

**MINISTRY OF SCIENCE AND HIGHER EDUCATION OF
THE REPUBLIC OF KAZAKHSTAN**

SDU UNIVERSITY

SDU BUSINESS SCHOOL

«Approved»

Director of the Graduate Programs

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«_____» _____ 2024

DISSERTATION WORK

Theme: «Determinants of employee engagement and their effect on employee performance»

Specialty «7M04101 - Economics»

Submitted by Student

2-nd course, group

«Economics»

Scientific Supervisor
Academic degree

(signature of the student)

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Kaskelen, 2024

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Abbreviations

EE - Employee Engagement

EP - Employee Performance

TL - Transformational Leadership

MLQ - Multifactor Leadership Questionnaire

PLS-SEM - partial least squares structural equation modeling

CR - composite reliability

AVE - Average Variance Extracted

Acknowledgments

I would like to express my deepest gratitude to my supervisor, PhD Ugur Choban, for his invaluable advice and significant contributions to this dissertation. His guidance has been crucial to the completion of this work.

I also extend my heartfelt thanks to all those who helped conduct the survey and provided the necessary opportunities for data collection. Your assistance has been greatly appreciated.

A special thanks to my husband and parents for their unwavering support and patience throughout this journey. Your encouragement has been a constant source of strength.

Lastly, to my 2-year-old daughter, Namira, who has patiently studied alongside me for the past two years. You are my inspiration.

Abstract

This study investigates the impact of transformational leadership on employee engagement and performance in second-tier banks in East Kazakhstan. Guided by research questions on how transformational leadership affects employee engagement and performance, and the mediating role of engagement. Data from 36 valid observations were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM).

The results show that transformational leadership significantly enhances employee engagement, and higher employee engagement improves performance. Unexpectedly, transformational leadership has a negative direct effect on performance. Employee engagement fully mediates the relationship between transformational leadership and performance.

This study contributes to the literature by elucidating the complex relationships between leadership, engagement, and performance, and offers practical insights for improving leadership practices in banks. Future research should explore larger, more diverse samples and other contextual factor

CHAPTER I

INTRODUCTION

1.1 Introduction

Employee engagement is increasingly acknowledged as a crucial factor impacting organizational success. Engaged employees are not only more efficient but also demonstrate higher levels of commitment and loyalty to their organizations. As Baumuk (2004) stated, “Engaged employees feel more connected to the business, its performance, and its leadership”.

Transformational leadership, which inspires and motivates employees, is key to fostering high engagement and performance. Transformational leaders can enhance employees' commitment and reduce turnover.

This study examines the role of transformational leadership in driving employee engagement and its impact on employee performance in second-tier banks in East Kazakhstan. By exploring these relationships, the research aims to provide insights into effective leadership strategies for improving organizational outcomes.

The following sections will present the background theories, research questions, and specific objectives guiding this investigation.

1.2 Background Theories

This study is based on two key theoretical frameworks: transformational leadership theory and employee engagement theory. These frameworks help explain how leadership

behaviors influence employee attitudes and performance, addressing issues of staff turnover and performance enhancement.

Transformational leadership, introduced by Burns (1978) and further refined by Bass (1985), involves leaders who inspire and motivate employees to exceed their self-interests for the benefit of the organization. This leadership style is characterized by leaders acting as ethical role models, articulating a compelling vision that motivates employees, encouraging innovation and creativity, and providing personalized support and development opportunities. These behaviors collectively help create an environment that enhances employee engagement and drives organizational success.

Employee engagement, introduced by Kahn (1990), refers to the emotional and intellectual commitment of employees to their organization, resulting in higher performance. This engagement is driven by the meaningfulness of the work, where employees find their tasks significant; a sense of safety, where employees feel secure to express themselves; and availability, where employees have the necessary resources to fully engage in their roles. These factors collectively foster a committed and productive workforce.

Combining these theories provides a comprehensive framework for understanding how transformational leadership influences employee engagement and performance. Transformational leaders create conditions for high engagement, leading to improved commitment, productivity, and reduced turnover.

This study aims to enhance theoretical understanding and offer practical insights for organizations to improve employee retention and performance through effective leadership.

1.2 Problem statement

High staff turnover is a significant economic challenge that disrupts organizational stability and incurs substantial costs. Retaining employees and enhancing their performance is crucial for organizational success. Employee engagement is key to reducing turnover and boosting performance, but its determinants need further exploration.

Transformational leadership is a potential driver of engagement. However, its impact on employee engagement and performance, especially in second-tier banks in Kazakhstan, is not well understood. This study investigates how transformational leadership influences employee engagement and performance, aiming to provide insights to help organizations retain talent and enhance performance, thereby addressing staff turnover.

1.4 Research Questions

The study is guided by the subsequent research questions:

1. Does transformational leadership impact employee engagement in second-tier banks in Kazakhstan?
2. Does employee engagement impact employee performance in second-tier banks in Kazakhstan?
3. Does transformational leadership impact employee performance in second-tier banks in Kazakhstan?
4. Does employee engagement mediate the relationship between transformational leadership and employee performance in second-tier banks in Kazakhstan?

1.5 Research Objectives

The main goal of this research is to investigate how transformational leadership, employee engagement, and employee performance interrelate among employees of second-tier banks in East Kazakhstan. The specific objectives are formulated in accordance with the research questions:

1. To investigate the impact of transformational leadership on employee engagement in second-tier banks in Kazakhstan.
2. To investigate the impact of employee engagement on employee performance in second-tier banks in Kazakhstan.
3. To investigate the impact of transformational leadership on employee performance in second-tier banks in Kazakhstan.
4. To investigate the mediating role of employee engagement in the relationship between transformational leadership and employee performance.

1.6 Contributions

This research strives to offer substantial contributions both theoretically and practically. On a theoretical level, it seeks to deepen the understanding of the impact of transformational leadership on employee engagement and performance, with a specific focus on second-tier banks in Kazakhstan. By integrating concepts from transformational leadership and employee engagement theories, this research provides a comprehensive framework for examining these relationships.

Practically, the discoveries of this research paper could be invaluable for bank managers and chiefs in Kazakhstan and similar contexts. By understanding the pivotal role of transformational leadership in enhancing employee engagement and performance, practitioners can implement more effective leadership development programs. As a result, this could enhance how well the organization performs and its competitive advantage.

In summary, through rigorous analysis and empirical investigation, this study hopes to provide insights that are both academically robust and practically relevant.

CHAPTER II

LITERATURE REVIEW

2.1 Introduction

The literature review offers a thorough analysis of the primary theories and empirical studies that are pertinent to the comprehension of transformational leadership, its influence on employee performance, and its function as a determinant of employee engagement.

2.2 Employee engagement

According to research from the Harvard Business Review, high level of employee engagement is the third most influential factor in business success. Over the past few decades, researchers have come to conclusions that a high level of employee engagement leads to employee and company productivity, increases investment in human capital and reduces the cost of employee turnover.

Since there is no universal definition of employee engagement, authors have described the term employee engagement differently. Kahn (1990) initially defined employee engagement as the process of organization members fully involving themselves in their work roles. He identified three primary dimensions necessary for achieving employee engagement: psychological meaningfulness, psychological safety, and psychological availability.

Meaningfulness indicates how well employees comprehend the impact of their work on the organization's goals. Safety pertains to the degree of psychological safety employees experience at work, including their freedom to voice opinions and ideas. Availability

pertains to how prepared employees are to carry out their tasks, encompassing physical, mental, and emotional readiness.

Employee engagement is often described as a profound emotional and intellectual commitment to the organization (Baumruk, 2004; Richman, 2006), or as the voluntary extra effort employees put into their work (Frank et al., 2004). Despite its multifaceted nature, Truss et al. (2006) simply define employee engagement as a “passion for work”.

One of the issues of any organization knowing the significance of employee engagement is measuring employee engagement. In the 1990-s, Gallup developed a survey, a set of 12 questions called Q12. Gallup's extensive research over several decades has consistently shown that a specific set of 12 items are the most effective survey questions for measuring employee engagement.

2.3 Transformational leadership

Transformational leadership is described as a leadership style that reshapes employees' norms and values, motivating them to exceed their performance expectations (Yukl, 1989). This type of leadership emphasizes increasing the involvement of followers in achieving organizational goals, thereby fostering long-term employee engagement (Bass, 1994). A crucial aspect of transformational leadership is the pursuit of change that benefits both individuals and the organization. Leaders who promote change can persuade their subordinates to embrace their vision and direction.

Transformational leadership functions as a conduit between leaders and followers, enabling a comprehensive understanding of the followers' interests, values, and motivations (Bass, 1994). It assists followers to attain their objectives within the organizational context and encourages them to be adaptable and expressive in response to new and enhanced practices and changes in their environment (Bycio et al., 1995).

2.4 Employee performance

Employee performance is a central concern for organizations worldwide, as it directly impacts productivity, efficiency, and ultimately, the achievement of organizational objectives. In understanding the concept of employee performance, scholars have offered various definitions and perspectives.

Robbins (2010) defines employee performance as the quality and quantity of work produced by an employee in fulfilling their assigned responsibilities. This definition emphasizes both the output (quality and quantity) and the alignment with assigned responsibilities, highlighting the multifaceted nature of performance evaluation. Campbell et al. (1993) elaborate on the notion of performance, stating that “Performance is what the organization hires one to do, and do well”.

However, it is important to acknowledge that performance is influenced not just by the actions taken but also by the processes of judgment and evaluation (Ilgen & Schneider, 1991; Motowidlo, Borman, & Schmit, 1997). These processes entail subjective assessments of an individual's actions in relation to organizational goals and standards, highlighting the subjective nature of performance appraisal.

Moreover, Campbell et al. (1993) highlight the importance of measurability in defining performance, suggesting that only actions that can be scaled or measured are considered to constitute performance. This emphasis on measurability underscores the need for objective criteria and metrics in assessing employee performance, facilitating fair and consistent evaluations across individuals and roles. Therefore, the assessment of performance is essentially an objective and systematic process aimed at collecting, analyzing, and utilizing data to determine the efficiency and effectiveness of employees' responsibilities and achievement of goals.

2.5 Relationship between transformational leadership, employee engagement and employee performance

Transformational leadership, characterized by inspirational motivation, idealized influence, intellectual stimulation, and individualized consideration, has been extensively studied for its impact on various organizational outcomes. Research indicates that transformational leaders significantly influence employee engagement by fostering a supportive and motivating work environment. Bass and Riggio (2006) assert that transformational leaders motivate and inspire employees by creating a compelling vision, which enhances their level of engagement and commitment to organizational goals. Kark and Shamir (2002) found that transformational leadership positively correlates with higher levels of employee engagement, as leaders who exhibit transformational behaviors are likely to cultivate a sense of purpose and belonging among employees.

Employee engagement is a critical factor influencing employee performance. Saks (2006) highlighted that employee engagement is a strong predictor of organizational performance, including productivity and profitability. The study by Harter, Schmidt, and Hayes (2002) further supports this, demonstrating that high levels of employee engagement are associated with superior employee performance outcomes, such as increased customer satisfaction, reduced turnover, and enhanced operational efficiency.

Transformational leadership is also directly linked to employee performance. Leaders who adopt a transformational approach tend to empower employees, encouraging innovation and creativity, which can result in higher performance levels. Avolio, Walumbwa, and Weber (2009) noted that transformational leaders positively impact employee performance by promoting a culture of trust and collaboration. Studies by Wang, Oh, Courtright, and Colbert (2011) have shown that transformational leadership is positively associated with both individual and organizational performance, suggesting that transformational leaders

can achieve superior performance outcomes. The review of literature on various relationships leads to the formulation of the research hypothesis.

H1: Transformational leadership impacts employee engagement.

H2: Employee engagement impacts employee performance.

H3: Transformational leadership impacts employee performance.

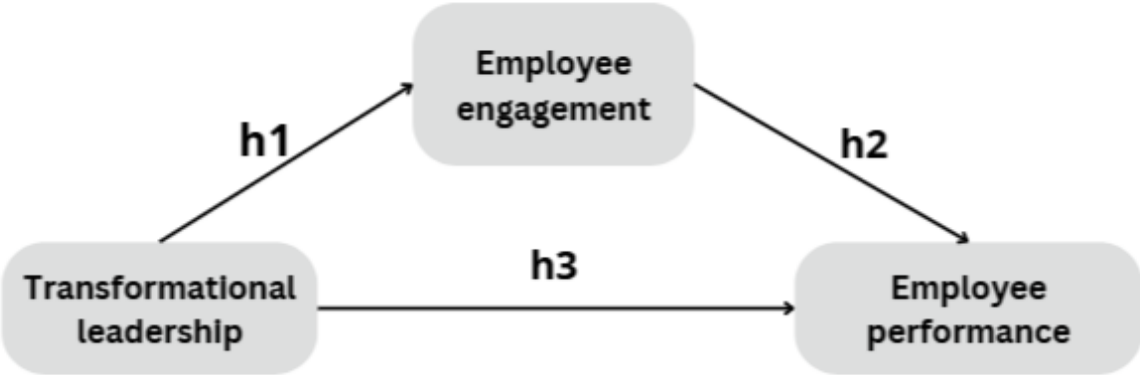
2.6 The mediating role of employee engagement

The mediating role of employee engagement in the relationship between transformational leadership and employee performance is a critical area of investigation. Several studies suggest that the positive effects of transformational leadership on employee performance are, in part, mediated by employee engagement. For instance, Breevaart et al. (2014) discovered that transformational leadership enhances employee engagement, which in turn, leads to improved performance outcomes. This mediating effect is supported by the Job Demands-Resources (JD-R) model proposed by Bakker and Demerouti (2007), which posits that job resources provided by transformational leaders, such as support and autonomy, foster employee engagement, thereby enhancing performance.

In summary, the literature consistently demonstrates a significant interrelationship between transformational leadership, employee engagement, and employee performance. Transformational leaders enhance employee engagement by creating a motivating and supportive work environment, which leads to higher levels of employee performance. Furthermore, employee engagement serves as a crucial mediator in this relationship, amplifying the positive impact of transformational leadership on performance. Thus the fourth hypothesis is formulated:

H4: Employee engagement mediates the relationship between transformational leadership and employee performance.

Figure 1: Research Model



Source: computed by the author.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Research design

This study utilizes a quantitative methodological approach to provide a comprehensive understanding of the interrelationships between transformational leadership, employee engagement, and employee performance. SmartPLS software was employed to analyze the data in our study.

Creswell (2005) explains that correlational designs enable researchers to forecast scores and elucidate the relationships among variables through statistical tests that measure the degree of association between two or more variables. Given the research objectives, a correlational research design was considered suitable.

3.2 Sample and data collection

This study involves a population of employees working in second-tier banks in East Kazakhstan. A non-probability sampling method, specifically convenience sampling, was conducted due to its practicality and ease of access to participants. While convenience sampling can introduce biases, it is often used when other sampling methods are impractical. An effort was made to gather a sample that is as representative as possible of the population.

Primary data, according to Ochola (2007), is information gathered by the researcher directly for the aim of the study. Primary data were chosen for use in our study, and data were collected by administering a questionnaire (Appendix A), which is a common method within survey research. This approach was selected to obtain detailed and specific responses

from employees working in second-tier banks in East Kazakhstan. The use of a questionnaire allowed for the efficient gathering of quantitative data on various aspects of employee engagement, leadership styles, and employee performance. By employing this method, we aimed to ensure that the data collected were relevant and comprehensive, providing a solid foundation for subsequent analysis.

The survey involved 50 employees from second-tier banks in Kazakhstan, with data collected face-to-face to ensure higher response rates and accuracy. Out of the 50 surveyed employees, 36 valid observations remained after data screening. The response rate for the survey was calculated to be 72%, which is considered high for face-to-face data collection methods. The data screening process involved checking for incomplete responses and outliers that could skew the results.

Ethical considerations were addressed by ensuring confidentiality and anonymity of the participants. All participants provided informed consent and were assured that their responses would be used exclusively for academic purposes.

Despite the advantages of convenience sampling, it is important to know its limitations. The findings from this sample may not be generalizable to all employees in second-tier banks across Kazakhstan due to potential biases inherent in this sampling method.

3.3 Data collection procedure

The data collection for this study involved administering a comprehensive questionnaire in person to measure employee engagement, leadership style, and employee performance among employees working in second-tier banks in East Kazakhstan. The

questionnaire for employees was structured into three distinct sections to ensure clarity and ease of response for participants.

The first section collected demographic and background information from the respondents, including gender, marital status, age, and educational background. This information was crucial for understanding the demographic profile of the sample and for analyzing potential demographic influences on employee engagement and leadership style.

Employee engagement was measured using the Gallup Q12, a well-established tool in organizational research. The Gallup Q12 consists of 12 questions that assess various dimensions of employee engagement, such as job satisfaction, commitment, and involvement. Participants indicated their level of agreement with each statement using a 5-point Likert scale, which ranged from "strongly disagree" to "strongly agree. These questions provided a reliable measure of how engaged employees were in their work and with their organization.

The third section focused on measuring leadership style using the Multifactor Leadership Questionnaire (MLQ). The MLQ evaluates different leadership behaviors, particularly transformational and transactional leadership styles. This section included questions that allowed employees to rate their perceptions of their leaders' behaviors and leadership effectiveness. Participants assessed their agreement with each statement on a 5-point Likert scale, spanning from "not at all" to "frequently, if not always". This provided a comprehensive evaluation of leadership behaviors and their impact on employee engagement.

Employee performance was assessed separately using an employee performance questionnaire for employers constructed for second-tier banks. This questionnaire provided quantifiable measures of various performance aspects, including productivity, goal

attainment, and overall job performance. By using the questionnaire, the study aimed to obtain objective performance data.

The questionnaire was administered in person to ensure high response rates and immediate clarification of any questions. Prior to distribution, it was pre-tested with a small group of employees to ensure clarity and make any necessary adjustments. Participation in the survey was voluntary, with confidentiality assured to encourage honest and accurate reporting.

In summary, the structured approach to data collection, using well-known and validated instruments such as the Gallup Q12 and MLQ, along with a specifically designed employee performance questionnaire, provided a comprehensive and reliable dataset for analyzing the interrelationships among transformational leadership, employee engagement, and employee performance.

3.4 Data analysis

The model evaluation in this investigation was conducted using SmartPLS 4.1.02 software (Ringle, Wende, & Will, 2005). Hair et al. (2014) used partial least squares structural equation modeling (PLS-SEM) to analyze the quantitative data, a critical instrument in business and social science research for effectively managing small sample sizes and non-normal data. PLS-SEM was chosen over other analytical methods because of its reliability with reduced sample sizes and its ability to handle complex models.

The analysis procedure of PLS-SEM is divided into two phases: the specification of the measurement model and the evaluation of the structural model (Ringle et al., 2018; Wong, 2013). The measurement model specification guarantees that only constructs with composite reliability (CR), discriminant validity, convergent validity, and robust indicator loadings are

included in subsequent analyses. The path coefficients are evaluated and their significance is tested during the structural model assessment.

The subsequent procedures comprised the data analysis process:

1. **Data Preparation:** Initial data screening was performed to check for missing values and outliers. Descriptive statistics were calculated to understand the basic characteristics of the data.
2. **Measurement model specification:** Indicator reliability is assessed through factor loadings, requiring loadings greater than 0.70. Cronbach's alpha or Composite Reliability (CR) are employed to assess internal consistency reliability, both needing values above 0.70. Convergent validity ensures indicators correlate well within a construct, assessed by Average Variance Extracted (AVE) which should be 0.50 or higher. The Heterotrait-Monotrait Ratio (HTMT) is employed to verify discriminant validity, thereby guaranteeing that each construct is distinct from the others in the model.
3. **Structural Model Assessment:** Path coefficients were calculated to evaluate the relationships between constructs. The significance of these coefficients was determined using the Bootstrap resampling method.

PLS-SEM is widely used for data analysis in empirical studies within the knowledge management literature (Shujahat et al., 2018). The use of bootstrapping allows for robust significance testing, providing confidence in the reliability of the path coefficients and their respective t-values.

CHAPTER IV

DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter presents the data analysis, conclusions, and interpretations. It includes the demographic information of the respondents and analyzes data based on the study's research objectives. The analysis investigates the impact of transformational leadership on employee performance, with employee engagement acting as a mediator.

4.2 Demographic profile of respondents

Gender. As shown in Table 1, the most of the respondents are female, making up nearly 89% of the total respondents, while males constitute about 11%.

Age. The majority of respondents, accounting for 50%, are between the ages of 28 and 37 years. The next largest age group is 38 to 47 years (44.44%), with a small proportion aged 47 years and older (5.56%).

Family status. A significant majority of the respondents are married (72.22%), while the remaining 27.78% are single, as detailed in Table 1.

Education Degree. The predominant educational attainment among the respondents is a bachelor's degree (83.33%), with smaller percentages having a college diploma (11.11%) and a master's degree (5.56%).

Position. Most respondents occupy specialist positions (94.44%), with only a few holding managerial roles (5.56%).

Work Experience. Most of the respondents, 66.67%, have between 2 to 5 years of work experience. Equal proportions of respondents have 6-9 years, more than 10 years, and up to 1 year of experience, each constituting 11.11%.

Table 1. Demographic characteristic of respondents

Demographic characteristic	Gender	Female – 32 (88.89%) Male – 4 (11.11%)
	Age	28-37: 18 (50%) 38-47: 16 (44.44%) 47 years and older: 2 (5.56%)
	Family	Status Married – 26 (72.22%) Single – 10 (27.78%)
	Education	Degree Bachelor’s degree – 30 (83.33%) Secondary special education (college) - 4 (11.11%) Master’s degree – 2 (5.56%)
	Position	Specialist – 34 (94.44%) Manager – 2 (5.56%)
	Work Experience	2-5y – 24 (66.67%) 6-9y – 4 (11.11%) More than 10 y – 4 (11.11%) Up to 1 y – 4 (11.11%)

Source: computed by the author.

The typical respondent in this dataset is a female aged between 28 to 37 years, married, with a bachelor's degree, working as a specialist, and having 2 to 5 years of work experience. This profile represents the majority demographics across all measured variables as presented in Table 1.

4.3 Measurement model assessment

The primary objective of the measurement model evaluation is to evaluate the reliability and validity of the constructs involved in the study: transformational leadership, employee engagement, and employee performance. This evaluation is crucial to ensure that the constructs are measured accurately and consistently.

Indicator reliability is assessed through factor loadings (see Appendix B). Initially, there were 39 indicators, but 12 were removed because their loadings were below the suggested value of 0.70. Consequently, 27 indicators remained in the model. Among these, two indicators—EE5 (0.575) and EP3 (0.628)—were retained despite being below the threshold, as their inclusion is justified by the literature. All other factor loadings for each latent variable exceeded the threshold of 0.70.

Convergent validity is the degree to which multiple items that are employed to assess the same construct are consistent. As illustrated in Table 2, this is typically evaluated using the Average Variance Extracted (AVE).

1. Transformational Leadership (TL): As illustrated in Table 2, the AVE for this construct is 0.645, which is above the acceptable threshold of 0.5, confirming good convergent validity.

2. Employee Engagement (EE): The AVE for employee engagement is 0.669, suggesting that a significant portion of the variance is captured by the construct, thus supporting good convergent validity.
3. Employee Performance (EP): The AVE for employee performance is 0.675, indicating that the construct captures a substantial amount of the variance in its items, thereby affirming its convergent validity.

Table 2. Reliability and convergent validity.

	α	CR	AVE
Transformational Leadership	0.954	0.959	0.645
Employee Engagement	0.896	0.922	0.669
Employee Performance	0.930	0.943	0.675

Source: computed by the author.

Reliability assessment ensures that the measurement of the constructs is consistent and free from random error. This is evaluated using Cronbach's Alpha (α) and Composite Reliability (CR).

1. Transformational Leadership (TL): The Cronbach's Alpha for transformational leadership is 0.954, and the Composite Reliability is 0.959, as shown in Table 2. Both values exceed the recommended threshold of 0.7, indicating excellent reliability.
2. Employee Engagement (EE): The Cronbach's Alpha for employee engagement is 0.896, and the Composite Reliability is 0.922, both of which are well above 0.7, signifying high reliability.

3. Employee Performance (EP): The Cronbach's Alpha for employee performance is 0.930, and the Composite Reliability is 0.943. These high values confirm that the construct is measured reliably.

Overall, the measurement model exhibits strong convergent validity and high reliability across all constructs. This robust measurement model provides a strong basis for the following structural model assessment, where the relationships between transformational leadership, employee engagement, and employee performance will be analyzed.

The Heterotrait-Monotrait Ratio (HTMT) criterion was employed to evaluate the discriminant validity of the constructs in our model. Discriminant validity ensures that constructs which are supposed to be distinct from each other indeed measure different concepts. According to Henseler, Ringle, and Sarstedt (2015), HTMT is a superior method for assessing discriminant validity compared to the Fornell-Larcker criterion and cross-loadings.

The HTMT values should ideally be below 0.90 to confirm that discriminant validity is established. As shown in Table 3, all the HTMT values are below the threshold of 0.90, indicating that each construct in the model is distinct from the others. Therefore, the discriminant validity of the constructs is confirmed, suggesting that employee engagement, employee performance, and transformational leadership are adequately distinct constructs within our model.

Table 3. Heterotrait-Monotrait Ratio

Construct	EE	EP	TL
EE			
EP	0.545		

TL	0.791	0.222	
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Source: computed by the author.

4.4 Structural model assessment

The relative effect sizes (f^2) of the predicting (exogenous) constructs were computed, revealing that the exogenous variables have a substantial impact on the endogenous variables, exceeding the threshold of 0.35 (Cohen, 1988; see Table 4). Specifically, the effect sizes are as follows: TL's effect on EE ($f^2=1.374$), EE's effect on EP ($f^2=2.122$), and TL's effect on EP ($f^2=1.302$). These values indicate a very large effect according to Cohen's guidelines.

Table 4. R^2 and f^2 values

Construct	R^2	f^2
EE	0.579 (Adj. 0.566)	TL 1.374
EP	0.680 (Adj. 0.661)	EE 2.122, TL 1.302

Source: computed by the author.

The Bootstrap resampling method was employed to evaluate the estimated standard errors and the significance of the direct paths, with 5000 resamples (Ringle, Wende & Will 2005). The results of the hypotheses for direct relationships are presented in Table 5.

H1: There is a statistically significant impact of transformational leadership on employee engagement ($\beta = 0.761$, $t = 6.630$, $p < 0.05$), indicating that transformational leadership impacts employee engagement. This hypothesis is supported.

H2: There is a statistically significant impact of employee engagement on employee performance ($\beta = 1.270$, $t = 5.779$, $p < 0.05$), suggesting that higher employee engagement impacts employee performance. This hypothesis is supported.

H3: There is a statistically significant impact of transformational leadership on employee performance ($\beta = -0.994$, $t = 5.149$, $p < 0.05$), indicating a direct negative effect, which might require further investigation. This hypothesis is supported.

Table 5. Path coefficients

Hypotheses	Relationshi p	β	SD	t-Value	p-Value	Decision
H1	TL \rightarrow EE	0.761	0.115	6.630	0.000	Supported
H2	EE \rightarrow EP	1.270	0.220	5.779	0.000	Supported
H3	TL \rightarrow EP	-0.994	0.193	5.149	0.000	Supported

Source: computed by the author.

The results showed R2 values of 0.579 and 0.680 for employee engagement and employee performance respectively (see Table 4). The R2 values indicate strong in-sample predictive power for the model (Sarstedt et al., 2014), as they exceed the minimum threshold of 0.10 suggested by Falk and Miller (1992).

4.5 Mediation analysis

Lastly, H4 evaluates whether employee engagement mediates the relationship between transformational leadership and employee performance. The mediation analysis results presented in Table 6.

Table 6. Mediation results

Total effects			
Relationship	β	t-Value	
TL \rightarrow EP	0.966	3.256	
Direct effects			
Relationship	β	t-Value	
TL \rightarrow EP	-0.029	0.153	
Indirect effects			
Hypotheses	β	t-Value	p-Value
H4: TL \rightarrow EE \rightarrow EP	0.966	3.256	0.001

Source: computed by the author.

The total effect of transformational leadership (TL) on employee performance (EP) is significant, as evidenced by a coefficient $\beta=0.966$ and a t-value of 3.256. However, the direct effect of TL on EP is not significant, as indicated by the coefficient $\beta=-0.029$ and a t-value of 0.153. This implies that there is no direct impact of transformational leadership on employee performance.

In contrast, the indirect effect of TL on EP through employee engagement (EE) is significant, as evidenced by a coefficient $\beta=0.966$, a t-value of 3.256, and a p-value of 0.001. This significant indirect effect supports the hypothesis that employee engagement mediates the relationship between transformational leadership and employee performance.

To further validate the mediation effect, the Variance Accounted For (VAF) analysis was conducted. The VAF is calculated as the ratio of the indirect effect to the total effect: $VAF = (\text{Indirect Effect} / \text{Total Effect})$. A VAF value of 1.0 indicates that 100% of the effect of transformational leadership on employee performance is mediated by employee engagement, confirming full mediation.

These findings indicate that employee engagement fully mediates the relationship between transformational leadership and employee performance, thereby supporting Hypothesis 4 (H4). The lack of a significant direct effect, combined with a significant indirect effect, suggests that transformational leadership enhances employee performance primarily by its impact on employee engagement.

CHAPTER V

DISCUSSION AND CONCLUSION

5.1 Discussion

This study explored the impact of transformational leadership on employee performance, with employee engagement acting as a mediator. Data collected from 50 employees in second-tier banks in East Kazakhstan were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM), resulting in 36 valid observations after data screening. The structured questionnaire included sections on demographic information, employee engagement, transformational leadership and employee performance.

Unexpectedly, the study found a negative relationship between transformational leadership and employee performance, contrary to the anticipated positive relationship. This result suggests several possible explanations. Firstly, transformational leadership might lead to heightened expectations and demands on employees, potentially increasing stress and reducing performance. Although transformational leaders aim to inspire high performance and embrace change, this can sometimes exert pressure that some employees find difficult to handle, leading to decreased performance.

Secondly, the context and environment in which transformational leadership is practiced could significantly influence its effectiveness. In environments where resources are limited or there is resistance to change, transformational leadership might inadvertently cause frustration or burnout among employees, negating its positive effects and resulting in a negative impact on performance.

Thirdly, the negative relationship could also be due to measurement or sample issues.

The specific sample used in this study might have unique characteristics that influenced the results. For instance, a high proportion of employees resistant to transformational leadership styles could have skewed the results towards a negative relationship.

In contrast to the positive and significant relationships reported in previous research between transformational leadership, employee engagement, and employee performance, this study discovered a negative relationship between employee performance and transformational leadership. This discrepancy implies that the outcomes of transformational leadership can be substantially influenced by the specific organizational context and individual employee characteristics.

In general, transformational leadership has been found to be positively associated with both employee engagement and performance, and previous studies have consistently noted the critical role of employee engagement in enhancing performance outcomes. The unexpected negative direct relationship observed in this study suggests that transformational leadership can simultaneously exert pressure that negatively impacts performance, despite the potential to enhance employee engagement. This anomaly emphasizes the significance of taking into account the distinctive contextual factors and employee characteristics that may moderate these relationships. The mediation analysis demonstrated that employee engagement fully mediates the relationship between transformational leadership and employee performance. This means that while transformational leadership does not have a direct impact on employee performance, it positively influences performance indirectly through enhancing employee engagement. These findings underscore the crucial role of employee engagement in leveraging the benefits of transformational leadership. Despite the unexpected negative direct effect, the positive indirect effect through employee engagement highlights the importance of fostering engagement to achieve improvements in performance.

5.2 Conclusion

This study offers useful insights into the mechanisms by which transformational leadership impacts employee performance. The results emphasize the crucial importance of employee engagement as a mediator. Transformational leadership primarily improves employee performance by fostering higher levels of employee engagement.

5.2.1 Theoretical contributions

This study enhances the existing literature by providing a deeper insight into the impact of transformational leadership on employee engagement and performance, specifically in the context of second-tier banks in Kazakhstan. By integrating concepts from transformational leadership and employee engagement theories, this research provides a comprehensive framework for examining these relationships.

5.2.2 Practical contributions

The study's practical implications are invaluable for bank managers and leaders in Kazakhstan and similar contexts. By understanding the pivotal role of transformational leadership in enhancing employee engagement and performance, practitioners can implement more effective leadership development programs. This, in turn, could lead to improved organizational performance and competitive advantage.

5.2.3 Limitations

Although this work has yielded interesting insights, it is important to acknowledge

numerous limitations: Although this study offers interesting insights, it is important to realize numerous limitations:

The limited sample size of 36 valid observations from employees in second-tier banks in East Kazakhstan may restrict the capacity to apply the findings to a broader population. Although PLS-SEM is appropriate for small sample sizes, the findings may not accurately represent all employees in second-tier banks or other regions. Subsequent investigations should take into account larger and more diverse samples in order to improve the generalizability of the results.

Convenience sampling can lead to biases, as the sample may not fully represent the wider population of bank employees. This constraint could impact the generalizability of the study. Utilizing probability sampling approaches in future research could yield more representative and generalizable outcomes.

The text discusses the impact of transformational leadership on employee performance, namely through the mechanism of employee engagement. Although there is an unanticipated negative correlation, the overall results confirm that engagement is an important factor in driving performance outcomes.

5.2.4 Future research directions

Subsequent investigations should incorporate longitudinal designs to analyze the enduring impacts of transformational leadership and employee engagement on performance. Furthermore, conducting research on other mediators and moderators could yield a more holistic comprehension of the relationship between leadership and performance. Examining the contextual factors that could impact the connection between transformational leadership and performance can also be beneficial.

Overall, this study highlights the significance of transformational leadership in organizational contexts and its indirect yet influential impact on employee performance via employee engagement. Although there is an unanticipated negative direct association, the overall data confirm that involvement is an important factor in driving performance outcomes.

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APPENDICES

Appendix-A: Survey Questionnaire

Опросный лист №

Это исследование предназначено для академических целей. Ваши персональные данные будут засекречены. Исследование предназначено для выявления влияния вовлеченности сотрудников на производительность сотрудников. Пожалуйста, предоставьте честные ответы на вопросы ниже.

РАЗДЕЛ А: ОБЩАЯ ИНФОРМАЦИЯ

1. Ваше Имя, Фамилия: Назерсе

2. Пол:

a) Мужской

b) Женский

3. Семейное положение:

a) Не женат/не замужем

b) Женат/замужем

c) Вдовец/вдова

d) В разводе

4. Возрастная группа:

a) 18–27

b) 28–37

c) 38–47

d) 47 лет и старше

5. Укажите свой уровень образования:

a) ст. Магистра или Доктора

b) ст. бакалавра

c) среднее специальное (колледж)

d) среднее общее (10-11 классов)

6. Как долго вы работаете в текущем рабочем месте?

a) до 1 года

b) 2-5 лет

c) 6-9 лет

d) более 10 лет

7. Укажите свою позицию:

a) Управляющая должность (т.е. начальник отдела, зам. директора и прочее)

b) Специалист (менеджера и т.д.)

Appendix-A

Раздел Б: Вовлеченность сотрудников. Пожалуйста, отметьте (✓) наиболее подходящий ответ на вопросы ниже. Шкала: 1 = полностью не согласен, 2 = не согласен, 3 = нейтрально, 4 = согласен, 5 = полностью согласен.

№	Пожалуйста, отметьте (✓) наиболее подходящий ответ на вопросы ниже.	полностью не согласен	не согласен	нейтрально	согласен	полностью согласен
1	Я знаю, чего ожидает от меня работодатель.				✓	
2	У меня есть материалы и инструменты, необходимые для качественной работы.			✓		
3	Каждый день на работе у меня есть возможность заниматься тем, что у меня получается лучше всего.			✓		
4	За последние семь дней Я получал признание или похвалу за хорошую работу.		✓			
5	Мой руководитель или кто-то еще на работе заботится обо мне.			✓		
6	Кто-нибудь на работе способствует моему развитию.		✓			
7	На работе, моё мнение имеет значение.			✓		
8	Миссия и цель моей компании дает мне ощущение важности работы, которую я делаю.			✓		
9	Мои коллеги качественно выполняют свою работу.				✓	
10	Я нашел своего лучшего друга на работе.				✓	
11	За последние полгода я говорил с кем то об успехах/ прогрессе, которого я достиг.			✓		
12	Я имею возможность учиться и развиваться на работе.		✓			

Appendix-A

Раздел В: Многофакторный опросник лидерства (MLQ) Ответьте пожалуйста на вопрос «Насколько часто Вам приходится наблюдать следующие виды поведения своего непосредственного руководителя?» пройдя по списку. Список состоит из 20 видов поведения, оцените частоту их наблюдения по шкале Лайкерта от 1 (никогда) до 5 (очень часто). Шкала: 1 = никогда(0%), 2 = изредка(30%), 3 = иногда(50%), 4 = довольно часто(70%), 5 = часто, если не всегда(90% или 100%)

№	«Насколько часто Вам приходится наблюдать следующие виды поведения своего непосредственного руководителя?»	никогда	изредка	иногда	довольно часто	часто, если не всегда
1	Мой непосредственный руководитель сам занимается наставничеством и обучением подчиненных		✓			
2	Руководитель видит во мне в первую очередь личность, а не просто члена группы			✓		
3	Руководитель внимателен к моим потребностям, стремлениям и способностям		✓			
4	Руководитель помогает мне развивать мои сильные стороны	✓				
5	Руководитель учитывает критические замечания при решении рабочих задач		✓			
6	Руководитель ищет различные способы решения проблем			✓		
7	Руководитель помогает посмотреть на проблему с разных точек зрения		✓			
8	Руководитель предлагает рассмотреть новые пути выполнения рабочих заданий		✓			
9	Руководитель с энтузиазмом говорит о том, чего нам необходимо достигнуть		✓			

Appendix-A

№	«Насколько часто Вам приходится наблюдать следующие виды поведения своего непосредственного руководителя?»	никогда	изредка	иногда	довольно часто	часто, если не
10	Руководитель формулирует убедительное видение будущего		✓			
11	Руководитель подчеркивает важность коллективного понимания целей		✓			
12	Руководитель вселяет уверенность, что цели будут достигнуты		✓			
13	Руководитель говорит о своих наиболее значимых ценностях и представлениях		✓			
14	Руководитель формирует во мне целеустремленность		✓			
15	Руководитель ставит интересы группы выше собственных		✓			
16	Руководитель действует так, что мне хочется его уважать		✓			
17	Руководитель учитывает моральные и этические последствия своих решений		✓			
18	Руководитель демонстрирует власть и уверенность в себе		✓			

Appendix-B: Item loadings

Survey questions	Λ	Survey questions	Λ
TL1	0.841	EE7	0.712
TL3	0.827	EE8	0.922
TL4	0.814	EE11	0.829
TL5	0.787	EE12	0.919
TL7	0.820	EP1	0.859
TL8	0.860	EP2	0.709
TL9	0.730	EP3	0.628
TL10	0.820	EP5	0.884
TL12	0.816	EP6	0.776
TL14	0.775	EP7	0.875
TL15	0.713	EP8	0.871

TL16	0.757	EP9	0.928
TL17	0.863		
EE5	0.575		
EE6	0.892		