

THE RELATIONSHIP BETWEEN LEADERSHIP STYLE AND
EMPLOYEE PRODUCTIVITY

NORHIDAYAH SHAPIE

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DECLARATION

“I hereby declare that this thesis title “The Relationship between Leadership Style and Employee Productivity” is my own work except for the quotations summaries that have been duly acknowledged”

Signature :

Name : NORHIDAYAH SHAPIE

Date :

DEDICATION

I dedicated this research to my father Encik Shapie bin Mat and my mother Puan Radziah binti Mohamad, who has been my main source of inspiration and my encouragement during studies they always support me and motivate me when I feel down. I also dedicate this to my sister who very understand me and keep cheering me during do this research.

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ABSTRACT

Leadership style within an organization is crucial to improving the quality of productivity of employees in a company. The purpose of this study is to identify the relationship between the leadership style and productivity of workers in the Small Medium Enterprise (SME) in Malacca. This study focuses on the selection of appropriate leadership styles in the organization to maintain and enhance employee productivity. Respondents for this study were workers who working in the Small Medium Enterprise (SME) which focused on the food sector. The wrong leadership style will affect the employee's productivity and will cause the company to suffer losses because the production of a good product is based on a good state of affairs. The intended input includes workers, materials used and capital. Through this study, there are three objectives that are produced, which is the relationship between transformational leadership and employee productivity; the relationship between transactional leadership and employee productivity and the relationship between democratic leadership and employee productivity.

ABSTRAK

Gaya kepimpinan dalam sesebuah organisasi amat penting bagi meningkatkan kualiti produktiviti pekerja dalam sesebuah syarikat. Tujuan kajian ini adalah untuk mengenalpasti hubungan antara gaya kepimpinan dan produktiviti pekerja dalam Industri Kecil dan Sederhana (IKS) di Melaka. Kajian ini memberi tumpuan terhadap pemilihan gaya kepimpinan yang sesuai dalam organisasi bagi mengekalkan dan meningkatkan produktiviti pekerja. Responden bagi kajian ini adalah para pekerja yang bekerja dalam Industri Kecil dan Sederhana (IKS) yang tertumpu kepada sektor pemakanan. Gaya kepimpinan yang salah akan memberi kesan terhadap produktiviti pekerja dan akan menyebabkan syarikat mungkin mengalami kerugian kerana penghasilan keluaran sesebuah produk yang baik adalah berdasarkan keadaan kemasukan yang baik. Kemasukan yang dimaksudkan adalah termasuk pekerja, bahan yang digunakan dan modal. Melalui kajian ini terdapat tiga objektif yang dihasilkan iaitu untuk melihat hubungan antara kepimpinan transformasi dan produktiviti pekerja; hubungan antara kepimpinan transaksional dan produktiviti pekerja serta hubungan antara kepimpinan demokratik dan produktiviti pekerja.

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CHAPTER 1

INTRODUCTION

1.0 Chapter Introduction

This chapter will discuss about the background of study which is in this subtopic, there will discuss about the leadership style that can be apply in the organization. Other than that it will find out what the problem can be identified in the organization and what the type of leadership style can be suit to the organization. By doing this study as researcher there must know what the objective that must during do the research. In this chapter there also discuss about the rationale of the research, scope of the study and the limitations of the research.

1.1 Background of Study

Leader is a person who have the importance role in any organization. To make their organization growth and have improvement they must lead their follower in the best way to make sure their organization goal can be achieve. Each leader have their own style to lead their follower to achieve the organization goal. The success of the leader is dependent on the leader's ability to build high-quality relationship with member (Riggio R., 2016). There are several skill that a leader must have to lead their employee such as taking responsibility for the direction and actions of the team, setting

objective, organizing and motivating other, taking positive attitude to frustration and failure, and flexible such as prepared to adapt goals in changing situation (Suzana Carmen et al, 2016). As a leader they must have a good relationship with their employee to make a good environment in the organization. The good environment in the organization is one of the factor that may help leader to improve their employee productivity. This factor show that as a leader they must play their role in the organization to achieve their organization goal.

There have a few kind of leadership style in organization such as transformational leadership, transactional leadership and democratic leadership. All the leadership style have difference objective and style to lead their follower. However the style that leader want to implement in the organization have to depend on how employee give their reaction on the style that leader implement in the organization. Some of the employee they prefer if organization give them freedom by doing their work with their own style or give their opinion freely to the leader for the good of the organization. On the other hand there have an employee that just want to follow what their leader ask them to do as long as they will get a reward in accordance with what has been done by them to the organization.

Transformational leadership style is characterized by charismatic influence (serving as a good work model); inspirational motivation; intellectual stimulation (being open to new ideas) and individual consideration behavior; moving followers away from their self-interest by providing support; mentoring and coaching (Susana Pasamar et al., 2019). This leadership style will give their employee chance to make decision for their organization as long as the organization will get the profit and the decision must be discuss with the leader. The benefit if a leader apply this leadership style is a leader will be easy to be close with their employees. If there have a good relationship between employee and employer it can be easier to the employee follow what a leader want them to do with the willingness. A few type of employee there are more sensitive with how a leader treat them rather than get a reward for their work because they need a good environment in organization to be more productive. Beside

that this kind of leadership style are more suitable to the employee those who are like a freedom by giving the idea for the good of the organization. Employees will have empower in the organization if leader apply this type of leadership style.

Transactional leadership have difference way to approach their employee. Transactional leadership characterized by leader and follower being an exchange relationship such as give money reward for work that employee have been done (Dalglish and Miller, 2010). This style also call as managerial leadership which is their employee will show their productivity based on the reward or punishment that employer will give (Pratt, 2017). This leadership style are focusing by give some reward to their employee as long as the employee can be more productive by doing their work. Those leader who are apply this style of leadership, for them, the organization achievement are more important than make a relationship between employee and employer. However this type of leadership style also can be apply to the employee that have discipline problem. As a leader they can punish an employee to make sure that the employee will do their job on time or be more discipline in during work. For example, leader can punish them by giving warning letter if they keep late to come work.

Democratic leadership style have a little bit of similarities with transformational leadership which is they will involve their employee during make a decision but a leader who apply this style of leadership will make a final decision although they will invite other member to contribute the decision making process (Nadeem Bhatti et al., 2012). Democratic leadership can lead to things happen more slowly but often, and at the end of the result is better. Other than that as a leader they will help their employee make an agreement during they have a different opinion, as a leader they must play a role to make sure each employee will be agree with all the decision that they want to make. Those leader that apply this kind of leadership style will distribute the responsibility of the work among their worker to make sure that the worker feel responsible to the organization that they work (Grimsley, 2019)

Employee productivity is referred to the creation of the work environment where employee are helped and assisted in generating productivity and efficiency in the performance of their tasks and function (Radhika, 2018). Employee are one of the source that very importance to organization especially if they are already work for a longer time for the organization. If the employee are not productive the organization must face the problem such as loss because of defect product. It have a lot of thing that may affect the employee productivity such as the benefit that an employee may get from the company if they perform well in their work to rise their productivity, what kind of reward that they will get and how their leader entertain them in the organization can affect their feeling to give a contribution into the organization. According to Yamoah (2013) the productivity of employee may include managerial factors, employee health, employees' motivation and interpersonal communication involved in the production process. Yamoah (2013) relate that the employees' motivation and the interpersonal communication as one of the important thing that leader must play their role to make sure they can achieve the goal of the organization. The treat that the leader give to their employee is one of the style that we want to find out how they will effect employee productivity.

1.2 Problem Statement

The research about the leadership style such as transformational leadership style, transactional leadership style and democratic leadership style already have been done by other researcher in the past, their independent variable are quite similar which is talk about three type of leadership style but three of this independent variable are not in the same research and they have a differences in dependent variable. Most of the researcher will write their journal with the dependent variable about the organization performance. For example the journal written by Victor et al. (2011) with the tittle about transformational leadership influence on organizational performance through organizational learning and innovation. Next, according to the article that write by Leila and Paul (2016) there have been talk about transactional leadership

style with the title of article is how to increase organizational commitment through transactional leadership. Last but not least there have an article discuss about democratic leadership style have been written by Muneera (2015) with the title Democratic Education and Administration. However, there have no research that related between leadership style and employee productivity itself.

1.3 Research question

There have some research question that the researcher highlight to identify in this study:

- a) What are the relationship between transactional leadership style and employee productivity in the organization?
- b) What are the relationship between transformational leadership style and employee productivity in the organization?
- c) What are the relationship between democratic leadership style and employee productivity in the organization?

1.4 Research Objective

In general this study is about the leadership style in the organization. This is the list of the objective in this study:

- a) To investigate the relationship between transactional leadership style and employee productivity in the organization
- b) To evaluate the relationship between transformational leadership style and employee productivity in the organization
- c) To identify democratic leadership style and employee productivity in the organization.

1.5 Rationale

Employee productivity can be relate with the type of leadership style that are implement in the organization. As a leader they must know how to play their role in the organization. They also must choose the right style to make sure their employee feel comfortable with the environment of the organization.

In this study it will let student understand the relationship between leadership style and employee productivity in the organization. The good relationship between leader and employee may help to rise up the employee productivity. Some employee like do their work with their own style, from that they can improve their productivity and it can be show by producing a good product on the time that already set for them.

1.6 Scope

The scope in this study is to investigate the relationship between leadership style and employee productivity in Small Medium Entrepreneur (SME) in Melaka. The SME that will be choose in food industry area. The respondent will be choose among the employee in the SME.

The leadership style also focus on three type of leadership which is transformation leadership, transactional leadership and democratic leadership in the organization and how three of this type of the leadership can be relate with the employee productivity in the organization.

1.7 Limitation of Studies

The limitation of the time that we get for complete the research are only 24weeks. Based on the time that given we should choose the topic that can be completed around the date they give. Other than that the focus of the target group as a respondent are limited and fixed area. This can be as a bias of the respondent who only represent only at that place.

This study only limit to the three type of leadership which is transformational leadership, transactional leadership and democratic leadership although there have a lot of leadership style that can be apply in the organization.

1.8 Chapter Conclusion

In this chapter there have discuss about leadership in general and then it focus to three type of leadership that have potential can be apply into the organization. Next it briefly explain about employee productivity and how leadership style may relate with employee productivity. This chapter also state the problem that the researcher must face during complete the research and the limitation of this study. Last but not least this chapter also show three of the objective by doing this study and also the scope of the research.

CHAPTER 2

LITERATURE REVIEW

2.0 Chapter Introduction

In this topic, researcher will show the past research that already be done by other researchers. In the literature review it will be focus on leadership style which is include transformational leadership, transactional leadership and democracy leadership. Researcher also examine about dependent variable it refer to employee productivity.

Leadership has explored the emergence of leaders into positions of power and authority, the quality (including personality traits, skills and behavioral style) of leaders, the development of leadership, the leader-follower relationship and the role that leadership play in teams, organization, social movement and nations (Riggio R. , 2016).

2.1 Employee Productivity

Basically productivity can be define as the measurement of the output of goods and services relative to the input of labor, capital and equipment (Cascio, 2013). An employee that more productive can help the organization to achieve the organization goal such as to be sustain in the market place and satisfied their customer with the product that the organization produce to them. This idea was quite similar with what Radhika (2018) write in her article which is she write that productivity can be related or can be measured with the output of the product that the employee will be produce. On the other hand according to Cascio (2013) the poor job attitude should lead to lower productivity and organizational performance.

Yamoah (2013) argued that, those employee who feel that they are cared by organization and manager not only give a high level of commitment, but that they are more conscious about their responsibility, have a great involvement in the organization and are more innovative and productive. In this article we can conclude that employee need their leader cared about them to be more productive and they can give their focus on what they must done for the organization to achieve the organization goal. Beside that in the same article written by Yamoah (2013) also give a few factor that help in influencing the productivity of employees' such as employee health, employees' motivation and interpersonal communication. The interpersonal communication can be related between the employee and the employer in the organization. An effective communication can be one of the factor that can be increase employee productivity. It also can provide a good environment in the organization to make the employee felt more comfortable. A good communication help leader to deliver the right message to the employee and at the same time employee will receive the message in the proper way with good understanding instruction that they get from their leader so employee can do their work very well.

The high productivity would improve organization performance such that organizations will seek the best ways to enhance their employees' productivity to generate positive and sustainable impacts (Erlinda and Ernawati, 2018). Regarding to this writer a researcher can make a conclusion that an employee productivity are important in the organization to achieve their goal. Unproductive employee may affect many thing in the organization such as employee morale, hinder efficiency and affect profit margin in the organization (Quain, 2018).

Those employee that are not productivity show that a leadership style in the organization is important, how the leader play their role in the organization to make their employee comfortable in the organization are really important to make sure the goal of the organization can be achieve easily. How a leader give a training and build the skill in employee self are important to make the employee to be more productive for organization good.

Employee productivity can be improve with many way, it can be using reward, acknowledgment and the promotion in the organization but all off this way are not applicable to every employee and not every leader will apply this kind of offer for their employee in the organization. According to Dann Albright (2018), there have a few way that can be apply by the leader to improve their employee productivity for the organization sake. Most of the suggestion that he give are related with leadership style that must be apply in the organization.

2.1.1 Reason Unproductive Employee

2.1.1.1 Ineffective Management and Supervision

In any type of structure in management, the important thing is how effective a leader in the organization. They must have a communication skill to make sure what the information that they deliver to the employee, it must be easy to be understood by the employee. A good communication may help employee be motivated. In the same time the leadership style in their self also can show what kind of level that the employee reach, a poor leadership style may cause a poor productivity by an employee. As leader they must let employee know clearly what the task that they must do in the organization. If they give unclear task, it may affect the way that an employee will work. Leader also need to understand if there have any problem that have been face by employee either between employees or with the organization.

2.1.1.2 Ineffective Organizational Structure

Low productive employee may cause from the organization which is not structure their organization in proper way. The way that a leader interact with their employee also include in how the leader give a motivation and try to maximum the employee skill in the organization. The style leadership that a leader apply in the organization are very important to help for maximum their employee skill.

2.1.1.3 Lack of Employee Training

Lack of skill in their self is one of the reason that the employee will not productive. In the organization they must provide a training to their employment to improve their employee skill. The training that provided by organization can make an employee more productive because they know very well what an action that they must take during there have any problem in the organization or in the department that they work before make a report to their leader. The fast decision making it may reduce a problem that must face by the organization. At the same time those employee that already get a training can help an organization to teach a new employee to improve their skill.

2.1.2 Improve Productivity

2.1.2.1 Encourage autonomy by not micromanaging

This point show that as a leader they must give an autonomy to their employee to do a work use their own style to makes sure all the work they have to do are more productive. If employee use their own style they can learn from correcting-self, they will know what the problem if they used that tools to make their work done and how to improve the tool that they used during do their work. However using micromanaging are one of the tool that usually used in the organization which is this type of managing may help them to do their work very good and help them to solving the problem but it may not help employee to improve their thinking skill in critical situation.

2.1.2.2 Focus on the future with clear communication

A good and effective communication are really importance between an employee and leader, it will show how leader can deliver the instruction to their employee to make sure they will do a right thing for the organization. A clear direction of work also help employee to improve their productivity in the organization.

2.1.2.3 Boost productivity by encouraging self-care

As a leader they must taking care about their employee to make their employee feel that they are valued in the organization to put their effort during do their work and it may help to produce a productivity in employee self. Leader can let their employee get a meaningful of work so they will feel a challenging and try hard to be more productive and after they success doing their challenge a leader must give a feedback either they do well in the task that a leader give or must make an improvement. Next, leader must listen to employee either their have a problem in the organization or an idea that they want to contribute to the organization by do an improvement in the organization.

2.1.2.4 Get higher-quality work by fostering morale

A good environment are one of thing that may contribute the productive employee in the organization. A good environment make an employee feel comfortable and it may help employee be more morale to do their work. Relation between leaders and employees also can be one of the tool that contribute to employee morale because they feel their leader really taking care of them.