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LEADERSHIP STYLE TOWARDS EMPLOYEES JOB SATISFACTION IN
PERBADANAN MEMAJUKAN IKTISAD NEGERI TERENGGANU

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This report submitted in partial fulfilment of the requirements for the
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DECLARATION OF WORK

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"I hereby declare that the work of this exercise is mine except for the quotations and summaries that have been duly acknowledge."

Signature



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26/6/2015

DEDICATION

All the praise to Amighty Allah, for bestowing me with the caurage, knowledge,
health and wisdom to carry out this research.

To:

Omar Bin Ibrahim & Nor Lida Binti Mohamad

For a debt i can never repay

ACKNOWLEDGEMENT

Bismillahirrahmanirrahim,

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ABSTRACT

Leadership is the key factor in gearing the company towards a success. In the competitive business world, leader plays a very important role in influencing the work values of employees in any industry. The employees job satisfaction may affect the employees job performance in fulfilling the job task.

This research aimed to identify the significant relationship between the leadership style and employee job satisfaction. The independent variable in this research is transactional leadership style and transformational leadership style while the dependent variable is employee job satisfaction. This research was conducted in Perbadanan Memajukan Iktisad Negeri Terengganu.

Quantitative approach is adopted for this research and a sample of 110 respondents is collected through questionnaires method. The Statistical Package for Social Science (SPSS) will be the tools to be used to analyze the data.

Keyword: Leadership Styles, Transactional Leadership, Transformational Leadership, Employee Job Satisfaction

ABSTRAK

Kepimpinan adalah kunci utama dalam memacu syarikat kerah kejayaan. Dalam dunia perniagaan yang kompetitif, pemimpin memainkan peranan yang amat penting dalam mempengaruhi nilai kerja pekerja dalam mana-mana industri. Kepuasan kerja pekerja mungkin mempengaruhi prestasi pekerja dalam menyiapkan tugas kerja.

*Kajian ini bertujuan untuk mengenal pasti hubungan yang signifikan antara gaya kepimpinan dan kepuasan kerja pekerja. Pembolehubah bebas dalam kajian ini ialah gaya kepimpinan jenis **transactional** dan gaya kepimpinan jenis **transformational** manakala pembolehubah bersandar ialah kepuasan kerja pekerja. Kajian ini dijalankan di Perbadanan Memajukan Iktisad Negeri Terengganu.*

Kaedah kuantitatif dilaksanakan untuk kajian ini dan saiz sampel iaitu 110 responden dikumpul melalui soal selidik. The Statistical Package for Social Science (SPSS) akan menjadi alat yang akan digunakan untuk menganalisis data.

*Kata Kunci: Gaya Kepimpinan, Gaya Kepimpinan Pemimpin Jenis **Transactional**, Gaya Kepimpinan Pemimpin Jenis **Transformational**, Kepuasan Kerja Pekerja*

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CHAPTER 1

INTRODUCTION

1.1 Background of Study

Leadership has become the crux of issues in the corporate world of today. Leadership plays an essential role in the success of managing organization. It is responsible for ensuring the harmonization and integration of human and material resources to produce products and services. So too important to grooming new leaders and strategies to create the leaders.

According to Ngambi et al (2010) and Ngambi (2011), leadership is a process of influencing other people's commitment towards the realization of their potential to achieve added value, share vision with passion and integrity. Important factor in the process of leadership is a relationship between leaders and other follower. Leadership is the key of trust that comes from the respect of others. (Mintzberg, 2010). Leadership practices relating directly to the dedicated people (Raelin, 2011).

There are many different style of leadership exist, that is autocratic, charismatic, participative, situational, bureaucratic, democratic, laissez-faire, transactional, and transformational leadership (Mosadeghrad, 2004). Every leader should know about the differences of each leadership and be be wise to choose the appropriate leadership in the demonstration of a particular style (Rad & Yarmohammadian, 2006).

This study is generally indicated the significant relationship between leadership style and employees job satisfaction in private sector that is Perbadanan Memajukan Iktisad Negeri Terengganu. Although there are many theories about leadership, but the most famous framework that is transformational and transactional leadership (Hambley et al, 2007).

According to Ehrhart (2004), leadership style affect the behavior of employees, including their adoption of firm's strategies and organizations. It associated with the organization and employees satisfaction. Leaders can influence employees' commitment in providing services quality through the practice of themselves (Babakus et al. 2003).

1.2 Problem Statement

Many researchers consider leadership style as an important variable in influencing an organization's functions. Leadership style can influence employees job satisfaction. Robbins (2003) shows the function leadership aimed to manage employees behavior and explain as well as predict employees productivity. It also puts the rate of employees satisfaction and commitment to the company. Seashore and Taber (1975) suggested that the internal environment of the organization, including the climate, the type of leadership and employees relations greatly affects the performance of the employees. When the performance of employees decreased then it will lead to decreased of employees satisfaction.

One problem observed was inflexible leadership style practiced by the managers of the organization. They failed to adapt their style to adapt with changing situations and changing environmental conditions. This failure resulted in lack of understanding that leadership style is not suitable for all situation and must be flexible in order to lead changes.

Another problem is the lack of effective communication between managers and employees. Communication gap between managers and employees pose a major problem for many organizations because effective leadership must be seen from the communication patterns of both parties.

With the existence of the issues, so this study was created to determine the best leadership style towards the employees job satisfaction then brings out the good image in Perbadanan Memajukan Iktisad Negeri Terengganu. In this study, the leadership style that have been choose is transactional leadership style and transformational leadership style because both of this style is often practiced by organizations in Malaysia compared with other style such as laissez-faire, autocratic and participative.

1.3 Research Questions

The previous section presented the course of present study. The basic objective of present study is to study the leadership style towards employees job satisfaction in Perbadanan Memajukan Iktisad Negeri Terengganu. Therefore, the main research questions of present study are as follows:

- 1.3.1 What are the relationship relationship between the transactional leadership style with the employees job satisfaction in Perbadanan Memajukan Iktisad Negeri Terengganu?
- 1.3.2 What are the relationship relationship between the transformational leadership style with the employees job satisfaction in Perbadanan Memajukan Iktisad Negeri Terengganu?
- 1.3.3 Which type of leadership style that contribute more in employees job satisfaction in Perbadanan Memajukan Iktisad Negeri Terengganu?

1.4 Research Objectives

This study shall address the following research questions:

- 1.4.1 To investigate the relationship between the transactional leadership style with the employees job satisfaction in Perbadanan Memajukan Iktisad Negeri Terengganu.
- 1.4.2 To investigate the relationship between the transformational leadership style with the employees job satisfaction in Perbadanan Memajukan Iktisad Negeri Terengganu.
- 1.4.3 To investigate which type of leadership style that contribute more in employees job satisfaction in Perbadanan Memajukan Iktisad Negeri Terengganu.

1.5 Hypothesis

Consistent with the objectives that had been constructed, there are two possible hypothesis developed for testing. The hypothesis are mark as Ha1 represent hypothesis 1 and Ha2 represent hypothesis 2. The following alternative hypothesis will be tested for the purpose of the study:

Ha1 : There is a positive significant relationship between transactional leadership style with the employees job satisfaction in Perbadanan Memajukan Iktisad Negeri Terengganu.

Ha2 : There is a positive significant relationship between transformational leadership style with the employees job satisfaction in Perbadanan Memajukan Iktisad Negeri Terengganu.

According to Kendra Cherry from psychology.about.com, research hypothesis can be defined as, "a specific, testable prediction about what you expect to happen in your study". Regression analysis will be used to evaluate and result gained will shows whether researcher could accept or reject the hypothesis that had been made. Function of regression analysis is to evaluate whether to reject or accept research hypothesis. H0 will be rejected if p-value below or > 0.05 .

1.6 Research Scope

This research was focused on leadership style that influences the employees job satisfaction in Perbadanan Memajukan Iktisad Negeri Terengganu. Leadership are key factors that shape the behavior of employees. When it is applied correctly, each employees will enjoy a high degree of satisfaction and improve their commitment and then can achieve the goals of the organization.

1.7 Limitation of Research

The scope of study exclusively restricted to Perbadanan Memajukan Iktisad Negeri Terengganu. The theoretical issues discussed are leadership style and employees job satisfaction. Some of the obstacles encountered in conducting this research are:

- 1.7.1 Finance : This study requires money to allow more information about the work of research, reference, and so on. But due to the weak financial, it prevented the production of best research.
- 1.7.2 Time : A study of the best research requires a long time to complete. However for this study is just a research project for students, we were given a year as required by the university. This leads to time constraints to do better.
- 1.7.3 Respondent : For strengthening the research, questionnaire method was chosen in this study. The study conducted on the public sector from various departments. A large number of respondents are difficult to find because most respondents loungers to fill out the form which was distributed because there were another work they needed to do.

1.8 Research Location

The location of this research concentrated in Perbadanan Memajukan Iktisad Negeri Terengganu, Menara Permint, Jalan Sultan Ismail, 20200 Kuala Terengganu. This organisation was chosen regarding to the topics that reseacher wss determine to examine which is the leadership style towards employeess job satisfaction. Research focused to all management employeess from different departments. The organisation climate of management there is communication are not effective and the building strategy is weak.

1.9 Summary

The most important aspect of this research is the influence of leadership style whether transactional leadership style or transformational leadership style to be more effective towards employeess job satisfaction in Perbadanan Memajukan Iktisad Negeri Terengganu. Leadership has been identified as an important subject in the field of organizational behaviour. Leadership is one with the most dynamic effects during individual and organizational interaction. According to Lee and Chuang (2009), excellent leader not only inspires employeess potential to improve efficiency, but also meet the requirements process to achieve organizational goals.

CHAPTER 2

LITERATURE REVIEW

2.1 Concept of Leadership

According to Bass and Avolio (1993), leadership is conceptualized by behaviors areas of laissez-faire style (non leadership) with transactional leadership (which depends on the system of rewards and punishments), to transformational style (where performance and leadership associated with inspiration and behavioral charisma).

Leadership and the study of it, has rooted in the beginning of civilization. Egyptian rulers, Greek heroes, and biblical patriarchs all have one thing in common—leadership. There are many definitions and theories of leadership. However, there are considerable similarities in the definitions and concluded that leadership is an attempt to influence and power to encourage compliance (Wren, 1995).

According to Long & Thean (2011), leadership means direction or developing a vision towards the future together with the strategies needed to make the changes necessary to achieve the vision. Leadership is a process of interaction between leaders and employees where the manager tried to influence employees to achieve common goals (Northouse, 2010; Yukl, 2005). Leadership is one of the most observed and least understood phenomena on earth (Burns, 1978).

Leadership issues had been widely discussed. It attracted many historians, philosophers, researchers or scholars who wanted to discover the truth about the true meaning of leadership. (Bass, 1990).

The concept of leadership can be traced to the Anglo – Saxon *lad* or *laedan* which means a path, a way, to lead or give a sense of direction. On this basis, leadership can be said to imply “the one who shows others the way”. Leadership term means different things to different people. Although there are many meanings of leadership exists, (Yikl, 2002). Majority definition of leadership is a reflection of basic elements including the "group", "influence" and "objective" (Bryman, 1992). Leadership is an important process in the organization to encourage employees to behave in ways that are required to achieve the goals of the organization ” (Hughes; Ginnett & Curphy 2009).

According to Angelo Kinicki and Mel Fugate (2012), there are two approach in leadership which are trait theory and behavioral theory. Trait theory is identifying the personal traits that differentiated leaders from followers while behaviour theory is examining leadership from a different perspective. They tried to uncover the different kinds of leader behaviours that resulted in higher work-group performance.

As we know, good leadership will bring effectiveness to the employees and organisation. The content of leadership effectiveness can relate to task performance (e.g., individual or group performance) affective and relational criteria (e.g., satisfaction with the leader) or overall judgments of effectiveness that encompasses both task and relational elements (overall effectiveness of the leader). The level of analysis corresponds to whether leadership effectiveness is conceptualized at the individual, dyadic, group, or organisational level.