

# A Critical Review On To Transformational Leadership Impact With Subjected To IT/ITES Industry

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## ABSTRACT

India's people advantage has been one of the prime reasons for the burgeoning growth of the IT/ITeS sector. Often termed as intellectual capital, people have been the main drivers and value creators. Gone are the days when IT/ITeS industry attracted the best of minds. With all the other sectors moving on a high growth trajectory, the talent war is increasing. Attracting and retaining such an integral asset becomes very critical for the IT/ITeS sector. Its "demographic dividend" of a younger population compared to developed countries and recent reports indicate that India might have a quarter of the world's workforce by 2025. To retain this edge, India should look at effectively harnessing the potential of its young and productive population. To retain its competitive edge, the Indian IT industry requires an industry-ready workforce and not one that needs to be trained/re-trained in-house by companies before they could start working. This study is an attempt to investigate the effect of leadership on different stages and a self-administered questionnaire was used.

**Keywords:** IT/ITES, human resource, leadership, Employee performance

## 1.0 INTRODUCTION

The Indian information technology (IT) / IT enabled Services (ITeS) industry has played a key role in putting India on the global map. Over the past decade, the Indian IT-BPO sector has become the country's premier growth engine, crossing significant milestones in terms of revenue growth, employment generation and value creation, in addition to becoming the global brand ambassador for India. The Indian IT-BPO sector including the domestic and exports segments continue to gain strength, experiencing high levels of activity both onshore as well as offshore. The companies continue to move up the value-chain to offer higher end research and analytics services to their clients. The Indian IT-BPO industry has grown by 6.1 percent in 2010, and is

expected to grow by 24 % in 2018 as companies coming out of recession harness the need for information technology to create competitive advantage. India's fundamental advantages—abundant talent and cost—are sustainable over the long term. With a young demographic profile and over 3.5 million graduates and postgraduates that are added annually to the talent base, no other country offers a similar mix and scale of human resources. Realizing the wealth of potential in the IT-ITeS sector, the central and state governments are also working towards creating a sound infrastructure for the IT-ITeS sector. The flip side of higher growth is high employee attrition levels. The traditional logic has been to combat attrition with wage hikes with complete acceptance of the fact that “while wage hikes are not the real answer to plug attrition, it is the only response possible in the short run.” In our opinion, the core issue may also be the lack of inspirational leadership, especially at the middle management level. People have grown very fast during the last decade of hyper-growth, to occupy these positions. The middle management layer in the IT industry in India has good, young operations managers with high energy levels and a strong grasp of the operating metrics. However, it is also a layer where the bandwidth is stretched leaving little time for the finer aspects of personal growth like thought leadership and instilling the value system that comes from working for a higher purpose. Plugging this leadership gap may be the only long term answer to reduce attrition levels in an energetic but restless generation of knowledge workers primarily seeking a “learning experience” and mentoring from the people who lead them. Leadership style is said to be an important factor of employee retention amongst other factors such as career growth, interpersonal relationships with co-workers and pay and earlier studies and research has found that a relationship exists between leadership style and employee retention . However, there is a gap about the leadership style that best encourages retention of employees with focus on transactional and transformational leadership style. This research has therefore been designed to investigate the impact of leadership styles on employee retention, identifying the leadership style that best encourages employee retention in the IT/ITES sector in India .The employees performance is not only important for the survival of the continuous operation of the business, but it is also important to reduce the cost that may arise both directly or indirectly from the loss of employees and the recruitment of new employees. The retention of employees is to be given much more importance if an organization is to have a sustained growth and development. This research will focus on all full time employees

in the selected IT/ITES sector. This study approaches the research questions through quantitative methodology, using questionnaires as the primary data collection instrument.

## 2.0 OBJECTIVES

1. To identify the transformational leadership style that encourages employee performance in the IT/ITES sector.
2. To investigate the overall impact of leadership style on employee performance
3. To investigate other factors that influence employee performance.

## 3.0 LEADERSHIP – TRANSFORMATIONAL IMPACT

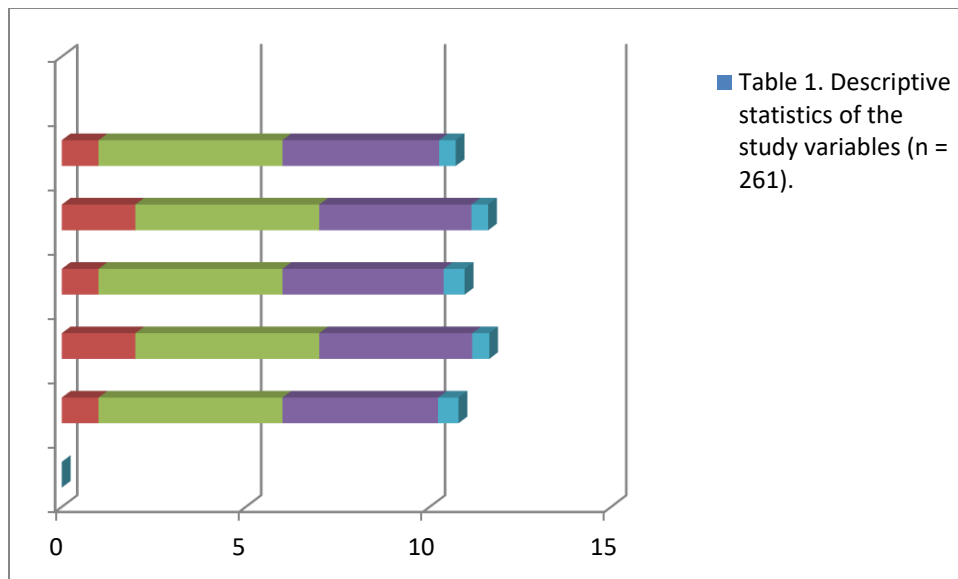
Transformational leadership has drawn extensive attention in management research. In this field, the influence of transformational leadership on employee performance is an important branch. Recent research indicates that organizational citizenship behavior plays a mediating role between transformational leadership and employee performance. Transformational leadership theory was first proposed by Burns and then advanced by Bass who made an outstanding contribution to the development of the theory. A transformational leader transforms the followers thinking in such a way that they adopt the vision of the organization as if that vision was their own. This transformation motivates employees to overcome their own interests and strive for the collective goals. Four dimensions of transformational leadership have been put forward.

They are (1) idealized influence, (2) inspirational motivation, (3) intellectual stimulation behavior, and (4) individualized consideration. Idealized influence refers to the extent to which a leader is engaging in promoting the follower to generate trust and follow the leader. Inspirational motivation characterizes the extent to which a leader presents a vision to motivate followers. Thirdly, intellectual stimulation characterizes the extent to which a leader encourages followers to innovate and challenge themselves. Finally, individual consideration characterizes the extent to which the leader cares about the followers' individual needs.

## 4.0 DATA ANALYSIS & DISCUSSION

Three variables were to be measured in this study, including transformational leadership, OCB, and employee sustainable performance. The measurement items of the three variables were obtained via rigorous steps. First, measurement items were adopted from IT/ITES industries.

Self-administered data collection technique was implied. The employees were requested to fill up the questionnaire. They were provided enough time to read and understand the questionnaire. They were also requested to report some demographic information. While collecting data, all ethical considerations were taken into account. Respondents were provided with information about the objective of this that is purely for academic purposes and not sponsored by any funding agency. They were further ensured about the anonymity and secrecy of their provided information. Descriptive statistics are presented. Idea generation, idea promotion and idea realization has a mean value of 4.23, 4.16 and 4.38 respectively. Whereas, relational leader has the mean value of 4.14 and total EIWB presented with mean value of 4.26.



**Cronbach's alpha reliability:** Relational leadership scale reported .95 alpha reliability with 25 items as compare to .90 reported in Carifio's (2010) study. Whereas, the scale of employee innovative work behavior reported .872 alpha reliability with 9 items, as compare to .94 reported by Janssen (2000). Both scales reported high reliability values that indicate the validity of these measures for current study.

**Correlation analysis:** In order to find out the relationship direction and strength between relational leadership and the stages of employee innovative work behavior, bivariate correlation analysis was conducted. The values in Table 2 indicate that relational leadership is positively and

significantly correlates with the three dimensions of employee innovative work behavior namely idea generation ( $r = .515, n = 261, p < 0.01$ ), idea promotion ( $r = .49, n = 261, p < 0.01$ ), and idea realization ( $r = .619, n = 261, p < 0.01$ ). The dimensions of EIWB are also positively and significantly correlated with each other.

**Table 2. Pearson product-moment correlations between independent and dependent measures of the study.**

Scale	Relational leadership	Idea generation	Idea promotion	Idea realization
Relational leadership	–			
Idea generation	.515**	–		
Idea promotion	.490**	.646**	–	
Idea realization	.619**	.566**	.513**	–

*Note: Correlation is significant at \*\* $p < 0.01$  (2-tailed).*

### 5.0 Regression analysis

Table 3. Summaries of multiple regression analysis for relational leadership predicting idea generation, idea promotion and idea realization .

Model	R	$\Delta R^2$	$\beta$	b	S.E	F	t	p
Dependent variables								
Idea generation	0.515	0.262	0.515	0.633	0.066	93.252	9.657	0
Idea promotion	0.49	0.237	0.49	0.502	0.055	81.827	9.046	0
Idea realization	0.619	0.381	0.619	0.783	0.062	160.869	12.683	0
Total EIWB	0.644	0.412	0.644	0.639	0.047	183.059	13.53	0

### 6.0 CONCLUSION

The rationale behind this study was to find out whether relational leadership has a positive effect on the employees’ performance in IT/ITES industry. This study also observed that what the impact of leadership on each dimension is. Performance is the key to success in present competitive business environment. Performance of employee skills is not enough to utilize such an important resource alone rather leaders also need to be in a position to take initiative and cultivate and retain a positive functional relationship. Furthermore, this study helped in

understanding the nature of this relationship between relational leadership and idea generation, promotion and realization stages. In order to improve the employee innovative behavior, organizations need to promote relational leadership among their leaders. Those leaders who are more inclusive, ethical, empowering, caring and those who have clear vision are able to increase the innovative work behavior among their followers.

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