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THE EFFECTS OF INNOVATIVE LEADERSHIP STYLES ON THE
ORGANIZATIONAL PERFORMANCE

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The report submitted in partial fulfilment of the requirements for the Bachelor
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DECLARATION

“I hereby declare that the work of this research is mine except for the quotations summaries that have been duly acknowledged”

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DEDICATION

I express my sincere thanks to ayah and ma, Mr. Mohamad Bin Salleh and Mdm. Selme Binti Abas because have served in fulfilling my requirements and desires in my life until this day. Million thanks to all my siblings, Mr. Faize Bin Mohamad, Mr. Azman Bin Mohamad, Mr. Hasdan Bin Mohamad, Siti Rokiah Binti Mohamad and others for always supporting me when I needed help. Thank you very much to my friends, Ms. Syaziera Binti Daud, Ms. Azie Susanti Binti Hussin, Ms. Nur Nabilah Binti Mamat, Ms. Khairun Nisha Binti Omar, Ms. Farhana Azila Binti Ismail, Ms. Siti Fatimah Binti Abdul Hamid, Ms. Erilyiana Binti Amran, and Ms. Farah Diyana Binti Aznul Shahrin because always be with me in any situation. I really love all of you. May all of you get well-being in this world and the hereafter. In Shaa Allah.

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ABSTRACT

This study investigated the effects of innovative leadership styles on the organizational performance at Flextronics Shah Alam, Gelang Patah, Johor. Transformational, transactional, and laissez-faire leadership styles were considered in this study. The research problem among others includes the style of innovative leadership that improve the organizational performance and ones that hampers the organizational performance. The transformational, transactional and laissez-faire leadership style theories have been extensively discussed. The study followed a survey design, and employed evaluative quantitative analysis method. The survey conducted by distributes the questionnaire to the employees in the company of study based on the leadership styles that adopt in the organization and the effect of it's to the employees' performance in the organization. Correlation analysis was employed to determine the relationship between the leadership styles (transformational, transactional, and laissez-faire) and organizational performance and to test the hypothesis of the study. Multiple Regression analysis was used to identify leadership styles that most affect the organization's performance. The result showed that transformational and transactional leadership had significant positive effect on performance whereas laissez-faire is not significantly correlated to the organizational performance. The study concluded that transformational leadership style was more appropriate in optimizing performance in the company of study than transactional and laissez-faire leadership style.

ABSTRAK

Kajian ini adalah bertujuan untuk mengenal pasti kesan gaya kepimpinan yang inovatif kepada prestasi organisasi di Flextronics Shah Alam Sdn. Bhd., Gelang Patah, Johor. Gaya kepimpinan Transformasi, Transaksi dan Laissez-faire telah dipertimbangkan dalam kajian ini. Masalah penyelidikan antara lain termasuk gaya kepimpinan yang inovatif yang meningkatkan prestasi organisasi dan orang-orang yang menghalang prestasi organisasi. Teori gaya kepimpinan Transformasi, Transaksi dan Laissez-faire telah dibincangkan secara meluas. Kajian mengikuti kaedah kaji selidik dan menggunakan kaedah penilaian analisis kuantitatif. Kaji selidik dijalankan dengan mengedarkan boring soal selidik kepada pekerja berdasarkan gaya kepimpinan yang diamalkan dalam organisasi dan kesan gaya kepimpinan kepada prestasi pekerja dalam organisasi. Analisis kolerasi digunakan untuk menentukan hubungan antara gaya kepimpinan (Transformasi, Transaksi dan Laissez-faire) dengan prestasi organisasi dan juga untuk menguji hipotesis dalam kajian ini. Ujian regresi berganda telah digunakan untuk mengenal pasti gaya kepimpinan yang paling memberi kesan kepada prestasi organisasi. Hasil kajian menunjukkan gaya kepimpinan transformasi dan transaksi mempunyai kesan positif yang signifikan ke atas prestasi manakala laissez-faire tidak mempunyai hubungan signifikan dengan prestasi organisasi. Kajian ini menyimpulkan bahawa gaya kepimpinan transformasi adalah lebih sesuai dalam mengoptimumkan prestasi dalam syarikat kajian daripada gaya kepimpinan transaksi dan laissez-faire.

CONTENT

CHAPTER	ITEMS	PAGES
	DECLARATION	ii
	DEDICATION	iii
	ACKNOWLEDGEMENT	iv
	ABSTRACT	v
	<i>ABSTRAK</i>	vi
	CONTENT	vii
	LIST OF TABLE	viii
	LIST OF FIGURE	xi
	LIST OF SYMBOL	xii
	LIST OF APPENDIX	xiii
CHAPTER 1	INTRODUCTION	1
	1.1 Background Study	1
	1.2 Problem Statement	4
	1.3 Research Questions	5
	1.4 Research Objectives	6
	1.5 Scope/Limitation of Study	6
	1.6 Significance of Study	8
	1.7 Summary	9
CHAPTER 2	LITERATURE REVIEW	10
	2.1 Introduction	10
	2.2 Historical Overview and Findings of Leadership	11
	2.3 Leadership Theories	11
	2.4 Innovative Leadership Theories	13
	2.5 Leadership Style Theories	16

2.5.1	Transformational leadership	18
2.5.2	Transactional leadership	19
2.5.3	Laissez-faire leadership	21
2.6	Leadership Factors	22
2.6.1	Transformational leadership factors	22
2.6.2	Transactional leadership factors	23
2.6.3	Laissez-faire leadership factors	24
2.7	Leadership Styles and Organizational Performance	24
2.8	Theoretical Framework	26
2.8.1	Research Model	27
2.9	Research Hypotheses	27
2.10	Summary	29
CHAPTER 3	RESEARCH METHODOLOGY	30
3.1	Introduction	30
3.2	Research Design	30
3.3	Methodological Choices	31
3.4	Primary and Secondary Data Sources	32
3.4.1	Primary data	32
3.4.2	Secondary Data	33
3.5	Research Location	33
3.6	Research Strategy	34
3.7	Time Horizon	35
3.8	Scientific Canon	35
3.8.1	Reliability	35
3.8.2	Validity	37
3.9	Summary	37
CHAPTER 4	RESULTS AND DISCUSSION	38
4.1	Introduction	38
4.2	Result Dissemination Questionnaire	39
4.3	Reliability Analysis	40
4.3.1	Cronbach's Alpha	40

4.4	Descriptive Statistic	41
4.4.1	Gender	41
4.4.2	Age Range	42
4.4.3	Educational Level	43
4.4.4	Income Range	44
4.4.5	Position	45
4.4.6	Organization Size	46
4.4.7	Working Period	47
4.5	The Relationship between IV & DV	48
4.5.1	Correlation Analysis	48
4.5.2	Hypothesis Testing	50
4.5.3	Conclusion of Correlation Analysis	54
4.6	IV that most influence DV	55
4.6.1	Multiple Regression Analysis	55
4.6.2	Regression Analysis	56
4.6.3	ANOVA Analysis	57
4.6.4	Regression Coefficient	58
4.7	Conclusion of Regression Analysis	59
4.8	Summary	59
CHAPTER 5	CONCLUSION AND RECOMMENDATION	60
5.1	Introduction	60
5.2	Conclusion	61
5.2.1	Conclusion Objective 1	61
5.2.1	Conclusion Objective 2	65
5.3	Recommendation	67
5.3.1	Recommendation for Leaders	67
5.3.2	Recommendation for Further Research	69
5.4	Summary	70
REFERENCES		71
APPENDIXES		75

LIST OF TABLE

TABLE	TITLE	PAGE
4.1	Results Dissemination Questionnaire	39
4.2	Reliability Test of All Variables	40
4.3	Result of Survey Respondents by Gender	41
4.4	Result of Survey Respondent by Aged	42
4.5	Result of Survey Respondent by Education	43
4.6	Result of Survey Respondent by Income	44
4.7	Result of Survey Respondent by Position	45
4.8	Result of Survey Respondent by Organization size	46
4.9	Result of Survey Respondent by Work Experience	47
4.10	Pearson Correlation Range	48
4.11	Pearson Correlation Coefficient of all Variables	49
4.12	Correlation between transformational leadership and organizational performance	51
4.13	Correlation between transactional leadership and organizational performance	52
4.14	Correlation between laissez-faire leadership and organizational performance	53
4.15	Variables Entered/Removed	55
4.16	Model Summary of MRA	56
4.17	ANOVA Analysis	57
4.18	Regression Coefficient	58

LIST OF FIGURE

FIGURE	TITLE	PAGE
4.1	Result of Survey Respondents by Gender	41
4.2	Result of Survey Respondent by Aged	42
4.3	Result of Survey Respondent by Education	43
4.4	Result of Survey Respondent by Income	44
4.5	Result of Survey Respondent by Position	45
4.6	Result of Survey Respondent by Organization size	46
4.7	Result of Survey Respondent by Work Experience	47

LIST OF SYMBOL

B	=	Beta
◦	=	Null
%	=	Percentage
R	=	Point of estimate
R ²	=	Point of estimate Square
P	=	Value

LIST OF APPENDIX

APPENDIX	TITLE	PAGE
A	Questionnaire	75

CHAPTER 1

INTRODUCTION

1.1 Background Study

The concept and meaning of leadership and style may differ from each person's perception. Leadership means different things to different people around the world and in different situations. Stoner (2000) defines leadership as a process of directing and influencing the task of related activities of group members. Fry (2003) states that leadership is a use of leading strategy to offer an inspiring motive and to enhance the staff's potential for growth and development in the organization. Leadership style is a key determinant of the success or failure of any organization. A leader is a person who influences, leads, and motivates others or a group to perform specific tasks and also inspires his subordinates for efficient performance towards the accomplishment of the company's goals and objectives. Leadership style is the manner and approach of providing direction, implementing plans, and motivating people to do the right things and achieve the organization's objective.

Messick and Kramer (2004) argued that the degree to which the individual exhibits leadership traits depends not only on his characteristics and personal abilities, but also on the characteristics of the situation and environment in which he finds himself. So, an individual could become a member and support an organization

in order to achieve certain personal objective. This is because the extent to which they are active members depends on how they are convinced that their membership which can make them enable to achieve their predetermined objectives. Therefore, an individual only will support an organization if he believes that through it, his personal objective and goals could be met. If he cannot achieve his personal objective and goals, the person's interest will decline. Leadership style in an organization is one of the factors which play significant role in enhancing or retarding the interest and commitment of the individuals in the organization.

Fiedler (1996), one of the most respected researchers on leadership, has provided a recent treatise on the importance of leadership by arguing that the effectiveness of a leader is a major determinant of the success or failure of a group, organization, or even an entire country. Indeed, it has been argued that one way in which organizations have sought to cope with the increasing volatility and turbulence of the external environment is by training and developing leaders and equipping them with the skills to cope (Hennessey, 1998). These claims are based on the assumption of a direct link between leadership and organizational performance. This assumption requires critical review. Chuang (2005), explain that the excellent leader not only inspires subordinates' potential to enhance efficiency, but also meets their requirements in the process of achieving the common target of the organization.

Other than that, leadership is a critical management skill involving the ability to encourage a group of people towards common goal. Leadership focuses on the development of followers and their needs. Managers exercising transformational leadership style focus on the development of value system of employees, their motivational level and moralities with the development of their skills (Ismail et al., 2009). It basically helps followers achieve their goals as they work in the organizational setting; it encourages followers to be expressive and adaptive to new and improved practices and changes in the environment (Azka et al., 2011). Nongo (2009) also states that leadership entails an unequal distribution of power between leaders and group members. Group members have power, but leaders usually have more powers.

There are several styles of leadership such as autocratic, bureaucratic, laissez-faire, charismatic, democratic, transactional and transformational leadership. Particular style of leadership will not result in the most effective form of organizational performance. In different situations, different of leadership styles are required and each leader must be know when to exhibit a particular approach. No one leadership style is ideal for every situation, since a leader may have knowledge and skills to act effectively in one situation but may not emerge as effectively in a different situation (Mosadeghrad 2003). Transformational, transactional and laissez-faire styles are known as the new leadership theories and are used by most academics who study about organization leaders.

In this study, the researcher considered the transformational leadership, transactional leadership and laissez-faire leadership style. The transformational leadership is more effective, productive, innovative, and satisfying to followers as both parties work towards the good of organization propelled by shared visions and values as well as mutual trust and respect (Avolio & Bass, 1991). Transactional leadership style as opined by Burns (1978) indicated that transactional leaders are those who sought to motivate followers by appealing to their self-interests. They motivate subordinates to achieve expected levels of performance by helping them to recognize task responsibilities, identify goals and develop confidence about meeting desired performance level Bass (1990), while laissez-faire style is an absolutely passive leadership.

From this consideration, the objective of this study is intended to identify the relationship between the leadership style and the organizational performance and subsequently to examine the effect of innovative leadership style on the employees' performance, which invariably translated to organizational performance. The study is divided into five chapters which are chapter one is the introduction, chapter two is a review of related literature, chapter three discusses the methodology employed in carrying out the study, chapter 4 discusses about the results and chapter 5 is conclusion and recommendation.

1.2 Problem Statement

Leadership and management skills are a very important thing in a business because it will determine ups and downs of the business. Having weak, ineffective managers or leader in the workplace will effect on employees performance and the company as a whole. The company that managed by poor managers will not operate well and the company's productivity will not improve and success. The manager that almost always perform below expectation, lack vision, inadequate understanding of business finance and do not have good communication skills with their employees are the characteristics of poor managers. Many privates company bankrupt in their business because of the poor leadership and management skills in do the business such as leaders who are unable to be flexible, trustworthy, open minded and inspiring may have a combination of the varying traits of management styles with no clear definition to guide a team. Therefore, by recognising if these characteristics are exist in the manager of their company, the company can make necessary changes in order to prevent failure of their business and company.

Many of people assumed that leadership is just about being nice to people, however, it is far more complex, coercive leaders can have a slightly positive impact on standards and pacesetters on responsibility. As Gole man point out, no one leadership style is going to be right one in every situation. Leaders in public sectors in Melaka have to balance their concern or their co-workers with their responsibility to the community they serve. Turner (2007) noted private sector leaders have trouble engaging the workforce. Researchers at Gallup (2010) reported a ratio of 1.83:1 for engaged to actively disengaged employees in the workforce. Private sector leaders must implement a plan to attract, hire, manage, and retain employees (Boddie, Contardo, & Childs, 2007). This is because money is not always a motivator for employees; leaders must offer certain non monetary incentives (Woodruffe, 2006). Employees expect greater fulfilment in the work and life balances. Fulfilments include the opportunity to collaborate in the workplace and the flexibility to set working hours (McBain, 2006). Leaders must also know what employees expect from the work environment to maintain an engaged workforce (Patota et al., 2007).

Moreover, a lot of people think that the company management need to pay more money and give more salary to motivate their employees in doing their jobs effectively. However, it is so wrong because they are plenty of low and no-cost strategies that can be use to motivate employee improve their performance such as the attitude and styles of managers toward their employees. Leadership is not what leaders do, but the relationship between the leaders and their subordinates or their employees. A leader that involves their employees in do the task and projects in the company will builds and improve the morale of employees and increase the productivity which in turn improves the organizational performance. Yet, if the leaders does not involves their employees in company's operation, their employees will feel alienated and feeling not important which is will influence the productivity of the company because their morale has been decrease.

1.3 Research Question

It was not known to what degree leadership is related to the positive organizational performance through the styles of the leader in the company. The following research questions were used to guide the study:

1. What is the effect of transformational leadership style on organizational performance?
2. What is the effect of transactional leadership style on the organizational performance?
3. What is the effect of laissez-faire leadership style on the organizational performance?

1.4 Research Objective

The objective of this study was to identify the relationship between the leadership style and the organizational performance and subsequently evaluate the effect of innovative leadership style on the employees' performance. Therefore, the overall objective of this study was to look generally on which the innovative leadership styles that most affect the organizational performance with a particular reference to the organization of study. The objectives among others include the following:

1. To identify the effect of the transformational leadership style on the organizational performance.
2. To identify the effect of the transactional style of leadership on the organizational performance.
3. To identify the effect of the laissez-faire leadership style on the organizational performance.

1.5 Scope/ Limitations and Key Assumption of the Study

In this research, the researcher has limited the scope area for the research that wants to be conducted. The scope of this study was exclusively restricted to private sector in Johor which is Flextronics Shah Alam Sdn. Bhd. However, it should not think that the study was not related to any other organization in Johor because it is a problem faced by many companies. It is because this problem is the global nature of the organization's environment. The results of this one cannot generalise to represent the entire related industry. The theoretical issues discussed about innovative leadership style and organizational performance. Some of the constraints encountered in carried out this research were:

1. Finance;

This study is one research that needs money in order to enable the researcher to obtain more information and also perform and carry out the study effectively. However, due to the financial constraints, the researcher could not obtain everything that required in this study. Thereby, it was prevented the researcher in done the best work practice on the study.

2. Time

This study is one research that required longer time to enable the researcher gets the essential and quality data for effective research. But since it was a project research of final student which takes only four months that is a semester work as required by the school, the researcher is less of valid information to use. The researcher also needs to find the suitable time for collect enough data in the organization.

3. Attitude of respondents;

In order to make this study a very viable one, some vital information was requested from the company. But it faces a number of problems where the management are not willing to release and give the information that required and the employees is not able to identify their organization's leadership style. It is hard to choose the suitable organization that willing to give information and cooperation with the researcher.

1.6 Significance of the study

The study of this research is important for the future planning. This research study is significant in many aspects. It is hoped that, after the study is successfully completed, it will be used and serve as a source of guidance to the organization which is research has been done and also provide essential information and incentive for increasing organizational performance which is related to the financial performance of the organization. This research will help to give more understanding to the management of the organization about the need and significant of having effective and viable leaders in the organization. This is because the leader can influence the employees in do their work and task. This research also will give more understanding to the employee about their roles and duties to the leaders in the organization and other related matters. This research also will identify the cause and the reason why employees in the organization react positively or negatively to a particular leadership style of a manager or their leaders. This research also aims to discovering and identify what reason makes the employees be dedicated and committed to their duties in the organization.

This research will help to challenge both the management and employees in the organization that they have their own importance to increase productivity and organizational performance in their company. They can be the reason and influence on the financial performance in their company by their action and the way they done their work. This research serves as a partial fulfilment for the award of Bachelor of Technology Management (Technology Innovation) to the researcher. Last but not least, this research will be of great benefit as aid and guidance related to future researchers about the leadership style and organizational performance.

1.7 Summary

This chapter introduces the importance and explanation on the importance of a good project management for project completion. The purpose of this research was to determine if specific relationships exist between innovative leadership styles and organizational performance in the private sector in Johor which is Flextronics Shah Alam Sdn. Bhd. The aim of the study was to determine if certain innovative leadership styles exhibited by private sector leaders foster an environment for employees to effectively in workplace in order to improve the organizational performance. In fact, chapter 1 only provide a briefly description about the research which are introduced the independent and dependent variables, research problems, research questions and limitation of the study. Chapter 1 also included the background, purpose and significance of the study. This research will be conducted in accordance with chapter sets.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

Chapter 2 includes historical and current literature concerning how innovative leadership styles can influence and improving the organizational performance in the workplace. The review also includes literature gaps. The purpose of this research was to determine if specific relationships exist between innovative leadership styles and organization performance in the company at Johor area. The aim of the study was to determine if certain innovative leadership styles exhibited by private sector leaders foster an environment for employees to do the work effectively in the workforce. Chapter 2 also includes literature pertaining to the research questions, the independent variables, dependent variables and includes a review of the theories of leadership and theories of organizational performance.