# Does Gen-Y Make Difference?
## The Impact of Participative Leadership, Psychological Empowerment, and Affective Commitment of Millennial Employees on Banking Industry in Indonesia

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## Abstract

The research aimed at determine the impact of participative leadership and psychological empowerment on affective commitment of Y generation (Gen-Y) employees within banking industry in Indonesia. Data were analyzed utilizing structural equation modeling which employed partial least square as a statistical tool. Based on the information obtained from 135 employees across banks, this study found that; participative leadership has positive association with psychological empowerment of millennial employees. Similar results also appeared on the relationship between participative leadership and psychological empowerment towards affective commitment. As such, the study proposed several implications and advices in managing relationship among leaders-follower in the context of millennial employees of banking industry in Indonesia.

*Keyword: Participative Leadership, Psychological Empowerment, Affective Commitment, Y Generation, Millennial.*

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## INTRODUCTION

Generation could be understood as an identifiable group that share similar birth years, location and significant life event at the important stage of their development (Kupperschmidt, 2000). As many scholar proposed specific range of birth, most literatures suggested that the cohort is born after 1982s (Ayudhya, 2015; Strauss & Howe, 1991). Millennial was characterized with independent and work autonomy (Guillot-Soulez & Soulez, 2015). Further, Gen-Y employees were enjoying relax work atmosphere, but still prefer job security. Millennial generation also argued to seek for supportive culture, positive work environment, and collective management style (Martins & Martins, 2012). Gen-Y was significantly affected by technological revolution. As such, they are highly engaged with rapid flow of information and personal development at work (Weyland, 2011).

High level of work engagement of Gen-Y might influence their affective commitment (Weyland, 2011). However, antecedents of such concept might distinct among generation (Ayudhya, 2015; Redman & Snape, 2005). Scholars argued that specific generation demanded unique work atmosphere and managerial style to evoke

intrinsic motivation (Ayudhya, 2015; Rodriguez & Rodriguez, 2015). Such motivation was consider as imperative determinant of employees affective (Xu Huang, Shi, Zhang, & Cheung, 2006). Spreitzer (1995) explained that intrinsic motivation or also known as psychological empowerment is related to the perception of people that they are being emotionally empower in the workplace. Empowered employees shows high determination and eagerness to make an impact on the job (Spreitzer, 1995). Although extensive literatures were found investigating the effect of psychological empowerment (Carless, 2004; Chan, Taylor, & Markham, 2008; Gregory, Albritton, & Osmonbekov, 2010; H. Zhang, Ou, Tsui, & Wang, 2017), there are limited studies inquiring such issue in the context and focused upon millennial generations (Xu Huang et al., 2006).

As the empowerment is considered to be a behavioral attribute of leaders, such construct should be determined by leadership approach (Ahn & Ettner, 2014). Leaders who implemented participative style will likely increase employees' feeling of being empowered (Xu Huang et al., 2006). In this relation, participative leadership could be understood as to what extent joint decision making or sharing influence are occurred among leaders and followers (Arnold, Arad, Rhoades, & Drasgow, 2000; Somech, 2003). As mentioned earlier that Gen-Y are expected to engage in collective management style, so that participative leadership could be considered as an imperative effort to increase employees' affective commitment.

This study was conducted to confirm the effect of participative leadership on psychological empowerment which in turn affecting employees' affective commitment. Data were gathered from Gen-Y (i.e. millennial employees) in Indonesia whose working in the banking sector. Banking sector is characterized with massive swift of using digital and information technology. However, previous research found that millennial have low level of trust towards financial institutions (Mcauley & Weiner,

2015). Additionally, similar study found that banking sector in Indonesia has high level of employees' turnover that might be caused by ignoring cultural differences among cohort.

**LITERATURE REVIEW**

Affective commitment can be argued as a strong emotional commitment of a person to organization which manifested from its involvement and enjoying membership in an organization (Allen & Meyer, 1990). High affection employees are believed on organizational goals, and have willingness to contribute to the maximum effort to achieve the objectives. High affective commitment could also be indicated through self-identification with organization (Allen & Meyer, 1990; Herrbach, 2006). Previous studies have identified several antecedents of affective commitment such as; employer brand image (Priyadarshi, 2011), corporate citizenship, tenure (Rego, Leal, Cunha, Faria, & Pinho, 2010), age (Kooij, Jansen, Dikkers, & De Lange, 2010), organizational politics (Kimura, 2013), job characteristics, personal experiences (Allen & Meyer, 1990), and participative leadership style (Xu Huang et al., 2006).

Scholar argued that psychological empowerment is related to an emotional feeling of being motivated regarding their skills and abilities in the workplace (Meyerson & Kline, 2008). The concept of psychological empowerment defined as an intrinsic motivation to perform tasks (Xu Huang et al., 2006; Spreitzer, 1995). Following Spreitzer (1995) psychological empowerment was reflected from four dimension of meaning, competence, self-determination, and impact. Psychologically empowered employees tend to believe that their work have significant and important meaning and purposes, not only for organization, but also for common good. High empowered people also believed on their competencies to solve problems at work and deliver impact (X. Zhang & Bartol, 2010). People who been empowered psychologically are also having high level of self-efficacy and determination. Such

motivation will affected endurance to stand while facing difficult situation (T. Y. Kim & Kim, 2013).

Participative leadership could be understood as leader's style to encourage their follower through joint decision making or at least sharing influence (Arnold et al., 2000). Such participation was implemented to balance overall involvement and engagement among leaders and followers on processing information, making decision, and solving work problems (Somech, 2003). Millennial are perceived having higher pride and narcissism as well as higher level of external locus of control (Ayudhya, 2015). They are also associated with higher needs of acknowledgement and recognition (Guillot-Soulez & Soulez, 2015). Such traits are in line with the purpose of participative style which encourage follower motivation through stimulate recognition feeling (S. Kim, 2002).

Leader's approaches are believed to influence employees work motivation which in turn affecting their commitment (Xiaowen

Huang, Rode, & Schroeder, 2011). Such motivation occurred from employees' perceived towards their confidence (Carless, 2004; Chan et al., 2008; Spreitzer, 1995). Such reflection combining with the perceive meaning toward jobs could be an indication of psychological empowerment. However, preceding of such condition, leaders' role on influencing their follower through necessary attention, guidance, and involvement were believed as imperative factors. Previous studies have found favorable impact of participative leadership on intrinsic motivation and employees commitment (Xiaowen Huang et al., 2011; Xu Huang et al., 2006; S. Kim, 2002; Somech, 2003).

*Hypothesis 1: There is a positive association between participative leadership style and psychological empowerment.*

Employees who psychologically empowered will feel respected which in turn evoke their work motivation. Such feeling will drive employees to become attached to their job and towards organization. Thus, psychological empowerment facilitated

employees to increase their affective commitment at work. Several studies supported the argument of positive association between psychological empowerment and affective commitment (Carless, 2004; Xu Huang et al., 2006; S. Kim, 2002; Liden, Wayne, & Sparrowe, 2000). Liden et al. (2000) and Carless (2004) found that employees characterized with high affective commitment were believed as an important person in their job, having positive self-efficacy, and feeling worthy of the impact of their job. Similarly, perceived meaning was found positively affecting personal job satisfaction. Furthermore, Liden et al. (2000) also found the substantial variance of meaning on affective commitment.

*Hypothesis 2: There is a positive association between psychological empowerment and employees' affective commitment.*

Participative leaders were indicated from the ability to listen and involving their follower on decision-making process (Somech, 2003). Such approach assisted the establishment of mutual trust and emotional attachment between leaders and followers (Chan et al., 2008). For Gen-Y or millennial generation feeling of being involve and needed will substantially increase their emotional satisfaction and attachment towards leader (Ayudhya, 2015; Guillot-Soulez & Soulez, 2015; Mcauley & Weiner, 2015). Huang et al. (2006) found that the relationship of participative leadership style and affecting commitment was higher for employees with low tenure and age. Another study also found positive relationship between participative leadership style and affective commitment.

*Hypothesis 3: There is a positive association between participative leadership style and employees affective commitment.*

## METHOD

### Data and Sample

Data were gathered from millennial employees (Gen-Y) of banking industry in

Indonesia. The sample consist of 135 respondents who at least have 2 years working experience within a company. Data were collected using close-answered questionnaires (7 Likert-scale) based on variables of the study.

**Measurement**

In order to measure participative leadership style, this study using six items of participative leadership measurement adopted from Arnold (2000). Psychological empowerment is a multi-dimensional reflective construct which consist of meaning, competence, self-determination, and impact. Such dimensions were measured using 12 items adopted from Spreitzer (1995). Finally, affective commitment was indicated through eight items of questions which developed by Allen and Meyer (1990).

Data were analyzed using structural equation modeling which employed Partial Least Square (PLS) as statistical tools for analysis. First, the analysis was conducting to check items validity and reliability by using measurement model. Only valid and reliable items were used for further analysis. Next, performing the analysis to measure determinant power of model and each variable. Finally, analyzing the relationship among variables to confirm hypothesis.

**RESULTS**

Tabulation and initial check of missing data described that all of responses were complete to undertake further analysis. Further tests of validity and reliability was performed, and only valid items will be used in hypothesis testing and bootstrapping model. Average variance extraction and the score of factor-loading were used as an indicator for measuring items' validity and reliability. The results confirmed that; eleven items of psychological empowerment, five items of participative leadership, and three items of affective commitment could be

utilized for further analysis. Final structural

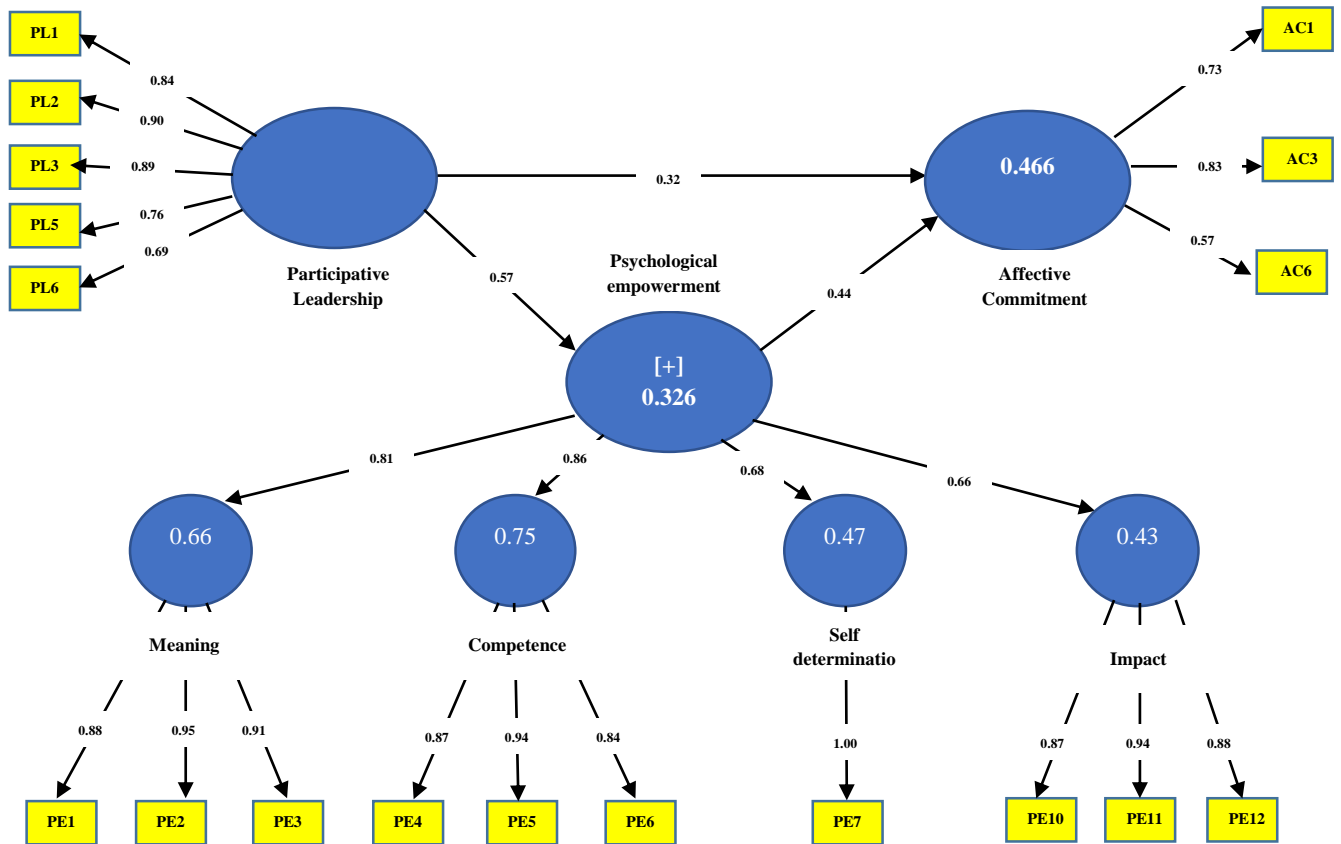model is described in the following figure.



Figure 1. Final Structural Model

R-Square indicated statistical determination of variables toward dependent. The result of overall model (46.6%) indicates that participative leadership style and psychological empowerment explains 46.6 percent of affective commitment. Although there is no cut-off of R-Square, the score generated from the model are considered to be significant. The score for other dimensions described in the following table.

Table 1. R-Square

| No | Variables | R-Squares |
|---|---|---|
| `1 | Participative Leadership | 0 |
| 2 | Psychological Empowerment | 0.326 |
| 2.a | *Meaning* | 0.667 |
| 2.b | *Competence* | 0.753 |
| 2.c | *Self-determination* | 0.470 |
| 2.d | *Impact* | 0.436 |
| 3 | Affective Commitment | 0.446 |

Further analysis found that all of the proposed hypotheses are supported by the data. The result indicates that participative leadership has positive association on psychological empowerment (t = 9.49 $p <$

0.00). Positive association also found on the relationship between psychological empowerment and affective commitment (t = 6.13, $p < 0.00$). The research also found positive relationship between participative leadership and affective commitment (t = 3. 48, $p < 0.00$). Detail results of analysis are described in the following table.

Table 2. Result of Hypothesis Testing

| No | Variables | OS* | SD* | t | p |
|----|-----------|-----|-----|---|---|
| 1 | Participative leadership > Psychological empowerment | 0.57 | 0.06 | 9.44 | 0.00 |
| 2 | Psychological empowerment > meaning | 0.79 | 0.03 | 21.98 | 0.00 |
| 3 | Psychological empowerment > comp | 0.85 | 0.02 | 35.40 | 0.00 |
| 4 | Psychological empowerment > self - deter | 0.72 | 0.08 | 8.97 | 0.00 |
| 5 | Psychological empowerment > impact | 0.68 | 0.05 | 12.63 | 0.00 |
| 6 | Psychological empowerment > affective commitment | 0.44 | 0.06 | 6.66 | 0.00 |
| 7 | Participative leadership > affective commitment | 0.32 | 0.08 | 3.85 | 0.00 |

*OS: Original Sample; SD: Standard Deviation.*

Positive relationship between participative leadership style and psychological empowerment suggested that leaders who encourage their follower to participate will generates highly motivated employees. Such results implied that being participative could increase employees' perceived meaning toward their job which in turn affecting their confidence, self-determination, and perceived impact at work. In relation to the millennial employees, participative approaches will affect their willingness to work beyond their limit of self-motivation and competencies. Huang et al. (2006) argued that Gen-Y cannot stand for autocratic style which lacked of personal consideration. Furthermore, banking industry which characterized with highly-regulated, high-pressure, and fast-growing sectors needs to consider prospective employees that could match the industry characteristics. Devoting participative approaches on millennial generations in banking sector could generate competitive employee in facing the challenging digital-transformation era.

Positive relationship between psychological empowerment and affective commitment indicated that in order to established emotional attachment toward job,

organization need to stimulate employees' psychological perception toward their job. Empowered employees feel psychologically appreciated regarding their competencies. Such condition will further affect their determination at work, especially those that perceived the condition have significant meaning for them. This situation aligned with particular characteristic of Gen-Y which value independency and recognition as priorities. This finding confirmed previous study by Spreitzer (1995), Liden et al (2000), Kim (2002) and Carless (2004). Those scholars confirmed that increasing on psychological empowerment will significantly accelerates employees' job satisfaction. Banking industry which characterized with high level of employees' turnaround could utilize psychological empowerment approach on an effort to build their employees' commitment.

Participative approach employed by the leader in an organization has been showed to increase employees' affective commitment. Meaning to say that employees' involvement on decision making process will increase their sense of belonging toward organization. Such practice is believed to strengthen emotional attachment between the leader and the followers. This result is supported by previous studies (Xiaowen Huang et al., 2011; Xu Huang et al., 2006). Further, the study by Huang et al. (2006) found that participative leadership style is more significant for millennial (Gen-Y) in comparison to the Gen-X generations. The current study suggested that leaders need to generate special effort to create participative culture within a company, especially for banking industry which having high level of employees' turnover.

**CONCLUSION**

This study suggests positive association among participative leadership style, psychological empowerment and affective commitment. The result implies that emotional consideration in managing employees will benefited organization through high level of employees' commitment especially for the millennial.

This study concludes managerial approach for millennial generation do not significantly different with other generations. However, as we found close similarity between millennial traits and characteristics of participative leadership style, psychological empowerment, and affective commitment, future leaders need to consider and adopts emotional-related practices in motivating their millennial followers.

Employees' commitment is reflected from three dimensions; affective, normative, and continuance. Further study need to consider other dimensions to understand holistically the overall commitment. Particular consideration on banking industry as the sources of data produced results that could not generalizable. As such, further study needs to account for multiple industries simultaneously in an effort to acquire generalization of the result.

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