

## **The Impact of Transformational Leadership on Employee Retention: The Role of Job Satisfaction and Communication**

Murtaza Raziq<sup>\*</sup>, Tahir Hussain Rizvi<sup>†</sup>, Ayesha Mahjabeen<sup>‡</sup>

### **Abstract**

*The study focuses on exploring the influence of “transformational leadership” (TL) on “employee retention” (ER) in the “small and-medium sized enterprises” (SMEs) by taking Job Satisfaction (JS) as mediator and communication (CM) as moderating factors. The target population is the Pakistani SME’s operating in the Islamabad/Rawalpindi region and no other regions due to time limitations. For collecting data, Convenience sampling technique is utilized. A 5-point Likert scale instrument has been developed for obtaining the desired statistics. Multiple Regression method is exploited for testing of hypothesis and “Process Model Macro” is applied to gauge the mediating and the moderating influence. Findings illustrate the positive impact of TL on ER in the Pakistani SMEs. The outcomes of the study endorsed TL influence on JS. Further analysis exposed partial mediation of JS in exploring the relationship between TL and ER. Moreover, communication positively moderates the TL– JS and JS–ER relationships. The findings provide a food for thought to the Pakistani SME leaders to adopt transformational style of leadership when it comes to retaining the talent. This study adds volume to both theory and practice. Meager number of studies have been done in discovering the mediating role of JS between TL and ER especially in the Pakistani SME environment. This study is very unique in ascertaining the moderating influence of Communication on TL– JS and JS–ER axis which has not done before. In future, the impact of the exit of transformation leadership on employee retentions can also be worthy of examining.*

**Keywords:** transformational leadership, communication, job satisfaction, employee retention.

### **Introduction**

In this contemporary world of massive rivalry and turmoil, experts find ways to change their occupations or find new alternatives due to poaching and ineffective leadership approaches of the managers they are associated with (Gyensare, Kumedzro et al. 2017). Since workers are the most significant resource for any association (Ng'ethe, Namusonge et al. 2012), it is indispensable that companies retain their workers. SME’s face significant levels of vulnerability when it comes to employee retention

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<sup>\*</sup>PhD Scholar, International Islamic University Islamabad, Pakistan, Email: Murtaza.phdmgt127@iiu.edu.pk

<sup>†</sup> Assistant Professor, International Islamic University Islamabad, Pakistan Email: proffsyed@iiu.edu.pk

<sup>‡</sup> Pakistan Institute of Development Economics (PIDE) Islamabad, Email: ayeshamahjabeen28@gmail.com

(Park, McQuaid et al. 2019). Numerous Studies have confirmed that a significant amount of job workers in SMEs end up in various jobs following three years (Ofori and Aryeetey 2011)

Pakistani SMEs are confronting a major task in dealing with their HR (SMEDA 2007) despite the fact that there are about 3.2 million SMEs in Pakistan which holds about 90% of the overall firms, offering over 40% of GDP, sharing 35% in manufacturing products and representing 30% in exports of manufactured goods (Khalique, Isa et al. 2011). The sector is so widely ignored in Pakistan, that there was no authentic definition to differentiate SME's from large organizations (Dasanayaka 2008). This parallax nature of SMEs didn't permit anybody to outline its one acceptable and satisfactory definition. (Dasanayaka 2008) research discloses the fact that in Pakistani scenario, there is no recognized, generally standard definition of SME's just like other developing states and all the present descriptions of SME's rely upon suitability and objectivity.

In Pakistan, SME is defined as the enterprise consisting of 250 workers, a settled-up capital of up to Rs. 25 million, with yearly sales adding up to not more than Rs. 250 Million (Kureshi, Mann et al. 2009; Kureshi, Qureshi et al. 2010). Furthermore, the State Bank of Pakistan's definition of SME is focused on the total quantity of employees and yearly turnover of sales.

Employee retention is one of the main issues, being confronted by the SMEs of Pakistan, as Pakistani SME's employ casual laborers paying them lower compensation. Better emoluments provide valid justifications to the worker to switch over from one association into another. Rise in inflation is greater as compared to the rate of salary enhancement in SME's resulting in depression and lower output (Khan 2011).

To curtail this problem in the SME's, professionals are focusing on leaders and leadership style of managers to retain human resources for a more broadened period. Leadership plays an essential part in retaining workers. Transactional, transformational and laissez-faire are few of the leadership styles, however this investigation is centered around transformational leadership. Scholars proposed that transformational leadership plays a vibrant part in dropping turnover dimensions (Waldman, Carter et al. 2015). The transactional approach to leadership does not motivate workers to accomplish their desired objectives (Bass and Riggio 2006). As opposed to 'transactional leadership', "TL" enhances worker commitment within the enterprise (Deichmann and Stam 2015). Furthermore transformational leadership in general is most pivotal when it comes to style of leadership and is indispensable in dropping

worker's turnover intention in contrast with 'transactional leadership' and 'laissez-fair leadership' (Bycio, Hackett et al. 1995).

Research conducted by (Suryawan, Ardana et al. 2021) shows that by keeping Job satisfaction as mediator, the negative impact of transformational leadership on turnover intention is observed, thereby signifying that intention of employees to leave their organizations will be lower, if transformational leadership is enhanced through the mediating variable job satisfaction. Furthermore, (Lim, Loo et al. 2017) states that by having JS as a mediator, the turnover intention is indirectly affected by Transformational leadership. Hence, involvement of satisfaction factor becomes a reason for not leaving the workplace environment. Previous studies on TL mainly examined the mediation role of OCB on ER (Tian, Iqbal et al. 2020). This study will examine the mediating role of Job Satisfaction on ER.

There has been little investigation done in exploring the reasons behind growing turnover ratio in SME;s and that is primarily because of less spending of capital on worker's prosperity in contrast with big enterprises (Bilau, Ajagbe et al. 2015). This study has significant contributions. Previous studies on TL mainly examined the mediation role of OCB on ER (Tian, Iqbal et al. 2020) in the context of Chinese SME's however this study will examine the mediating role of Job Satisfaction on ER in the Pakistani SME's perspectives. Furthermore (Tian, Iqbal et al. 2020) worked on organizational communication as moderating factor with "TL", "OCB" and "ER" but the moderating role of communication on TL, JS, and ER was overlooked. Hence this study examines the moderating mechanism of communication. To the researcher's knowledge, no study has examined the relationship of TL-JS and JS-ER keeping in view Communication as moderator. Therefore, this study enriches the existing literature on the selected variables.

The study outcomes will help leaders in developing valuable insights regarding the impact of "transformational leadership" in administering "employee retention" effectively. High turnover rates are exorbitant at all hierarchical stages. Normally, once enterprises can't hold their workers, the negative effect influences the efficiency and facilities offered by the enterprise. The results of our research may add further knowledge and increase awareness on part of SME workers with respect to the relationship of TL with ER. The outcomes may likewise be applicable to SME managers and HR supervisors who are keen in worker's retention.

Academic and professional literature on "transformation leadership theory" propounded by (Bass and Bass Bernard 1985) and

“social exchange theory” propounded by (Blau 1964) will provide a solid base for this area of research. The present study is incorporating more substance to the current literature. Most essentially, the integration of Communication as ‘moderator and Job Satisfaction as intervening variable are incorporating the differentiations in present investigations between Transformational Leadership and Employee Retention especially in Asian Organization settings.

Past experiential investigations on worker turnover are geologically led in Western locale and setting and is confined to US, Australia and Canada represented by progressed economy and enhanced learning phases (Li, Chiaburu et al. 2017). Nonetheless, results of those examinations may not be postulated to different region, e-g Pakistan specifically.

Pakistan is large Country with a populace of approximately 200 million, and simply like some other nation, accompanies exceptional attributes and challenges pertaining to managing enterprises. The business sectors in Pakistan are significantly outsized, expecting enterprises to have numerous entities at different areas. Study recommends that, culture of a nation impacts the culture of an organization (Hofstede 1980; Hofstede and Consequences 2001), thus, it is anticipated that the western-based theories on leadership, (for example, as “transformational” and “transactional”) may just have a fractional application in the collectivist Pakistani background, notwithstanding their all-inclusiveness.

### *Research Objectives*

1. To ascertain the association between “TL” and “ER”
2. To understand the impact of “TL” on “JS”
3. To analyze the mediation effect of “JS” in establishing the connection between “TL” and “ER”?
4. To examine the moderating influence of “Communication” in ascertaining the relationships between “TL” and “JS” and with “JS” and “ER”

### **Literature Review**

#### *Transformational Leadership*

Transformational leaders do inspire their supporters as they act as a role model, innovative and are genuinely concerned for their necessities. “Transformational leadership” entails 4 dimensions: “idealized influence (II)”, “inspirational motivation (IM)”, “intellectual stimulation (IS)”, and “individualized consideration (IC)”. “Idealized Influence” portrays leader’s behaviors and attitudes being charismatic in nature that followers

recognize as related with leaders. A leader who possesses these qualities presents a vision and become an influential role model for supporters in a manner that followers intend to emulate with their leaders (Gellis 2001). Leaders having inspirational motivation traits articulate and convey their visions in their organizations and persuade followers to build self-reliance and remain committed to their vision. (Gellis 2001; Indvik and Northouse 2001). Inspirational motivation includes thought-provoking attitudes, which give meaning to followers' tasks, thus encouraging inspiration through leader conduct, and prompting supporters through significant activities (Avolio and Bass 2004). "Intellectual Stimulation" comprises of behaviors which prompts followers by re-evaluating difficulties, by developing imaginative, inventive concepts, and by advancing towards old conditions in innovative ways (Bass, Avolio et al. 2003). Individualized consideration consists of providing a sympathetic environment and giving opportunities for learning e.g., coaching (Bass, Avolio et al. 2003).

#### *Job Satisfaction*

A combination of research on JS and Locke's review provided definition of JS which is now extensively used as "an enjoyable emotional state of mind resulting from the assessment of one's work or professional practices" (Locke and psychology 1976). JS is declared as an 'emotional reaction' to all issues which a person encounters in the arrangement of his business/employment (Federici and Skaalvik 2012)

As indicated by (Dadang 2013) JS is a pleasurable or undesirable emotional state at work, JS relates to the feeling/ emotions of workers towards their job.

#### *Employee Retention*

ER is defined as worker's effort to keep the much needed staff in order to attain business goals" however, turnover is an elucidation which is used to indicate the unprompted/voluntary loss of the organization worker who intentionally leaves the organization (Frank, Finnegan et al. 2004). The expense of losing representatives is greater than holding them through pay plans (Carter, Dudley et al. 2019). In the long run, ER is the primary objective for the institutions, keeping in view that recruiting and selecting competent workers with high potential is fundamental for any organization.

#### *Communication*

Communication is very vital for stimulating employees, quantify success, product delivery, consumers services (Conrad 2014; Nwata,

Umoh et al. 2016) and improving personnel output (Femi and Science 2014). when workers requirements are met via communication, they are bound to have powerful working connections (Graw and Laidlaw 2004). Further, the outcomes of (Kulachai, Narkwatchara et al. 2018) survey exposed that internal communication has a constructive impact on workers involvement and work contentment, with employee support and job fulfillment as an intervening function between internal communication and work execution.

### **Theoretical Framework and Hypothesis Development**

The study integrates concepts from the “transformation leadership theory” propounded by (Bass and Bass Bernard 1985) and “social exchange theory” propounded by (Blau 1964). In this study Job satisfaction variable is used as intervening factor, employee retention as DV, and “transformational leadership” as IV, whereas communication is moderator. In the workplace, there is a communication between bosses and their juniors, where the connection is more of a social exchange. For this situation the administration/leadership style embraced by bosses will extraordinarily influence the evaluation of social exchange among bosses and dependents, which will influence JS and retention. Social exchange is not just only confined to bosses and attendants, yet also amongst colleagues working in parallel, where if the exchange is observed to be negative, then it is expected to cause pressure leading to stress thus impacting on job contentment and intentions to remain or leave the workplace eventually.

#### *Research Questions*

1. How “TL” directly impacts “ER”?
2. How “TL” and “JS” are related”?
3. How “JS” mediates the relationship between “TL” and “ER”?
4. How “Communication” moderates the relationship between “TL” and “ER” and between JS and ER?

#### *Transformational Leadership and Employee Retention*

Leadership is evenly beneficial for both representatives and enterprises, and particularly, ER is affected by TL (Amankwaa and Anku-Tsede 2015), directly as well as in-directly (Khan 2015; Nohe and Hertel 2017). Leaders possessing transformational attributes refine their dependents' work exposition by accomplishing institutional targets (Sow, Ntamon et al. 2016) and enforcing a reward mechanism to keep and sustain the workers (Adekanbi 2016). Prior investigations have underlined a

strong nexus between TL and ER (Bass and Bass Bernard 1985; Rafferty and Griffin 2004; Nielsen, Randall et al. 2008; Para-González, Jiménez-Jiménez et al. 2018; Yizhong, Baranchenko et al. 2019). In this manner, TL is hypothesized as:

H1: *Transformational leadership has a positive impact on employee retention*

*Transformational Leadership and Job Satisfaction*

Study of (Walumbwa, Orwa et al. 2005) reveals that the behaviors associated with TL is normally related with upper levels of worker satisfaction, organizational accomplishments, follower work commitment (Zhu, Avolio et al. 2016), and employees' eagerness to employ extra push to reach at a certain objective. Earlier investigation strengthens the fact that TL positively and significantly predicts followers work satisfaction.(Bartram, Casimir et al. 2007; Liu, Siu et al. 2010; Gilstrap, Collins et al. 2012; Yang 2014; Asencio 2016; Yıldız, Şimşek et al. 2016; Alzomia, Cready et al. 2018). Consequently, we hypothesize;

H2: Transformational leadership has a positive and significant impact on job Satisfaction.

*Job Satisfaction and Employee Retention*

Following prior investigation, job satisfaction can enhance the employee retention in a company. hence, organization has to give consideration to job satisfaction of its workers (Biaison 2019). According to a survey carried out by (Khan and Aleem 2014), there is a huge impact of personnel satisfaction on worker turnover.

(Singh and Jain 2013) found that happy and cheerful workers are conspicuous for the Company in the market and furthermore job satisfaction is a significant determinant in holding/retaining the successful workers. When workers are not happy with the work, the expectation to leave the organization is quite likely. Moreover, (Meyer and Herscovitch 2001) claimed that the desire to remain in the enterprise of workers become weak when they are not pleased with the work. Based on this we hypothesize the following:

H3: Job satisfaction has a positive impact on employee retention

***Mediation Effect of Job Satisfaction***

(Sun and Wang 2017) claim that in the Chinese SME's, TL has both direct and indirect impact on ER. (Liang, Chan et al. 2011) accepts Job Satisfaction as a mediating variable among transactional as well as transformational leadership modes and express that a strong association with employee performance is created due to the said styles. As indicated by (Applebaum, Fowler et al. 2010), Job pressure and work contentment have a noteworthy impact on 'turnover intentions'. (Liu, Liu et al. 2010) affirms that Job Contentment refers to turnover expectation/intentions as a mediator of "person-organization fit".

Numerous investigations have discovered that "TL" envisages satisfaction as well as Commitment with Organization, and furthermore personality of workers (Nguni, Slegers et al. 2006; Braun, Peus et al. 2013; Dwyer, Bono et al. 2013; Abouraira and Othman 2017). However, these relationships with the Pakistani SME's perspectives have not been extensively explored and are overlooked to some extent. In this manner, we may hypothesize the following;

H4: Job satisfaction mediates the relationship between transformational leadership" and employee retention.

***Moderation Effect of Communication***

(Diebig, Bormann et al. 2017) examined the moderating influence of "communication" on TL and team association. (Garnett, Marlowe et al. 2008) considered "communication" as a moderator among "organization culture" and "public sector organization's performance". (Pettit Jr, Goris et al. 1997) examined balance of communication between work execution and contentment. Likewise, (Villegas and Cerveny 2004) further discovered "communication" to positively intercede between work satisfaction and 'absenteeism'. (Basyir, Madhakomala et al. 2020) found the positive impact of organizational communication with Job Involvement. (Bass and Bass Bernard 1985) philosophy strengthens the possibility that leaders should efficiently pass on the vision and mission they have envisaged for the enterprises. We suggest that "communication" could be measured as moderator between the connections of TL and ER. Consequently, we may hypothesize that;

H5: Communication moderates the impact of transformational leadership and job satisfaction.

H6: Communication moderates the impact of job satisfaction and employee retention.



### Research Methodology

This investigation is depending on preliminary data collection and the source of information gathering is through Questionnaire. In this study “unit of analysis” are the employees of SMEs in Pakistan. This is a quantitative research based on time lagged studies as information was assembled in 2 waves by utilizing a time lag of 6 weeks in 2021. The interval of six weeks was picked to decrease predispositions relating to single sources and/or common methods (Podsakoff, MacKenzie et al. 2003).

#### *Sample Size*

SME Companies located in Islamabad and Rawalpindi are chosen. Our respondents are employees. For examining sample size, various factors are considered. However, because of time and budgetary imperatives, convenience sampling is selected as it is deemed informal, manageable, and financially savvy. The Sample is determined by utilizing the following equation.

#### *Necessary Sample Size*

$$\begin{aligned} &= (z - Score)^2 \times Std Dev \times \frac{(1 - StdDev)}{(margin\ of\ error)^2} \\ &= (1.96)^2 \times (.5)(.5) / (0.05)^2 \\ &= 385 \end{aligned}$$

In this study, SME referred to the firms employed between 10 to 250 employees, this definition has been adopted from the (Policy and Pakistan 2007) and SMEDA. The sample size for this study was 385, however 200 questionnaires with response rate of 52% is found satisfactory for our analysis. As per (Babbie 1990) study, 50% reactions are generally deemed adequate. Questionnaire having a 5-point Likert scale is designed for this study to gather responses, where 5 indicated strong agreement and 1 indicated strong disagreement. Five-point Likert-type scale was used to increase response rate and response quality along with reducing respondents’ “frustration level” (Babakus and Mangold 1992). Five-point Likert scale was used for a larger study where N is greater than 100 (Cummins and Gullone 2000). This study is pure academic work and is not funded from any source. Total of 120 Males and 80 females accounted for 60 and 40% respectively. The Frequency of ages between 20-30, 31-40, 41-50, is 58, 127 and 15 respectively out of 200 respondents. In terms of Education of respondents, 13 employees secured

under-graduate Degree with a valid % of 6.5%. Further 27 workers secured Master Degrees having a valid % of 13.5% and 122 employees attained MS/Phil Degrees having percentage of 61% Moreover 38 employees are having PhD qualification with a valid percentage of 19%. 73 participants had employment experience in between the range of 5-10 years, 70 workers had experience of more than 10 years, 44 workers having greater than 16 years of work experience and 13 personnel with more than 21 years of experience having percentage of 36.5, 35, 22 and 6.5% respectively (Table 2).

*Measures*

The MLQ Form (15 items) is used to measure “transformational leadership” (“My manager talks optimistically about the future”) developed by (Bass and Avolio 1995). Previous studies of (Tian, Shuja Iqbal et al. 2020) utilized 5 items for TL and the resulted reliability was ( $\alpha = 0.931$ ), in contrast to the existing studies where ( $\alpha = 0.967$ ).

Meta-analysis is used to analyze the psychometric properties of the “Michigan Organizational Assessment Questionnaire Job Satisfaction Subscale” utilizing 3 items (e.g “All in all, I am satisfied with my job”) developed by (Cammann, Fichman et al. 1979). Value of CA in previous studies conducted by (Ali, Ali et al. 2020) was 0.86 as compared to existing value of 0.885

9 items of ER are measured (“I see a future for myself within this company”) produced by (Kyndt, Dochy et al. 2009). Previous study by (Tian, Shuja Iqbal et al. 2020) utilized 5 items for ER and the resulted reliability was ( $\alpha = 0.926$ ), while in the existing studies ( $\alpha = 0.713$ ).

Ten items are adapted from (Roberts and O’Reilly 1974) (e.g., “While working, I spend a good percentage of time in contact with superiors”) are used to measure communication. Previous studies (Tian, Shuja Iqbal et al. 2020) employed 5 items for ER and the resulted reliability was ( $\alpha = 0.895$ ), while in the existing studies ( $\alpha = 0.692$ ).

**Table 1**  
*Reliability Statistics*

Construct	Previous CA study	Current
Transformational Leadership	0.931	0.967
Job Satisfaction	0.86	0.885
Employee Retention	0.926	0.713
Communication	0.895	0.692

**Table 2**  
*Demographic Information*

Controls	Variance	
Gender	Male	120 (60%)
	Female	80 (40%)
Age	20-30	58(29%)
	31-40	127(63.5%)
	41-50	15(7.5%)
Education	Bachelor	13(6.5%)
	Masters	27(13.5%)
	MS	122(61%)
	PhD	38(19%)
Experience	5-10	73(36.5%)
	11-15	70(35%)
	16-20	44(22%)
	21-25	13(6.5%)

**Table 3**  
*Control Variables*

Demographics	Employee Retention	
	f statistics	p value
Gender	.409	.523ns
Age	.210	.811ns
Education	.084	.920ns
Experience	.089	.966ns

“\*  $p < .05$ , \*\*  $p < .01$  \*\*\*  $p < .001$ , ns =non significant”

All the values of p are found as non-significant. The outcomes predict that none of the variables needs to be controlled.

### Analysis

After accumulating information from the respondents, Data is then run through ‘SPSS’. The ‘demographic constituents and the “reliability of scales” are measured for getting the desired outcomes. Information is scrutinized utilizing the “Correlation and Regression” methods. “Correlation “is applied initially to assess the relationship between the factors. The variables are afterwards tested cautiously using

the ‘regression technique’. Following that the procedure created by (Hayes 2013), (Preacher, Rucker et al. 2007) and (Preacher and Hayes 2008) in ‘SPSS’ is utilized. The ‘confidence interval’ is set at 95%.

**Results**

The reliability analysis of each variable is measured, followed by “Correlation” of selected variables. “Regression Analysis” is performed and then mediation analysis is performed using process macro developed by Hayes. Through the help of SPSS, ‘Cronbach alpha’ is applied for ‘reliability testing’ and according to (Cronbach and Meehl 1955), value should perhaps be close to 0.7. In case, the estimation of Cronbach’s alpha exists in between 0.8-0.9, it is considered as excellent, if the value lies in the middle of 0.7 & 0.8 then it’s considered as good reliability and in the middle of 0.6 and 0.7 is considered satisfactory, The value ranging between 0.5 and 0.6 is deemed as poor/unacceptable. Our study results are significant as 0.967 is for TL, 0.713 for ER, 0.692 for communication then .885 for JS.

The Correlation Analysis (Table 4) reveals the course of relationship (either positive/negative) among variables. All variables are correlated, mostly positive.

**Table 4**  
*Correlations*

Variables	TL	JS	ER	CM
1 Transformational Leadership	1.00			
2 Job Satisfaction	0.209**	1.00		
3 Employee Retention	0.753**	0.573**	1.00	
4 Communication	0.843**	0.256**	0.748**	1.00

\*\*( $p < 0.01$ )

Correlation matrix between “Transformational Leadership” and “Communication” is strong i.e., 0.843 and likewise with Transformational Leadership with Employee Retention which is 0.753 hence depicting a significant and strong relationship. Despite the fact that there is no negative relationship among all the coefficients yet they vary as far as their solid and weak affiliations are concerned. Our Correlations analysis, results show positive associations among “Transformational Leadership”, “Job Satisfaction”, “Employee Retention” and “Communication” hence direct and/or indirect associations within them might be projected.

*Regression Statistics*

The variables are run in a regression model. The “linear regression” results specifies that there is major affiliation of “Communication” over “Employee Retention”, as ( $\beta=0.562$ ,  $P= 0.000$ , i.e. ( $p<0.01$ ),  $R^2=0.611$ , i.e. there is 61% of variance between the coefficients”).

To check for “direct and indirect” impacts, the “regression analysis” is performed by utilizing the process model macro at 5000 iterations (re-sampling). “TL” is taken as Independent Factor; “JS” as mediating and “ER” as Dependent factor. As indicated by past investigations,  $R^2$  denotes the predictive strength of the model (Sarstedt, Ringle et al. 2014). With respect to the “goodness of fit” measures, the  $R^2$  value demonstrates consistency of the model at 61 percent ( $R^2:0.611$ ). Hence our model demonstrates the change caused in the endogenous dormant variable: Employee Retention. Several authors have indicated various guidelines to assess model’s predictability. For instance, as indicated by (Henseler, Ringle et al. 2009; Hair, Ringle et al. 2011); 0.75 is considerable, 0.5 is moderate and 0.25 is weak. Additionally as indicated by (Cohen 1988),  $R^2$  values for endogenous factors can be evaluated as follows: 0.26 (substantial), 0.13 (moderate), 0.02 (weak). Regardless, with that, our model includes a mediator and a moderator, and  $R^2$  is substantial.

**Table 5***Linear Regression Results*

Sr	B	$R^2$	$R^2$ change	Sig
TL	0.255	0.611	0.611	0.000
CM	0.562			0.000
TL*C	-.530	0.630	0.019	0.002

Results (Table 5) show some interesting findings. Results confirmed that “TL” is directly associated with both “JS” and “ER” as ( $p<0.05$ ). i.e. values is 0.000 for both respectively. With that our Hypothesis H1 and Hypothesis H2 are confirmed (“the upper limit confidence interval and lower limit confidence interval have no zero values in between the two confidence intervals”). Further “Job Satisfaction” and “Employee Retention” are also found to be directly associated as ( $p<0.05$ ) therefore our Hypothesis H3 is also accepted.

Hypothesis H4 regarding JS as mediator resulted in positive and noteworthy direct effect on the association between “TL” and “ER” ( $\beta =$

0.3984, t is 18.087 and p value is 0.0001), hence confirming Hypothesis 4, since it is found both “TL” and “ER” is in partial mediation with “Job Satisfaction” variable.

Similarly moderating hypothesis is tested by using (Hayes 2013) PROCESS macro (Model 58) in SPSS. The Hypothesis H5 and H6, which is the moderating impact of Communication on TL and JS and between JS and ER. As per results, Communication impact on the association between TL and JS is found positive, and statistically significant as ( $\beta = 1.267$ , t is 5.724 and p value is 0.000). Moreover, our Hypothesis, H6 is also reported as positive yet statistically significant as p value is 0.000). Therefore, Hypothesis 5 and 6 are accepted.

Table 6

<i>Direct Effects Mediation /Indirect Effects, Moderating/Indirect Effects</i>						
Effects	Sequence	B	SD	't-value'	'p-value'	Decision
<i>Direct</i>						
H1	TL-ER	0.4531	0.0281	16.103	0.0000	Supported
H2	TL-JS	0.1129	0.0375	3.0100	0.0030	Supported
H3	JS-ER	0.4842	0.0408	11.868	0.0000	Supported
<i>Indirect/Mediating</i>						
H4	TL-JS-ER	0.3984	.0220	18.087	0.0001	Supported
Bootstrap results (Indirect effects)		Indirect Effect	LL 95% CI		UL95% CI	
		.0547	.0083		.1189	
<i>Indirect/Moderating</i>						
H5	TL*C- JS	1.267	0.2214	5.724	0.000	Supported
H6	JS*C- ER	0.481	0.1850	2.6040	0.009	Supported
Bootstrap results (Indirect effects)		Indirect Effect	LL 95% CI		UL 95% CI	
		.1566	.1151		.5545	

*Un-standardized regression coefficients reported. Bootstrap sample size 5000. LL=Lower Limit; CI= Confidence Interval, UL=Upper Limit*

**Discussion**

The motive behind this research is to explore the connection between TL and ER. Transformational leaders theory” explicitly endorse the connection among “TL” and “ER” (Amankwaa and Anku-Tsede 2015; Khan 2015). The first hypothesis which states that TL has an influence on ER is accepted as the outcomes are significant and positive. The findings are in line with the previous research conducted by (Tian, Iqbal et al. 2020) and also in congruence with the study conducted by (Adelia, Candra et al.

2016) who emphasizes that both transformational and transactional leadership styles have a significant relationship with employee turnover. Furthermore (HAUER, QUAN et al. 2021) results highlighted motivational aspects and competencies such as communication, emotional intelligence, and leadership style having transformational leadership style as most important to effectively retain employees.

The 2<sup>nd</sup> hypothesis revealed positive and significant results, which also validate the findings by (Moin, Omar et al. 2021) who found support for the direct effect of transformational leadership on job satisfaction. Hypothesis (H3) further reveals encouraging results regarding “JS” and “ER” relationship as B value is 0.4842 and p-value is less than .005. This research work explains that employee retention of SME workers can be enhanced provided the employee is satisfied with the job.

The study further hypothesized the mediation impact of JS which is also accepted as the outcomes of the study suggests that JS partially mediates the association among both JS and ER. The outcomes of the study are also consistent to the work by (Diatmika and Supartha 2017) who state that the construction project manager’s leadership indirectly influences the turnover intention of engineers through job contentment. The outcomes are likewise in congruity with the exploration by (Suryawan, Ardana et al. 2021), that transformational leadership negatively affects turnover expectation through work fulfillment as an intervening variable.

This study also examined the complex moderation process and the outcomes of moderating hypothesis 5 and hypothesis 6 are positively associated as it is revealed that ER will be increased in SMEs in the presence of highly effective communication. The results supports the study by (Tian, Iqbal et al. 2020). This study has uniquely examined the effects of communication as a moderator between the relationships of TL, JS, and ER

## **Conclusion**

The findings of this study conclude that Transformational Leadership has an impact on employee retention and in support of the previous studies that behaviours of manager/supervisor do actually contribute significantly with the retention preferences of employees. The results depicts that subordinates who observed transformational behaviours from their bosses in the Pakistani SME’s have little or no inclination to leave their organization. This examination suggests that subordinates display a significant degree of retention preference, when leaders unleash “individualized influence” Intellectual Stimulation”, “Inspirational motivation”, and “individualized consideration”. The study

also revealed that workers are more satisfied with their jobs, if leaders and managers of SME;s exhibit behaviours that are transformational in nature. (Podsakoff, MacKenzie et al. 1990) discovered constructive outcomes of TL behaviors on JS among a wide range of enterprises, hierarchical settings and occupation levels. The study also discovered that JS has a direct effect on ER, which clearly indicates that the SME workers intention to remain in the organization is dependent upon the level of satisfaction they are receiving from their supervisors. Furthermore, this study found interesting results pertaining to the mediation effect of JS. We found that TL not only has a direct influence on ER, but also indirectly effecting on ER through JS. Transformational leadership indirectly influences turnover intention through job satisfaction (Lim, Loo et al. 2017). With regards to communication as moderator, this study has shown some interesting results hence depicting that communication has an extraordinary significance in the relationship between a bosses and subordinates. By ignoring the significance of dealing with the workers, numerous SMEs face concerns pertaining to retaining talent (Ritchie 1993). Therefore, it is important to challenge the existing ways of conducting internal communication and to make organizations realize the need for improvements in the internal communication.

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