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THE LEADERSHIP STYLES INFLUENCE TOWARDS EMPLOYEE'S PERFORMANCES IN MELAKA.

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DECLARATION

"I declare that all parts of this report are the results of my own work except for the quotations and references, the sources of which have been acknowledge in the bibliography"

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DEDICATION

This research project is dedicated to my father, mother, and also to my sister who had taught me that the best kind of knowledge to have is that which is learned for its own sake. It is also dedicated to my cousins and friends who had taught me that even the largest task can be accomplished if it is done one step by step at a time.

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ABSTRACT

The objectives of this research are to identify the aspects of the leadership style that will contribute to employee's performances and to investigate the relationship between the leadership style and employee's performances. The literature review provided discusses two independent variables of leadership style; transformational and transactional leadership style. It also discusses one dependent variables of employee's performances; employee's commitment. Information was gathered, using two instruments, from population size of 150, and sample size of 108 leaders and employees. The Multifactor Leadership Questionnaire was used to determine leadership style while the Organizational Commitment Questionnaire was used to determine the employee's commitment level. Leadership style was identified as the independent variable and employee's performance as the dependent variable. Data obtained from each of the research instruments was then statistically analyzed by using descriptive study. There is a significant relationship between transformational leadership style and employee's performances for initial analysis. There was also significant relationship that was found between transactional leadership style and employee's performances. This research therefore adds new perspectives to leadership style and employee's performance to the research. As this research takes place in the Melaka, Malaysia, and this research had completely be done during the specific time given by university.

Keywords: Leadership style, transformational leadership style, transactional leadership style, employee's performances, and employee's commitment.

ABSTRAK

Objektif kajian ini adalah untuk mengenalpasti aspek gaya kepimpinan yang akan menyumbang kepada prestasi pekerja dan untuk mengkaji hubungan antara gaya kepimpinan dan prestasi pekerja. Kajian literatur disediakan untuk membincangkan dua pembolehubah bebas iaitu gaya kepimpinan; transformasi dan transaksi. Kajian ini juga membincangkan satu pembolehubah bersandar prestasi pekerja; komitmen pekerja. Maklumat telah dikumpulkan dengan menggunakan dua instrumen, daripada 150 jumlah saiz populasi, dan 108 saiz sampel pemimpin dan pekerja. Soal Selidik Multifaktor Kepimpinan digunakan untuk menentukan gaya kepimpinan manakala Soal Selidik Komitmen Organisasi telah digunakan untuk menentukan tahap komitmen pekerja. Gaya kepimpinan telah dikenalpasti sebagai pembolehubah bebas dan prestasi pekerja sebagai pembolehubah bersandar. Data yang diperoleh daripada setiap instrumen penyelidikan kemudian dianalisi dengan menggunakan kajian deskriptif. Terdapat hubungan yang signifikan antara gaya kepimpinan transformasi dan prestasi pekerja untuk analisis awal. Walaubagaimanapun, terdapat juga hubungan yang signifikan antara gaya kepimpinan transaksi dan prestasi pekerja. Kajian ini oleh itu menambah perspektif baru kepada gaya kepimpinan dan prestasi pekerja untuk penyelidikan. Penyelidikan ini berlaku di Melaka, Malaysia dan kajian ini telah dilakukan dalam masa yang diberikan oleh universiti.

Kata Kunci: Gaya kepimpinan, gaya kepimpinan transformasi, gaya kepimpinan transaksi, prestasi pekerja, dan komitmen pekerja.

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CHAPTER 1

INTRODUCTION

Chapter 1 provides an overview of Leadership Styles and Employee's Performance. Problem statements based on the gaps in the present literature was discussed and the theory was given. Research objectives and research questions for the proposed study was developed based on the problem statement. Significant of study, scope and the limitation of the research had been discussed in this chapter. A list of terms commonly used in this research and their definitions are also included. This chapter 1 closes with an overview of the remaining chapters in this report.

1.1:   Background

Leadership Style is a critically important characteristic of leaders and the most effective Leadership Style had been identified as Transformational rather than Transactional. According to (Burns, 1978), a Transformational Leadership Style was the one who looks for the potential motives in followers, seeks to satisfy higher needs, and engages the full person of the follower and he also claimed that Transformational

Leadership Style occurs when one or more persons engage with others in such a way that leaders and followers raise one another to higher levels of motivation and morality. According to (Brown Bass, 1985), he stated that Transformational Leaders can motivate their followers to do more than they were originally expected to do.

Transformational Leadership Style is positively related to higher emotional intelligence, than the Transactional Leadership Style (Gardner & Stough, 2002) and Transformational Leadership Style also positively associated with organisational success (Eisenbach et al., 1990), unite business unit performance (Howell & Avolio, 1993; Geyer and Steyrer, 1998), team performance (Bass, 1990), trust in the leader (Podsakoff et al., 1990), employee's extra effort and satisfaction (Seltzer and Bass, 1990; Yammarino & Bass, 1990), and special attention to the needs of leaders or employees (Barling et al., 2000). Thus, it can be conclude by the researcher that Transformational Leadership Style is considered as a significant quality of an organisation's leaders which producing a variety of positive Employees' Performance.

As a result of employees' interaction with their leaders, the leadership style of a leader can have a significant impact on the success of the organisation. Moreover, there are many scholars that have contributed to the definition and model development of emotional intelligence. An emotional intelligence model was developed by Goleman which he defined emotional intelligence as the capacity to recognise our own feelings and those of others, to motivate ourselves and to manage emotions well in us and in our relationships (Goleman, 1998). Studies had showed that emotional intelligence are related to various job related outcomes, involves job performance (Bachman et al., 2000; Goleman, 1996; Tischler et al., 2002).

According to (Ciarrochi et al., 2002), suggested that emotional intelligence moderates the relationship between stress and mental health. Further, research found that emotional intelligence is positively related to problem solving strategies while negatively related to bargaining strategies in conflict management (Rahim et al.,

2002)., besides, emotional intelligence has been shown to exert a positive influence on employees' work attitudes, behaviours and work performance.

Both Transformational Leadership Style and emotional intelligence appear to be associated with similar positive effects on employee's outcomes and performance. In conclusion, this research hopes to contribute to the existing literature on Leadership Styles; Transformational and Transactional with Employee's Performance; Employee's Commitment. The following section had elaborated more on the current problem statement, research objectives, research questions, and hypothesis.

1.2:   Problem Statement

According to (Gill, 1998) study stated that Malaysian leaders are more directive, less delegating and more Transactional. Transactional Leaders emphasize on the exchange between leader and followers by specifying the conditions and rewards that the followers will receive if they fulfil the task requirements which it is unlike the Transformational Leaders behaviour which attempts to broaden the interests and develop the follower's skills. Besides, Malaysian leaders being more Transactional rather than Transformational leaders was a concern since the Malaysian workforce is increasingly facing decrease in skills and innovation (Rasiah, 2003). Change is the one that only constant in today's fast paced environment.

Due to globalization, the ease and speed in which the information can be accessed and the increasing pressure from competition, organizations have been forced to adapt accordingly in the way that they can conduct their business (Katzenbach, 1998, as cited in Dionne, Yammarino, Atwater & Spangler, 2004). Increasing of the globalization, rapid technological growth have resulted in more complex customer

preferences and increased the need to shorten product lifecycles (Lee, 2008). According to (Avolio et al., 1991), organizations' pursuit to develop new technology had stressed the importance to develop a workforce that is not only responsive to change, but also promotes change to remain competitive.

An organization's flexibility in adapting to such changes rapidly is one of the important requirements for businesses to gain or maintain their competitive advantage over their competitors. An organization would need to depend on the innovativeness of its workforce in order to improve responsiveness and flexibility. According to researchers (Cummings & Oldham, 1997; Tierney, Farmer & Graen, 1999; Andriopoulos & Lowe, 2000) have suggested that expectations was high for organizations to continuously improve or innovate and produce even better products and services in the current global economy. Outcomes was refer to the employees' abilities in finding new ways to accomplish tasks, or even giving suggestions on how to improve the business process but, there is still room for growth on innovative efforts and performance in Malacca, Malaysia.

The world today had become more complex, and changing times call for dynamic, driven leaders (Williams, 1998, as cited in Stone, Russell & Patterson, 2004). Lot of emphasis had been placed on leadership to be more change and development oriented to build competitive advantage and keep abreast of the current trends (Arvonen & Pettersson, 2002, as cited in Lee, 2008). Leadership is one of key factor in the development of Employee's Performance since various factors amongst which was motivation, trust, support and guidance from a leader would helped encourage outcomes at the individual and subsequently at the team level. With employees being intellectual assets of an organization, it is essential that organizations must understand their needed and played important role in helping the employees to develop personally as well as professionally.

The need for an organization to improve its flexibility and responsiveness have caused tasks to become more complex thus need more time to be completed than

can be afforded by individual effort alone (Katzenbach, 1998; Swezey & Salas, 1992, as cited in Dionne et al., 2004). Hence, increasingly organizations keep focusing on encouraging team work at the workplace. Leaders and employees need to rely on and interacted with one another in their effort to achieve a common goal.

Further, it is hoped that the present research on Leadership Styles; Transformational and Transactional and Employee's Performance; Employee's Commitment will be a worthwhile study for future exploration.

1.3:   Contingency Theory

The contingency approach also referred to the situational approach, appeared in the beginning of the 1960s as a consequence of the lacking ability of earlier approaches to explain on many different aspects of leadership behaviour (Kast & Rosenzweig, 1973; Pierce & Newstrom, 1995). It claimed that the effective leader should adjust their style in a manner consistent with critical aspects of the organizational context like the nature of the task and attributes of employees carrying out the work (Stogdill, 1974; Bass, 1990, Rost, 1991; Buchanan & Huczynski, 1997).

This approach had come as an answer to the question about the best way to lead, and dealt with the interaction between the leader's traits, the leader's behaviours, and the situation in which the leader exists to influence employees. The assumption of this approached is that the effects of one variable on Leadership Style was contingent on other variables. This concept was a major insight at the time, because it opened the door for the possibility that leadership must be different in every situation to influence Employee's Performance (Saal & Knight, 1988; Pierce & Newstrom, 1995). More than that (Yukl, 1989) stated that research on situational leadership must be broadly

assigned to two different categories which are the situational factors and the way they influence the leader's behaviour, the specific leader behaviours and their efficiency in different situations.

Moreover, because trait and behavioural does not offer fully satisfaction explanations of leadership in organizations, that researchers to develop the contingency theory (Champoux, 2000). According to (Moorhead & Griffin, 1995), the contingency theories of leadership focused successful leadership base on the environment faced by the leadership. Further, these theories offer various ways of thinking about how a leader suit the requirements of a situation.

1.4: Research Objectives

This research was undertaken to identify the aspects of the Leadership Styles that can contribute to Employee's Performance and to investigate the relationship between the Leadership Styles and Employee's Performance. It focused on the relationships of the two independent variables; Transformational and Transactional with dependent variable; Employee's Commitment. The objectives of the research was:

1) To identify the aspects of the Leadership Styles that will contribute to Employee's Performance.

2) To investigate the relationship between the Leadership Styles and Employee's Performance.

1.5:   Research Questions

This research had been made to study on the Leadership Styles and Employee's Performance and answer the following questions:

1) What are the aspects of the Leadership Styles that will contribute to Employee's Performance?

2) What are the relationship between the Leadership Styles and Employee's Performance?

1.6:   Significant of the Research

This research was expected to benefit any organizations of understanding the impact of Leadership Styles towards the Employee's Performance. This study can be a reference for the organisations in building up the Employee's Performance and also expected to bring considerable implication in knowledge development and benefits to both the researchers and practitioners. It focused in the particular area of Leadership Styles and Employee's Performance. This study was to provide more information for all the employees in the organisations to understand further the Leadership Styles thus, the employees or followers can be able to cater the expected work values and give advice to the leader about the Leadership Styles that can work better in the organisations. As for the practitioners, this presented a right tool to them to identify the most effective and efficient way to improve the Employee's Performance. Moreover, the previous study was only research on the relationship between work

values and organisational goal in Malaysia, Singapore and Brunei by (Chan & Pearson, 2001). So far, there is no one study on the relationship between Leadership Styles and Employee's Performance in organisational in Malacca, Malaysia.

1.7: Scope and Limitation of Research

The study was focused on Leadership Styles and Employee's Performance in organisational in Malacca, Malaysia. This research was made to identify the aspects of the Leadership Styles that will contribute to Employee's Performance and investigate the relationship between the Leadership Styles and Employee's Performance.

The research was focused on organisational in Malacca, and Malaysian as the respondent and mostly come from product sector rather than the service factor. Moreover, the scope of the respondent was limited to the organisational that was based in the Malacca area only.

1.8: Definitions of Key Terms

According to (Hughes, Ginnett & Curphy 2009), leadership was the process of influencing an organized group to accomplish its goal. In the leadership they were

many types of Leadership Styles such as Transformational and Transactional Leadership Style.

1.8.1:   Leadership Style

According to (U.S. Army, 1973), Leadership Style was one of the method and approached to provide directions and guides, inspiring people, and executing plans, and according to (Bolman & Deal, 1991), the style of leadership, that leaders use, can be based on a mixture of their beliefs, values and preferences, as well as the culture of the organisations.

1.8.2:   Transformational Leadership Style

According to (Bass, 1985), the leaders inspire employees to do beyond expected by instilling pride, communicating personal respect, facilitating creative thinking, and providing inspiration. Further, according to (Tucker & Russell, 2004), this Leadership Style occurs when one or more individuals engage with others in such a way that leaders and employees raise one another to higher levels of motivation, innovation, creativity and morality. Besides (Sarros & Santora, 2001) stated the four dimensions of this styles as first, individualized consideration which is defined as where the leader treats employees as essential components of the organization, second, inspirational motivation which is defined as where the leader attempts to communicate the organizational vision, challenge workers, provide encouragement and allow autonomy, third, intellectual stimulation which is defined as where the leader attempts