African Journal of Business Management Vol. 5(27), pp. 11093-11103, 9 November, 2011
Available online at http://www.academicjournals.org/AJBM
DOI: 10.5897/AJBM11.876
ISSN 1993-8233 ©2011 Academic Journals

*Full Length Research Paper*

# Mediating role of creative self-efficacy

**Azka Ghafoor*, Tahir Masood Qureshi*, Hassan Rasool Azeemi and Syed Tahir Hijazi**

University of Central Punjab, 1-Khayaban-e-Jinnah, M. A. Johar Town, Lahore, Pakistan.

Accepted 18 July, 2011

**In this study, we examined the relationship between transformational leadership, learning orientation and employee creativity. Furthermore, the mediating effect of creative self efficacy is studied in the relationship of these two variables with creativity. The data obtained from a sample of 176 employees and managers of banking sector indicated the significant relationship between transformational leadership, performance orientation and employee creativity. However, results showed that performance orientation relationship with employee creativity is accepted in mediation while transformational leadership relation with employee creativity in mediation is not supported. Managerial implications and future research are discussed.**

**Key words:** Transformational leadership, performance orientation, creative self efficacy, employee creativity.

## INTRODUCTION

Creativity and innovation has been studied with other important organizational sources and outcomes. It is shown that creativity and building novel and operationally useful ideas and practices ultimately delivers organizations with strengths. Creativity is defined as the thinking and re-thinking process to generate new ideas (Amabile, 1988). Literature supports the positive impact of creativity on the organizational outcome. Creativity is necessary for development and advancement (George and Zhou, 2002); it is the source of strength in performance (Amabile, 1996) and gives competitive advantages (Zhou, 1998).

The importance of creativity is highlighted in the past research. Because it is generated from the mind and psychology of an individual, its greater effects are studied on the performance of the individual. Employee creativity shows positive effects on employee performance (Gilson, 2008). The question is, how is creative mindset developed at work? This study is based on the antecedents that develop the psychological state of employees bringing his creativity to the surface.

Goal orientation is studied with performance in previous literature. This study addresses the future research directions of performance orientation which is the dimension of goal theory. Previous literature studies this relationship with learning orientation. There is need to study the relation of performance orientation and transformational leadership style and other leadership styles to creativity and the mediating effect of creative self efficacy. Gong et al. (2009) recommended their study to be conducted in different cultural setting with samples of higher educational level.

Previous studies show that employee psychological development is based on the culture, environment and support he has from the work setting where he performs (Wright and Cropanzano, 2004). Self efficacy is the development of individuals psychology (Bandura, 1997); leadership style develops the culture of the organization and provide support to the employees (Ismail et al., 2009); transformational leadership is the exercise of practices that identifies follower's goals and development to enrich the confidence that increases their performance up to the expected level of the organization (Dvir et al., 2002). Transformational leadership develops the confidence of employees in their abilities that helps them move further. The confidence of an individual to move forward on the bases of abilities is self efficacy (Bandura, 1997). Performance orientation is discussed in previous literature as the concern of individuals to show good performance for the sake of reward and recognition from a higher level (Dweck and Legget, 1988). Goal theory explains performance orientation as the need of individual to be effective and god performer among all others (Bell and Kozlowski, 2002).

The relationship of these variables is studied previously. Transformational leadership and creativity to improve performance were also studied previously (Shin and

*Corresponding author. E-mail: tahir@ucp.edu.pk. Tel: +92-42-35880007, +923455090550.

Zhou, 2003). The relationship of performance orientation and performance are studied both in negative and positive results. Performance orientation shows positive results on employee performance (Kohli et al., 1998). Performance orientation is negatively related to performance and other organizational outcomes like self efficacy and knowledge development (Bell and Kozlowski, 2002).

The purpose of this study is to address the effect of transformational leadership style and performance orientation with creative self efficacy on employee's creativity. Previous literature does not provide full support to the variable of performance orientation to cause justice to the positive consequences in the organization. This research studies this relation in specific industry sample other than previously studied sample of an organization (Gong et al., 2009).

These variables are studied as predictor of employee creativity because both transformational leadership style (Benjamin and Flynn, 2006) and performance orientation (Bell and Kozlowski, 2002) lead to creativity. Other variables are also studied in the impact of creativity, performance and leadership style like creativity goals (Shalley, 1995); complex work tasks and creativity (Oldham and Cummings, 1996) age, level of understanding and creativity (Binniwies et al., 2008), creativity and problem solving abilities (Mumford et al., 1997). This study examines the relationship of performance orientation, transformational leadership and creative self efficacy as the bridging variable between theses antecedents and consequences of creativity leading to performance. Self efficacy is the drive to performance in work setting (Bandura, 1986); creative self efficacy is the psychological development that causes creativity (Gong et al., 2009); also, there is support from literature about the positive relationship of creativity, creative self efficacy and performance (Gong et al., 2009; Tierney and Farmer, 2002). This study focuses on the level of performance orientation, transformational leadership and effects on development of creative self efficacy.

## LITERATURE REVIEW

### Transformational leadership style

Transformational leadership style supports practices in organizational culture that focuses on the development of employees. Leadership style encourages followers to be more productive, expressive and open to changes in the environment (Ismail et al., 2009). Transformational leadership develops the relationship between leaders and followers to focus on followers' interest, their values and the level of motivation (Bass, 1994). Transformational leadership builds ways for the achievement of goals of employees (Bycio et al., 1995). Transformational leadership style encourages followers to be open to changes and express their ideas; also, the organization enables its employees to match their personal interests with organizational goals. Previous literature supports that transformational leadership style has two most prominent characteristics that are intellectual stimulation and individualized consideration (Bass and Avolio, 1994).

Intellectual stimulation is an effort from the leaders to enable followers to be expressive and open to both internal and external environments. Intellectual stimulation encourages followers to be logical, rational and intelligent to take steps (Dionne et al., 2003). The intelligence and logical understanding of the environments brings new ideas and innovation in the organization. Stimulating employees to think on their own, encourages them to be creative and try new and improved ways of performance (Yammarino and Dubinsky, 1994) employee intellectual stimulation promotes employees to think over process for improvements (Bass and Avolio, 1994); employees supported from organization show more involvement in their work and express new ideas to solve issues (Kahn, 1992). Intellectual stimulation is developed by leaders and it has positive impacts of the individual development of employee.

Individualized consideration is the approach of considering follower's individuality. This approach focuses on the development and betterment of employees by linking employees' priorities to organizational development (Bass and Avolio, 1994). It focuses on employee development, training and promotion (Avolio et al., 2004). It is the ability of leaders to properly stimulate, direct and develop employees within the framework of transformational leadership style (Bass, 1994; Bass and Avolio, 1994; Avolio et al., 2004). This includes the social support from the organization that also effects the performance of individual. Social support of organization has positive impact on follower's performance (Maslach, 2003) and employees supported in the work setting become more involved and innovative in ideas and share it with other organizational members (Gilson, 2008).

In the context of leadership style exercised in organizations intellectual stimulation, individualized consideration, performance and development of employees are studied as highly interrelated constructs (Bartram and Casimir, 2007; Kildas et al., 2007).

Development and performance of employees is based on culture of organization, leadership style, managerial practices and consideration of follower's needs (Lockwood, 2007). The culture developed under transformational leadership style concludes employee consideration and focus on the factors that help develop employees and their enhancement of abilities (Evans, 2001). Employee's development and involvement helps organizations create a stock of creative individuals (Amabile, 1988). Leadership style and support determines

the level of creativity in organization.

Transformational leadership effects the quality of performance of employees (Humphreys, 2002). Transformational leadership practices help determine outcome of employee output (Pounder, 2002); it develops the ability of employees to raise questions regarding performance on their own, this development of thinking stimulates the need of betterment, ultimately giving high performance (Bass and Avolio, 1993). Leaders practicing individualized consideration help followers develop positive thinking towards creativity (Gong et al., 2009). All the dimensions of the leadership style together, impact the creativity of employees (Shin and Zhou, 2003). Support of transformational leadership style determines the creative thinking level of employees at work; newness and achievement of goals with effectiveness bases on the leadership style carried out in the organization (Bass and Avolio, 1994). Leadership practices promote creativity in organization that improves the performance and quality output level of employees.

**Performance orientation**

Goal orientation is a theory with two prominent dimensions of learning and performance orientation. Previous literature has studied learning and performance orientation of individual towards tasks (Dweck, 1986, 1989). Learning oriented individuals have greater desire to enhance their knowledge and competence to learn new ways and thing while performance orientation is the inclination of the individual towards showing his abilities to others by performing well (Farr et al., 1993).

Learning goal orientation and performance orientation are not opposite. Both of these dimensions direct towards success, confidence and better performance of individual; increase in both of these orientations develops confidence and improves performance (Kohli et al., 1998). A study on students with high learning orientation focused on the development of skills, preferred challenging tasks with positive attitude towards new ideas development, while students with high performance orientation were more concerned on how they perform and show their abilities in front of the class and teacher (Ames and Archer, 1988).

Employees more concerned about their performance following performance orientation. They perceive that performing good enables one get rewards (Kohli et al., 1998). Individuals with performance goal orientation withdraw themselves from the task; they do not show much interest in the task but only focus on how they perform it (Yi and Hwang, 2003). Performance orientation is not conceptually related to the enhancement or acquisition of new competencies or knowledge (Gong et al., 2009). It is the focus of employee on his existing competencies (Dweck, 2000). The importance of end results brings about the development of performance orientation among individuals (Weitz et al., 1986). This shows that employee's perception about achievement of end results goal makes them performance oriented; the emphasis of supervisor on end results drives employees to achieve end results (Kohli et al., 1998). In his study, Gong et al. (2009) explained that performance orientation is an important factor of creativity; it depends on the assessment criteria to determine whether it affects the creative self efficacy.

There is a mix response to the study of performance orientation with performance and confidence development of individuals. Some studies show that performance orientation is positively related to the development and performance of individuals. Kohli et al. (1998) in their study of salespersons performance orientation studied that salespersons with high performance orientation were more concerned about their performance, thus delivered high performance. The concern of employees to be supervised by managers on the basis of performance to be perceived as high competent and good performer makes employees more inclined towards improving performance (Lawler and Rhode, 1976). Close supervision motivated individuals to perform up to mark on the criteria of departmental performance (Kohli et al., 1998). Previous studies support the positive relationship of performance orientation and performance. Empirical evidences show that performance orientation causes improved performance of employees (Sujan et al., 1994). Performance oriented employees compare their performance with management expectations which encourages them to put more effort to their work thus leading to high performance; the level of acceptable performance develops confidence in employees about their work and abilities (Kohli et al., 1998). Employees with performance orientation look for innovative designs and ways to amend their performance in the work (Cravens et al., 1993); exploring new ideas, successfully develops confidence in abilities and motivate employees to innovate. This suggests that positive relationship between performance orientation and performance exist.

Previous literature has also discussed negative relationship between performance orientation, self efficacy and performance (Bell and Kozlowski, 2002). In the research, performance orientation is associated with maladaptive response system (Button et al., 1996). Maladaptive response system is defined as the withdrawal of individuals from task when faced with failure (Duda and Nicholls, 1992). Performance oriented individuals show less interest in tasks that require much concentration and where success is not clear (Elliot and Harackiewicz, 1994). In previous research, it is generally drawn that employee learning orientation is much positive to performance and efficacy development while performance orientation is negatively related to the outcomes like performance and self efficacy and innovation (Elliot and Dweck, 1988; Harackiewicz and

Elliot, 1993; Greene and Miller, 1996; Phillips and Gully, 1997; Fisher and Ford, 1998). Employees with high performance orientation are less likely to develop their confidence about their abilities; self efficacy (VandeWalle et al., 1999). This suggests that performance orientation is in negative relationship with performance, creativity and self efficacy.

Previous literature supports the relationship between performance and confidence of individuals. Duda and Nicholls (1992) studied the positive impact of efficacious runners on the achievement of performance and outcome goals. Individuals are more motivated to learning when goal orientation is higher and they want to achieve certain goals (Colquitt and Simmering, 1998). To achieve goals that is related to organizational needs, employees go for methods and practices that are unique. In order to improve performance, employees are motivated to take risks; taking risks in work setting increases the level of confidence and innovation (Greene and Miller, 1996). The need to perform better leads to creative goal setting. Working environment requires employees to come up with innovative ideas; innovation is an important part of competition in the working environment; employee's performance evaluation is based on innovative ideas and creative contribution (Bell and Kozlowski, 2002). Employee performance evaluation criteria and need to perform better generates creative ideas among employees.

## Creative self efficacy

Previous literature has discussed the relationship between leadership styles, effectiveness, high performance and creativity. The basic question is what links these variables together? Previous literature studied the creative self efficacy as mediator between leadership style and creativity that helps improve performance.

Creativity and creative self efficacy show positive relationship (Colquitt and Simmering, 1998). Whereas self efficacy is defined as the confidence of an individual in his own abilities that he can perform certain tasks better (Bandura, 1997), it is a dimension of individual's psychological development that requires support like transformational leadership practices. Transformational leadership style encourages novelty and newness from employees side (Lockwood, 2007). Employee is more creative when he has developed higher level of creative self efficacy (Tierney and Farmer, 2002; Tierney et al., 1999). Creative self efficacy is the psychological development that leads to positive results.

Transformational leadership style provides sources of self efficacy. Previous studies show that psychological development of employees take place when employees are given much priority, respect and space to grow; these needs of employees are identified in the practices of transformational leadership style (Kahn, 1992).

Transformational leaders are more inclined towards thinking and research processes in the organization for the sake of development of new ideas (Bass, 1985). Practices of transformational leaders cause the development of self efficacy among employees and support the psychological arousal (Bass, 1988).

Transformational leaders are more empathetic, concerned and supportive of their employees; with this level of encouragement, respect and consideration, employees do not develop negative psychological arousals that ultimately develops creative self efficacy (Gong et al., 2009). The development of self efficacy includes confidence level of employees. Higher level of confidence brings higher self efficacy among employees (Yi and Hwang, 2003). Under transformational leadership, employees become confident in their work to develop new processes and practices by learning and development (Bass and Avolio, 1990) through encouragement of novelty, supportive leader behaviors and individual consideration; leaders can enable employees to think that they can also be creative (Amabile, 1985). Supervisor's support to workers brought capability of creative outcomes among employees (Tierney and Farmer, 2002). Transformational leadership helps employee develop themselves in order to improve their abilities (Burns, 1978). The need for development directs employees towards martyring certain competencies that increases creative self efficacy over time (Gong et al., 2009). Leaders often give responsibilities to employees that build their independent capacity and ability to logically think about processes at work (Bass, 1985; Bass and Avolio, 1990). The independent capacity and ability to analyze certain phenomena develops creativity in employees. Also, the development of independent thinking and ability to critically evaluate things is developed by transformational leaders (Dvir et al., 2002) when employees are able to overcome needs of situations by critically evaluating and thinking; in re thinking processes, they find new ways and ideas (Gong et al., 2009). Transformational leadership develop employees confidence in their abilities, enhances self efficacy and creativity in work setting.

## Employee creativity

Previous literature defines creativity from two points of view. Devising new procedures and processes to perform a task (Zhou, 1998) or redeveloping the previously used processes to perform a task, or to look for new processes that bring more effective results. Both of these ways improve the performance of employee (Gong et al., 2009). These definitions of creativity show that it is the improvement process of current processes and procedures in order to bring more productive outcomes. Creativity of employee also influences others in the work place, it becomes an opportunity to learn and adapt for

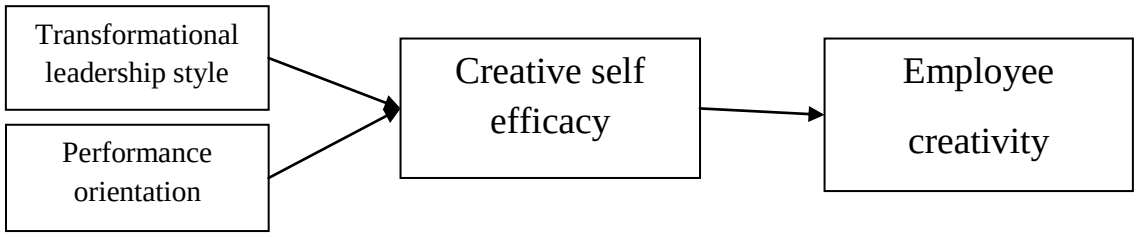



**Figure 1.** Conceptual model.

others (Shalley et al., 2004) thus encouraging creativity becomes an overall improvement process for whole organization. Developments of new ideas in the work place develop new strategies and ways of conducting or executing a task. It directs towards the saving of time and resources. Employee creativity has positive relationship with desirable factors that improve performance of the employee. When employees are involved in more creative tasks, their performance increases (Oldham and Cummings, 1996); creativity and performance are linked. Employee creativity opens new ways of competitive advantage (Mumford, 2003). Whenever individuals come up with something new, their performance increases. When employees are encouraged to show creativity at work, they are motivated to come up with new ideas to deal with certain situations (Amabile, 1985). Creativity blends needs and ability to think together that helps form new ideas in the setting; to search and research over practices improves performance (Mumford, 2003). This shows that employee creativity, and encouragement of creativity in organization improves performance.

Previous studies have shown relationship between leadership style and organizational outcomes. Transformational leadership with learning orientation is studied in literature with outcomes of creativity (Gong et al., 2009).

This study explains the relationship between transformational leadership and performance orientation with employee creativity and the mediating effect of creative self efficacy in this relationship of transformational leadership, performance orientation and employee creativity. Hypotheses are developed to study the relationship of transformational leadership style with employee creativity and performance orientation with employee creativity (Figure 1). Impact of creative self efficacy as mediator is discussed between variables of transformational leadership, performance orientation and employee creativity. Based on this model, succeeding hypothesis are built to conduct the empirical test:

**$H_{1a}$:** Exercising transformational leadership style improves employee creative skills.
**$H_{1b}$:** Employees inclined towards performance orientation are more creative in their work related activities.
**$H_{2a}$:** managers exercising transformational leadership style are able to encourage employee's creative activities when leadership develops self efficacy in terms of creativity among employees.
**$H_{2b}$:** employees who believe in performance orientation are more creative in their work activities when they develop confidence in their creative ideas and actions, creative self efficacy. Creative self efficacy mediates the relationship between performance orientation and employee creativity.

## METHODS

This study is applied and co relational. This study focuses on the banking sector of Pakistan to study the impact of creative self efficacy, its determinants and outcomes. Correlation between variables is measured to collect quantitative data to explain the phenomena in context of creativity. Regression analysis is conducted to measure the impact of creative self efficacy on above explained relationship.The population for data collection is the banking sector of Pakistan in order to study the impact of creative self efficacy. All banks, including national and private banks are included in the sample. Elements of study are employees and managers working together in one unit or area of the bank. The data was collected from a sample of 176 employees and managers.

The reason for selecting banking sector of Pakistan is that in today's environment, every field prefers innovation and creativity. As discussed in previous literature, creativity is not bounded to any field or a group of fields (Mumford et al., 1997). Because of the importance of innovation in the field of banking, creativity is a prominent subject in work settings.

### Measures

#### *Transformational leadership*

Measures used to collect data from sample of different banking sector organization is based on Likert-style questionnaire items (1, "strongly disagree"; 2, "disagree"; 3, "somewhat disagree"; 4, "neutral"; 5, "somewhat agree"; 6, "agree"; 7, "strongly agree"). A total of 5 items were used to collect data for this variable. These included (1) "my supervisor acts in ways that build my respect" (2) "my supervisor talks to us about his/her most important values and beliefs" (3) "my supervisor expresses his/her confidence that we will achieve our goals". The Cronbach alpha for these 5 items was satisfactory (0.753), indicating that these items together can form a reliable measure to collect and test data.

#### *Performance orientation*

In order to study the independent variable of performance orientation from the sample, 5 items scale was used based on

**Table 1.** Mean, standard deviation and correlations.[a]

| Variable | Mean | SD | Age | Gender | Education | EC | TL | PO | CSE | EP |
|---|---|---|---|---|---|---|---|---|---|---|
| Age | 42.81 | 10.68 | 1 | | | | | | | |
| Gender | 1.02 | 0.13 | -0.113 | 1 | | | | | | |
| Education | 15.21 | 3.20 | 0.057 | 0.060 | 1 | | | | | |
| Employee creativity (EC) | 5.59 | 0.60 | 0.002 | 0.003 | 0.011 | 1 | | | | |
| Transformational leadership (TL) | 5.35 | 0.69 | 0.013 | -0.093 | 0.041 | 0.150* | 1 | | | |
| Performance orientation (PO) | 5.76 | 0.68 | 0.046 | -0.005 | 0.017 | 0.176* | 0.162* | 1 | | |
| Creative self-efficacy (CSE) | 5.30 | 0.48 | 0.242** | -0.129 | 0.066 | 0.180* | 0.071 | 0.362** | 1 | |
| Employee performance(EP) | 5.58 | 0.60 | -0.034 | 0.042 | 0.066 | 0.044 | -0.099 | 0.012 | 0.133 | 1 |

[a]n = 176; **Correlation is significant at the 0.01 level (2-tailed); *Correlation is significant at the 0.05 level (2-tailed).

**Table 2.** Regression analysis.

| Variable | Employee creativity | | |
|---|---|---|---|
| | β | $R^2$ | S.E. |
| Performance orientation | 0.176* | 0.031 | 0.067 |
| Transformational leadership | 0.150* | 0.023 | 0.066 |

Likert-style questionnaire (1, “strongly disagree”; 2, “disagree”; 3, “somewhat disagree”; 4, “neutral”; 5, “somewhat agree”; 6, “agree”; 7, “strongly agree”). The items included (1) “I feel smart when I do something without making any mistakes” (2) “others opinion regarding my performance are important to me” (3) “I feel that performing as expected by supervisor/ manager is important”. The Cronbach alpha (0.560) was satisfactory, indicating that together, these 5 items can form a reliable measure of this variable.

***Employee creativity***

Employee creativity is a dependent variable. Employee creativity was measured using 5 items scale with same Likert-style questions as used for independent variables (1, “strongly disagree”; 2, “disagree”; 3, “somewhat disagree”; 4, “neutral”; 5, “somewhat agree”; 6, “agree”; 7, “strongly agree”). These items include (1) “employee often develops creative ways of better performance.” (2) “Employee’s work is original and practical.”Cronbach alpha (0.769) drawn for this questionnaire showed satisfactory results.

***Creative self efficacy***

Mediating variable in this study is measured using questionnaire of 8 items with Likert-style questions (1, “strongly disagree”; 2, “disagree”; 3, “somewhat disagree”; 4, “neutral”; 5, “somewhat agree”; 6, “agree”; 7, “strongly agree”). Items used for this variable are (1) “you come up with many alternative solutions to a problem”, (2) “you talk to your co-workers about wild ideas, and make them sound reasonable” .Cronbach alpha (0.510) shows satisfactory results.

## RESULTS

Table 1 presents means, standard deviation and correlation while Table 2 presents coefficients of variables. Transformational leadership is significantly, positively related to transformational leadership ($r = 0.150$, $p < 0.05$), performance orientation ($r = 0.176$, $p < 0.05$) and creative self efficacy ($r = 0.180$, $p < 0.05$) employee performance is positive but not significantly related to employee creativity. Transformational leadership is significantly, positively related to performance orientation ($r = 0.162$, $p < 0.05$). Performance orientation is positively, significantly related to creative self efficacy ($r = 0.362$, $p < 0.01$).

Table 2 shows results of regression analysis. $H_{1a}$ and $H_{1b}$ are calculated through regression analysis on sample size of 176. The data we collected for variables show that both independent variables are accepted. $H_{1a}$ is accepted as analysis results show significant relationship between transformational leadership and employee creativity ($R^2 = 0.023$, $\beta = 0.150$, $p < 0.05$). Thus, empirical findings support $H_{1a}$, that is, “transformational leadership style is positively related to employee creativity.”

This analysis shows that $H_{1b}$ indicates the relationship between performance orientation and employee creativity ($R^2 = 0.031$, $\beta = 0.176$, $p < 0.05$). Thus, hypothesis is supported as per data analysis, that is, “performance orientation is positively related to employee creativity.”

The empirical findings are supported as in previous literature study which has been conducted between transformational leadership and employee creativity with positive results (Gong et al., 2009).

Multiple regression analysis is conducted using each independent variable separately with mediator and dependent variable. As illustrated by Baron and Kenny (1986), all three assumptions of the model must show significant result in order to run mediation regression

**Table 3.** Multiple regression analysis.

| Variables | Employee creativity | | |
|---|---|---|---|
| | β | $R^2$ | $R^{2\ change}$ |
| **Performance orientation** | | | |
| Step 1: Creative self efficacy | 0.133 | 0.032 | |
| Step 2: Performance orientation | 0.128 | 0.046 | 0.014 |




**Figure 2.** Mediation model for performance orientation.

**Table 4.** Multiple regression analysis.

| Variables | Employee creativity | | |
|---|---|---|---|
| | β | $R^2$ | $R^{2\ change}$ |
| **Transformational leadership** | | | |
| Step 1: Creative self efficacy | | 0.032 | |
| Step 2: Transformational leadership | 0.138* | 0.051 | 0.019* |

analysis. The relationship between performance orientation and creative self efficacy is significant at 0.001. Whereas, creative self efficacy and employee creativity, are also significant at 0.01. The relationship between performance orientation and employee creativity is also significant at 0.02 (Table 3 and Figure 2). Performance orientation (β = 0.128, p = 0.111) indicates that the mentioned relationship is not significant, which shows that the mediation relationship of creative self efficacy between performance orientation and employee creativity is satisfied. Thus, our hypothesis of "creative self efficacy mediates the relationship between performance orientation and employee creativity" is accepted.

The relationship between independent, mediation and dependent is studied in this model. There is no significance between the relationship of transformational leadership and creative self efficacy. The relationship between creative self efficacy and employee creativity is significant at 0.01. Whereas, the relationship between transformational leadership and employee creativity is also significant at 0.05 (Table 4 and Figure 3). Transformational leadership (β = 0.138) with the change in r shows that the significance level has not changed. The direct relationship of transformational leadership and employee creativity is significant at 0.05 while with effects of mediation, there is no change in the significance level. Hence, the mediation between transformational leadership and employee creativity is not justified, concluding that our hypothesis "Creative self efficacy mediates the relationship between transformational leadership style and employee creativity." is rejected.

## DISCUSSION

This research is based on the motivation to study the relationship of transformational leadership and performance orientation with employee creativity; study the mediation effect of creative self efficacy between `transformational leadership and employee performance; mediation between performance orientation and employee performance and relationship of employee creativity and performance. This study, which was conducted in Pakistan, collected data using scales of variables used and tested empirically in past. The results of this study extend the findings of past research.

In previous literature, transformational leadership style is positively concluded with high performance (Ismail et al., 2009). Also, transformational leadership style is positively related to creativity that improves performance. In the cross sectional study conducted in Taiwan (Shin

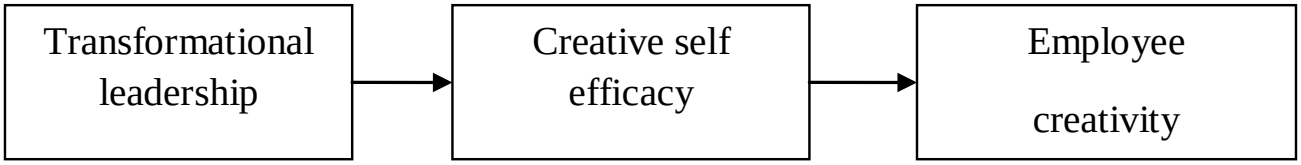



**Figure 3.** Mediation model for transformational leadership.

and Zhou, 2003), this shows that transformational leadership style causes positive outcomes to the organization in terms of greater creativity development and high performance. Ferguson (2009) discussed that transformational leadership style practices reduce the negative effects of work stress that improves the performance. Transformational leadership style concludes creativity and innovation (Gong et al., 2009). Also, the study of transformational leadership style with other outcomes and managerial practices concludes that it has positive effect on performance (Avolio et al., 2004); negative relationship of transformational leadership with desired outcomes is also studied. Transformational leadership has no effect on the creativity of the employees (Jaussi and Dionne, 2003). This discussion shows both positive and negative effects of this leadership style. Correlation analysis concludes that transformational leadership style is significantly related to employee creativity, approving the hypothesis of transformational leadership positive relation with employee creativity.In previous literature, there is no available full support regarding its positive outcomes. Studies have discussed performance orientation in contrast to learning orientation. The significance of learning orientation is highlighted above performance orientation in different settings. Learning orientation is studied on the basis of knowledge acquisition that improves performance and creativity (Gong et al., 2009) some researches not only promoted learning orientation effectiveness, they also discussed the ineffectiveness of performance orientation (Bell and Kozlowski, 2002).Performance orientation is supported to conclude positive outcomes in some literature. Performance of employees is better when they are performance oriented and concerned about their image in front of managers and higher levels (Kohli et al., 1998). Employee perception of being assessed on the basis of high performance improves their performance and quality of outcomes (Lawler and Rhode, 1976). Such positive outcomes are also discussed empirically; performance orientation is the cause of improvement of performance (Sujan et al., 1994). This discussion also indicates the positive and negative effects of performance orientation. The current study's analysis shows positive, significant relationship between performance orientation and employee creativity, approving the hypothesis of positive relation between performance orientation and employee creativity.Self efficacy is studied in literature from different aspects. Current study extends the work of pervious study that took creative self efficacy as mediator in relation (Redmond et al., 1993). This relationship with mediation effect of creative self efficacy has not been discussed before. This study is also the extension of the study of transformational leadership and creativity (Jaussi and Dionne, 2003; Shin and Zhou, 2003) as the relationship is studied with creative self efficacy. Such relationship is studied previously with positive outcomes (Gong et al., 2009). The mediating role of creative self efficacy with goal orientation is not explored much in the literature. Previously, Shin and Zhou (2003) have explored the mediating effect of motivation in the leadership and creativity relationship while Gong et al. (2009) studied creative self efficacy as mediator and predicted positive results. In that study performance orientation was not considered. The mediation variable is selected because of the factor of confidence development from leadership style and forced to perform well from performance orientation side satisfy the creative self efficacy occurrence. As discussed by Gong et al.,(2009) in their study, the mediating variable of creative self efficacy satisfies the elements of creativity-skills encouragement and motivation as mentioned by Amabile (1988). Previous literature studies the impact of motivation on creativity with positive outcomes. Motivation of employees creates enjoyment and pleasure of work that develops high interest level (Shin and Zhou, 2003). Employee setting his goals develops dimensions of creativity (Shalley, 1991) this discussion concludes that creative self efficacy is a source of positive organizational and individual outcomes. Gong et al. (2009) explains creative self efficacy as the prominent factor that develops creativity. Our findings show that mediation of creative self efficacy exist between performance orientation and employee creativity while the hypothesis, mediation of creative self efficacy between transformational leadership and employee creativity is rejected as per empirical findings.

## Managerial implications

Earlier discussion shows that creativity is an important determinant of performance betterment and improvement. Organizations must encourage creativity of

employees by greater involvement and encouraging their input towards their own work and tasks.

Employees should be developed to pace with the organizational needs and development. Leadership style should adopt ways that help improve employee creative self efficacy.

Management must enable employees to think of new ideas and practices that promotes and improves performance.

Leadership and management must encourage creativity and manage the outcomes of these practices properly to draw out positive results. Management should deal with performance oriented employees according to their requirements. Dealing with employees according to their ground needs and abilities will help improve creativity. Our findings show the lack of managerial and leadership skills in the banking sector which is causing low level of creative self efficacy while performance oriented employees are motivated towards creativity. Giving sources of improvement will fill the gap between expected and actual performance of employees. Employee selected to be motivated towards better performance will also impact the organizational outcomes. Performance orientation is a psychological phenomenon. In order to facilitate employees with creative abilities and innovative thinking to improve self efficacy, management must facilitate employees so that they can grow well in working environment.

As discussed here, creative self efficacy development takes a prominent part in the development of creative mindset. It basically gives allowance to the employees that they can come up with any new idea or source with confidence.

This confidence development should be supported by organizational leadership. Managerial support and proper guidance can work as the source of development of self efficacy and employees feeling towards his organization is based on the environment he is given. Managers can develop the culture that helps employees understand the need of performance matching and creativity.

Management can improve the creativity in the work place by becoming role models of creativity themselves. By improving the supportive culture, clarity of consequences will ease employees to go for risky steps in creativity. Mangers should demonstrate verbally or practically by setting examples in front of workers and employees on performance importance and creativity.

This approach will not only motivate employees, but also make them a source of better and greater understanding. The effect of performance orientation alone on self efficacy is not enough; leadership should also support the phenomena in order to get better and improved results. Managerial force towards creative goals should be supportive and easy for employees. With much understanding of leadership style needs and where to develop them, employees can help managers set grounds for creative mind set of individuals.

### Conclusion

On the basis of foregoing discussion and support of literature, it can be concluded that creativity plays an important role in the performance improvement and organizational development. Creativity supports performance and helps employees think bigger. Performance orientation, as discussed earlier, shows both positive and negative response to the performance and development of employees. As per the findings of this study, performance orientation shows positive relationship with creative self efficacy and creativity, satisfying the mediating relation of creative self efficacy.

Transformational leadership shows weak relation with creative self efficacy thus dissatisfying the mediation of creative self efficacy between transformational leadership and employee creativity. Creative self efficacy is vital to trigger the creativity in employees and make them confident in their abilities to create and innovate. Analysis conducted on the sample of banking sector shows positive, significant relationship between performance orientation, creative self efficacy and employee creativity. Thus, banking sector's employees' creative self efficacy development is based on performance orientation. Transformational leadership in the banking sector does not influence the creative self efficacy of employees though it showed positive results in relation with creativity.

## LIMITATIONS AND FUTURE DIRECTIONS

The study is conducted at one point time. In order to study creativity effectively, data should have been collected at multiple time points.

Also, transformational leadership effectiveness on self efficacy should have been studied at different points of time. The study at different times with factor of improvement may have drawn different results. The effects of creative behavior and mind set of the employees to determine creative self efficacy is not studied. Both goal orientation domains: learning orientation and performance orientation are not studied together in this model.

The effects of age, gender and experience were controlled due to insignificance. Previous studies support that age and experience both affect the level of creativity in individuals (Binniwies et al., 2008). This study is conducted in the banking sector of Pakistan only. Future research may conduct studies in specific industries and other cultures and countries.

This study did not consider the transactional leadership style that encourages rewards systems in the organization (Bass, 1990). Conceptually, transactional leadership effects the development of employee mind set (Gong et al., 2009). The study should be conducted with the transactional leadership style and performance orientation with creativity.

**REFERENCES**


Amabile TM (1988). A model of creativity and innovations in organizations. In B. M. Staw and L. L. Cummings Ed. Research in organizational behavior, 10: 123-167.

Amabile TM (1996). Creativity in Context. Boulder.

Amabile TM (1985). Motivation and Creativity: Effects of Motivational Orientation on Creative Writers. J. Pers. Soc. Psychol., 48(2): 393-399.

Ames C, Archer J (1988). Achievement Goals in the Classroom: Students' Learning Strategies and Motivation Processes. J. Educ. Psychol., 80(3): 260-267.

Avolio BJ, Zhu W, Koh W, Bhatia P (2004). Transformational Leadership and Organizational Commitment: Mediating role of Psychological Empowerment and Moderating Role of Structural Distance. J. Org. Behav., 25: 951-968.

Bandura A (1997). Self-efficacy: The exercise of control. New York: Freeman.

Bandura A (1986). Social Foundation of Thoughts and Action: A Social Cognitive Theory . Prentice Hall, Englewood Cliffs: NJ.

Bartram T, Casimir G (2007). The Relationship between Leadership and Follower in-role Performance and Satisfaction with the leaders: the mediating effectsbof empowerment and trust in the leader. Leader. Org. Develop. J., 28(1): 4-19.

Baron RM, Kenny DA (1986). The Moderator- Mediator Variable Distinction in Social Psychological Research: Conceptual, Strategic, and Statistical Considerations. J. Pers. Soc. Psychol. , 51(6): 1173-1182.

Bass BM (1990). Bass and Stogdill's handbook of leadership: Theory research and Managerial Applications. 3rd Edition. New York: Free Press NY.

Bass BM (1985). Leadership and Performance beyond Expectations. New York: Free Press.

Bass BM (1988). The inspirational processs of leadership. J. Manage. Dev., 7: 21-31.

Bass BM (1994). Transformational Leadership and Team and organizational Decision Making. Sage Thousand Oaks .

Bass BM, Avolio BJ (1994). Improving Organizational Effectiveness through Transformational Leadership. Sage Thousand Oaks .

Bass BM, Avolio BJ (1990). The implications of transactional and transformational leadership for individuals, team and organizational development. In R.W. Woodman and W.A. Pasmore (Ed.). Research in Organizational Change and Development, pp. 231-272.

Bass BM, Avolio BJ (1993). Transformational Leadership and Organizational Culture. Pub. Admin. Q., 42:~12-121.

Bell BS, Kozlowski SW (2002). Goal Orientation and Ability: Interactive Effects on Self-Efficacy, Performance, and Knowledge. J. Appl. Psychol. , 87: 497-505.

Benjamin L, Flynn FJ (2006). Leadership style and regulatory mode: Value from fit? Organizational Behavior and Human Decision Processes , 50: 216-230.

Binniwies C, Ohly S, Niessen C (2008). Age and Creativity At Work: The Interplay between Job Resources, Age and Idea Creativity. J. Manage. Psychol. , 23 (4): 438-457.

Burns J (1978). Leadership. New York: Harper and Row.

Button SB, Mathieu J, Zajac DM (1996). Goal Orintation in organizational research: A conceptual and empirica foundation.l. Organizational Behavior and Human Decision Processes , 67: 26-48.

Bycio P, Hacket R, Allen JS (1995). Further Assessment of Bass's 1985 Conceptualization of Transactional and Transformational Leadership. J. Appl. Psychol., 80: 468-478.

Chamorro-Premuzic T (2006). Creativity Versus Conscientiousness: Which is a better predictor of student performance? Appli. Cogni. Psychol., 20: 521-531.

Colquitt JA, Simmering MJ (1998). Conscientiousness, goal orientation, and motivation to learn during the learning process: A longitudinal study. J. Appli. Psychol., 83: 654-665.

Cravens DW, Thomas NI, Raymond WL, Clifford EY (1993). Behavior-based and outcome-based sales force control systems. J. Mark. , 57: 47-59.

Dionne SD, Yammarino FJ, Atwater LE , Spangler WD (2003).
Transformational Leadership and Team Performance. J. Org. Chang. Manage., 42 (2): 177-193.

Duda J L, Nicholls JG (1992). Dimensions of Achievement Motivation in Schoolwork and Sports. J. Educ. Psychol., 84: 290-299.

Dvir T, Eden D, Bruce AJ (2002). Impact of Transformationl leadership on Followers Development and Performance: A Field Experiment. Acad. Manage. J.,pp. 1-27.

Dweck CS (1989). Motivation In Lesgold A, Glaser R Ed. Foundation for a Psychology Education, pp. 87-136.

Dweck CS (1986). Motivational Process Affecting Learning. Am. Psychol., 39: 1040-1048.

Dweck CS (2000). Self Theories: Their role in motivation, personality and development. Philadelphia: Psychological Press.

Dweck CS, Legget EL (1988). A social-cognitive approach to motivation and personality. Psychol. Rev. , 95: 256-273.

Elliot AJ, Harackiewicz JM (1994). Goal Setting, Achievement Orientation and intrinsic motivation: A mediational Analysis. J. Pers. Soc. Psychol., 54: 5-12.

Elliot ES, Dweck CS (1988). Goals: An approach to motivation and achievement. J. Person. Soc. Psychol., 54: 5-12.

Evans L (2001). Delving Deeper into Morale, Job Satisfaction and Motivation among Education Professionals. Educational Management Administration Leadership, 29(3): 291-306.

Farr JL, Hofmann DA, Ringenbach KL (1993). Goal Orientation and Action Control theory: implication for industrial and organizational psychology. Int.Rev. Industrial Org. Psychol., pp. 193-232.

Ferguson, A. (2009). Employee Engagement: Does it exist and if so, how does it relate to performance, other constructs and individual differences?

Fisher SL , Ford JK (1998). Differential effects oflearning effort and goal orientation on two learning outcomes. Pers. Psychol., 51: 392-420.

George JM, Zhou J (2002). Understanding when bad moods foster creativity and good ones do not: The role of context and clarity of feelings. J. Appli. Psychol., 87: 687–697.

Gilson LL (2008). Why be creative: A review of the practical outcomes associated with creativity at the individual, group, and organizational levels.In Zhou J, Shalley CE (Eds.). Handbook of organizational creativity, pp. 303-322.

Gong Y, Huang JC, Farh JL (2009). Employee Learning Orientation, Tranformational Leadership, and Employee Creativity: The Mediating role of Creative Self Efficacy. Acad. Manage. J. , 52 (4): 765–778.

Greene BA, Miller RB (1996). Influences on achievement: Goals, perceived ability, and cognitive engagement. Contemporary Educational Measurement , pp: 181-192.

Harackiewicz JM, Elliot AJ (1993). Achievement goals and intrinsic motivation. J. Pers. Soc. Psychol. , 54: 904-915.

Humphreys, J. H. (2002). Transformational Leader Behavior, Proximity and Successful Service Marketing. J. Serv. Mark., 16(6): 487-502.

Ibarra H (1993). Network Centrality, Power and Innovation Involvement: Determinents of technical and administrative roles. Acad. Manage. J., 36: 471-498.

Ismail A, Halim FA, Munna DN, Abdullah A, Shminan AS, Muda AL (2009). The Mediating Effect of Empowerment in the Relationship between Transformational Leadership and Service Quality. J. Bus. Manage., 4(4): 3-12.

Jaussi KS, Dionne SD (2003). Leading for Creativity: The role of unconventional leader behavior. Leader. Q., 14: 475-498.

Kahn WA (1992). To be full there: psychological presence at work. Hum. Relat. J. , 45: 321-349.

Kildas A, Van Den Berg PT, Wilderom CM (2007). Managing employees empowerment in luxury hotels in Europe. Int. J. Serv. Ind. Manage., 28(1): 70-88.

Kohli AK, Shervani TA, Challaglla GN (1998). Learning and Performance Orientation of Salespeople: The Role of Supervisors. J. Mark. Res., 35(2): 263-274.

Lawler EE, Rhode JG (1976). Information and Control in Organizations. Pacific Palisades, CA: Goodear Publication Company.

Lockwood NR (2007). Leveraging Employee Engagement for Competitive Advantage: HR's Strategic Role. SHRM. Resear. Quart., 2-11.

Maslach C (2003). Job Burnout New Directions in Research and Intervention. Current Directions in Psychological Science, 12(5):

189-192.
Mumford MD (2003). Where have we been, where are we going? taking stock in creativity research. Creativ. Res. J. l., 15: 107-120.
Mumford MD, Whetzel DL, Reiter-Palmon R (1997). Thinking Creativity at work: Organizational influence on creative probelm-solving. J.
Creative Behav., 31: 7-17.
Oldham GR, Cummings A (1996). Employee Creativity: Personal and Contextual Factors at Work. Acad. Manage. J., 39(3): 607-634.
Phillips JM, Gully SM (1997). Role of goal orientation, ability, need for achievement,and locus of control in the self-efficacy and goal-setting process. J. Appl. Psychol., pp. 792-802.
Pounder JS (2002). Employing Transformational Leadership to enhance the Quality of Management Development Instruction. J. Manage. Dev., 22(1): 6-13.
Redmond MR, Mumford MD, Teach R (1993). Putting Creativity in work: Effects of leader behavior on subordinate creativity. Org. Behav. Human. Decis. Proces., 55: 120-151.
Scott SG, Bruce RA (1994). Dterminants of innovative behavior: a path model of individual innovation in the work place. Acad. Manage. J., 37: 580-607.
Shalley CE (1995). Effects of coaction, expected evaluation and goal setting on creativity and productivity. Acad. Manage. J., 38: 483-503.
Shalley CE (1991). Effects of productivity goals, creativity goals and personal discretion on individual creativity. J. Appl. Psychol., 76: 179-185.
Shalley CE, Zhou J, Oldham GR (2004). The Effects of Personal and Contextual Characteristics on Creativity: Where should we go from here? J. Manage. , 30(6): 933-958.
Shin SJ, Zhou J (2003). Transformational leadership conservation, and creativity: Evidence from Korea. Acad. Manage. J., 46: 703-714.
Sujan H, Weitz BA, Kumar N (1994). Learning Orientation, Working Smart, and Effective Selling. J. Mark., 58: 39-52.
Tierney P, Farmer SM (2002). Creativity self-efficacy: Its potential antecedents and relationship to creative Performance. Acad. Manage. J., 45: 1137-1148.
Tierney P, Farner SM (2004). The Pygmalion process and employee creativity. J. Manage., 30: 413-432.
Tierney P, Farmer SM, Grean GB (1999). An Examination of leadership and employee creativity: The relevance of traits and relationships. Pers. Psychol., 52: 591-620.
VandeWalle D, Brown SP, Cron WL, Slocum JW (1999). The influence of gola orientation self-regulation tactics on sales performance: a longitudinal field study. J. Appli. Psychol., 84: 249-259.
Weitz BA, Harish S, Mita S (1986). Knowledge,Motivation, and Adaptive Behavior: A Framework forimproving selling effectiveness. J. Mark., 50: 174-191.
Wright TA, Cropanzano R (2004). The Role of Psychological well-being in job Performance. Org. Dynam., 3(3): 210-231.
Yammarino FJ, Dubinsky AJ (1994). Transformational Leadership Theory: Using Levels of Analysis to determine Boundary Conditions. J. Pers. Psychol., 47: 787-811.
Yi MY, Hwang Y (2003). Predictingthe use of web-based information systems: self-efficacy, enjoyment, learning goal orientation, and the technology acceptance model. Int. J. Human-Comput. Stud., 59: 431-449.
Zhou J (1998). Feedback Valence, Feedback Style, Task Autonomy, and Achievement Orientation: Interactive Effects on Creative Performance. J. Appl. Psychol., 83(2): 261-276.