanding among the organizations is a significant dimension. Enlargement of fresh methodologies in managing the business has been propelled by the renewed understanding of SHRM as a significant field of study [25].

However, being strategic does not mean to focus only on the systems and or financial performance rather it is about sustainable competitive advantage that leads to financial as well as non-financial performance [3]. In addition, the integration of HRM with strategy denotes the association of HRM in creation and application of business strategies and the strategic fit of HRM with the organizational strategy. This integration tends to increase cost effectiveness, analogy and strategic fit of HRM with the organizational strategy. This leadership. Though, the success of group members and organization is possibly dependent on the leadership quality [29], because leadership is a process that strongly influences group members towards the achievement of objectives [28]. However, another definition of leadership presumes that leadership is a phenomenon of group that is linking two or more person [26]. In addition, leadership is not only a process that identifies the follower roles, but to elucidate the roles as well as endow it with the confidence that is necessary to carry it out. Similarly the needs of the followers are identified by the leader. And then needs are elucidated and explained how to fulfill them in order to satisfy the followers as well as to enhance the performance of the organization [26], [30].

Further [31] fueled a ‘paradigm shift’ in leadership research by indentifying a distinction between two types of leadership i.e. transactional leadership and transformational leadership [26], [29], [31], [32]. He distinguished transactional leadership as “an exchanges of one thing with another” and the transformational leadership was explained as “identification of likely motives in followers that is pursue to satisfy employees needs and by appealing to employees needs the leader motivate the follower to perform beyond objectives” [29].

The paradigm of leadership we have undertaken for this study is transformational leadership. As [33] used a leadership model in the framework that defined transactional and ‘transforming’ (or transformational) model of leadership in an organization and to measure the behavior of leader he extended his study to develop Multifactor Leadership Questionnaire [32], [33].

C. Transformational Leadership

Transformational leadership is more intricate; however, it is more effective than transactional leadership because transformational leadership comprises identifying and making sure that employees are satisfied [26]. Transformational leaders motivate their followers by supporting their own value systems with the follower’s ethical principles and value systems. High level of moral and ethical conduct is exhibit by transformational leaders [34]. As described by [33] under transformational leadership follower gain strong personal recognition by the leader. Moreover, employees go beyond the self-interest as their commitment and inspiration is increased by the transformational leadership [26], [30].

The focus of transformational leadership theory is to develop followers into ethical agents [30], [31], [34]. The transformational leader encourages followers to achieve objectives and enhance performance of the assigned work [10]. Thus, by practicing such activities a transformational leader follows a progressive alignment toward employees and encourages them to focus on the needs of group of peers, and society [31], [32].

However, transformational leadership is not limited to the management of penalty and incentives to employees. Transformational leaders, as the name suggest are involve in the change process of followers, achievement of goals, and ambition. Therefore, an employee share the ‘organization’s principals’ and are dedicated to achieve the objectives of the
organization while working under a transformational leader [28]. Further transformational leaders simply define their objectives to the subordinates and clearly link it to how followers will get reward on the completion of objectives [28], [31], [32].

Firstly charisma is the essential aspect in the transformational leadership process. Charismatic leader have the authority with which employees are engaged. In addition, followers idealize the leader and develop a strong emotional affection [10], [33]. Secondly, Inspiration is associated with charisma. It explains the phenomenon how a leader obsessively communicates the vision for the future of the organization and shares it with followers. Thus the vision of the leader explains how and what can be accomplished through a dedicated team work in the organization. And this in turns inspire to the followers to achieve the goals of the organization [10], [33].

Third, is the ability of a leader to pay special attention to the needs and problems of each individual person; this makes him the counselor and mentor of employees. It further exemplifies how transformational leader serve as a guide to the followers. The leader consider the follower as a unique individual with unique needs and wants that is also named as ‘individual considerations’ [10], [33]. Finally, intellectual stimulation is explained as the ability of a leader to build confidence in employees for questioning and use new methods to find the solutions of old problems. Thus transformational leader inspire followers to be innovative in the work by stimulating innovative and creative thinking in followers [10], [33].

III. THEORETICAL FRAMEWORK AND PROPOSITIONS DEVELOPMENT

The theoretical framework section of this paper intends to identify the impact of SHRM on employee’s job satisfaction while evaluating a moderating role for transformational leadership.

A. Strategic HRM Practices and Employees’ Job Satisfaction

Strategic HRM is distinct as to what degree HRM is deliberated during the formulation and execution of strategies. Also the planning for the development of human resource deployments and actions directed towards the achievement of the objectives of the organization [2]. The four functional areas this study focuses are: training [15], employment security [19], compensation [18], and internal career opportunities [20] that motivate employees and are related to employee’s job satisfaction.

According to [35] training provide opportunities to employee’s to gain job-related knowledge, skills and abilities. An employee training is considered to be an important topic in SHRM practices that improve the working ability and enhance productivity [36]. The study of [37] argued that formal training programs and workshops at workplace increase the probability of working completely satisfied as they found a highly significant effect of training on employee’s job satisfaction. The compensation is the most important practice of SHRM which refers to salary, wages, pay, and employee’s benefits etc. The compensation practices have an important role in the implementation of strategies [1]. Compensation is a practice of SHRM that help organizations to attract candidates for the job and this practice also have an association with employee’s job satisfaction. The study of [38] discussed two types of pay practices that effect on the employee’s job satisfaction, first, satisfaction of employee with pay itself and secondly the satisfaction with future financial rewards, and the significant determination was found between compensation and employee’s job satisfaction. Third practice is job security or employment security that is related positively to employee’s job satisfaction. According to [39], job security has a direct relationship with performance of employees. Job satisfaction is a degree to which an employee feels secure instead of being in-secured of losing their jobs as employment security contribute to product or service quality [13]. The next practice of SHRM that address the job satisfaction of employees in organizations is internal career opportunities. According to [20], companies can enhance employee’s motivation, employee’s retention by satisfying employees through providing them opportunity to grow in the company by focusing on internal career opportunities. Additionally, internal promotions provide the sense of justice and fairness among the employees [21]. Hence, the four practices of SHRM include training, compensation, employment security, and internal career opportunities are positively related to employee’s job satisfaction as defined earlier in the introduction job satisfaction is defined as feelings about the job that is related to availability of formal trainings, career advancement, promotional opportunities, salary increments, benefits and security of job [9]. This study proposes the following:

**Proposition 1:** Four SHRM practices include training, compensation, employment security, and internal career opportunities are positively related to employee’s job satisfaction.

B. Transformational Leadership and Employees’ Job Satisfaction

The behavior of transformational leadership is positively associated with the employee’s job satisfaction [22]. Transformational leadership emphases to empower followers, the change process of followers and they motivate and focus on employees needs [28]. According to [40], transformational leadership increases the employee’s job satisfaction by clarifying their roles and empowering them. Therefore, to increase the job satisfaction level of employee’s transformational leadership plays an important role as compared to other leadership styles [41]. A number of studies evident that transformational leadership components tend to increase the job satisfaction of employee’s as all the components of transformational leadership are found significantly correlated to job satisfaction [41]-[43]. The elements of job satisfaction under discussion in this study are related to four practices of SHRM that are found as highly significant in determination of job satisfaction in studies.
Proposition: Transformational leadership style is positively related to job satisfaction of employees.

C. Transformational Leadership as a Moderator:

Transformational leader focuses on enhancing the follower’s performance and development because they endow with idealized influence or charisma, inspirational motivation, intellectual stimulation, and individual consideration [33]. To unravel a conceptual model that is powerful and has an explanatory ability [44], such as functional and mechanistic explanations; explicitly, how and why the relationship between SHRM practices and employee’s job satisfaction exist, studies need to explore variables that can account for the relationship by testing for moderation propositions [45]. The analysis to test the moderation enables to identify moderators that are variables that can account for relationship between variables under study. This connotes that a moderator can either strengthen or weaken the relationship between two variables. This study attempts to identify the variable that will enhance the relationship between SHRM practices and employee’s job satisfaction. Hence, the important variable that can potentially influence this relationship is transformational leadership. For instance, the studies of [22], [46] showed transformational leadership style significantly enhances the job satisfaction level of employee’s, that is to say employee’s job satisfaction level increases and ultimately their performance improves.

Transformational leadership creates a learning environment and motivates followers to enhance their knowledge, skills and abilities through formal training programs [22], [46]. Training programs not only enhance knowledge, skills and abilities (KSA’s) of employees but also provide them the opportunity to get promoted in the organization. Hence, transformational leader promote the concept of internal career opportunities for employees (e.g. growth and promotion opportunities) that put them in competition to learn and enhance their work performance [46]. Transformational leader define the clear career path for subordinates. Internal career opportunities also ensure a long term future for employees, who wish to stay as long as they want in the organization. Another practice of SHRM that is highly influenced by the transformational leader is job security. Transformational leader ensure to employees for long term association with organization. And transformational leader guarantee job security even if company is facing financial problems. This economic security motivates employees to perform beyond what is expected. Transformational leaders clearly explain to followers how they will be rewarded on achievement of objectives [28], [32], [33]. According to [23] transformational leadership style affect the employee’s job satisfaction through intervening role and transformational leadership style create a sense of meaning among employees after sharing vision and aligning the tasks of employees that in turn improves the job satisfaction level of employees [47]. The study of [11] found a stronger effect of transformational leadership on job satisfaction of employees.

Proposition 3: Transformational leadership will moderate the effect on job satisfaction of employee’s with respect to learning opportunities, compensation, employment security, and internal promotion/career opportunities.

Fig. 1 SHRM Practices, Employees Job Satisfaction and Moderating Effect of Transformational Leadership

IV. Conclusion

SHRM practices are considered to be a source of sustained competitive advantage, since it contributes to acquire, and motivate employees. This study focused on four SHRM practices that are positively related to the employee’s job satisfaction and moderating effect of transformational leadership style between the relationship of SHRM practices and employees job satisfaction. The propositions were proposed based on literature review and a theoretical framework was developed. The review of previous literature showed that there is significant relationship between SHRM practices and employee’s job satisfaction. The role of transformational leadership is moderated due to it motivate employees and has a significant effect on the job satisfaction. The transformational leadership style focus on the four needs of the employees include learning’s, compensation, employment security and internal opportunities to get promoted. The proposed theoretical framework can be further empirically tested in the industry to check the relationship of SHRM practices and transformational leadership style with job satisfaction and moderating effect of transformational leadership between the relationship of SHRM practices and employees job satisfaction.

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