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'I/We hereby declared that I/We had read through this thesis and in my/our opinion that this thesis is adequate in terms of scope and quality which fulfill the requirements for the award of Bachelor of Technopreneurship with Honors'

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THE EFFECT OF LEADERSHIP STYLE ON EMPLOYEES' PERFORMANCE

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## DECLARATION

I hereby declare that this research thesis is my own original work and it has been written by me in its entirety. I have duly acknowledgement all the sources of information which have been used in the thesis

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For my beloved father, mother, brothers, sisters and friends

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## **ABSTRACT**

Leadership style is the manner of providing direction, implementing strategies and motivating individuals towards the attainment of the desired objectives. Management of today's world is about management in times of rapid change. The need to develop better leadership styles is becoming increasingly important in all organizations. Therefore, the purpose of this research is to ascertain if there is a relationship between the leadership styles and employees' performance, particularly of the manufacturing companies in Negeri Sembilan. Meanwhile, it is also to determine the relationships between leadership style and employees' performance through the elements of employee motivation, commitment and discipline. Quantitative method has been used to carry out this study. The data was gathered from 155 respondents located in Negeri Sembilan. Statistical Packages for Social Science (SPSS) version 23 was used to analyze the data. The reliability of the instrument was ensured by Cronbach's Alpha test. Pearson Correlation and multiple regression tests were also applied to measure the nature and size of the association between variables and test hypotheses. Resultantly, among many others, the variable that becomes much prominent is discipline. In addition, the results also stated that there were positive relationships between the four variables used in measuring the employees' performance. Hopefully, this research should able to help many companies to explore more about leadership styles and issues happened in leadership then consequently captured the factors that could enhance the employees' performance.

Keyword: Leadership Style, Motivation, Commitment, Discipline, Employees' Performance

## ABSTRAK

Gaya kepimpinan adalah cara memberikan hala tuju, pelaksanaan strategi dan memotivasikan individu ke arah pencapaian yang diinginkan. Pengurusan dunia hari ini adalah mengenai pengurusan semasa perubahan pesat. Keperluan untuk membangunkan gaya kepimpinan yang lebih baik menjadi semakin penting dalam semua organisasi. Oleh itu, tujuan penyelidikan ini adalah untuk menentukan sama ada terdapat hubungan antara gaya kepimpinan dan prestasi pekerja, terutamanya terhadap syarikat syarikat pembuatan di Negeri Sembilan. Sementara itu, ia juga untuk menentukan hubungan antara gaya kepimpinan dan prestasi pekerja melalui unsur-unsur motivasi, komitmen dan disiplin pekerja. Kaedah kuantitatif telah digunakan untuk menjalankan kajian ini. Data ini dikumpulkan daripada seramai 155 orang responden yang bekerja di Negeri Sembilan. Pakej Statistik untuk Sains Sosial (SPSS) versi 23 digunakan untuk menganalisis data. Kebolehpercayaan instrumen telah dipastikan oleh ujian Alpha Cronbach. Korelasi Pearson dan ujian regresi berganda juga digunakan untuk mengukur sifat dan saiz hubungan antara pemboleh ubah dan ujian hipotesis. Hasilnya, pemboleh ubah yang lebih menonjol adalah disiplin. Di samping itu, keputusan juga menyatakan terdapat hubungan positif antara keempat-empat pemboleh ubah yang digunakan untuk mengukur prestasi pekerja. Mudah-mudahan, penyelidikan ini dapat membantu banyak syarikat untuk meneroka lebih lanjut mengenai gaya kepimpinan dan isu-isu yang berlaku dalam kepemimpinan dan seterusnya mengenal pasti faktor-faktor yang dapat meningkatkan prestasi pekerja.

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## **CHAPTER 1**

### **INTRODUCTION**

#### **1.1 Background of Study**

Leadership is very hard to define; they have characterized other scholars in their ways (Russell, 2005). Russell (2005) suggests that leadership is "the interpersonal power practiced by an individual or group of people to achieve an organization's goals through the communication channel" (Russell, 2005, p. 16). Rue and Byars (2009) further defined leadership as "the power to affect people to voluntarily obey their own direction or follow their own decisions" (Rue and Byars, 2009, p. 465). Northouse (2012) described leadership as "a method whereby an entity impacts a group of people to achieve a common goal" (Northouse, 2012, p. 5). As per McGregor (1960; (Stone and Patterson, 2005) the traditional organization is based on some theories about human society and social encouragement in its centrally controlled decision-making, hierarchical system, and external work influence. There are various leadership styles but only the transformational style of leadership is being considered for this report. Avolio et al. (1991) mentioned the style of transformational leadership is more creative, competitive, efficient and rewarding to followers since both parties work towards the betterment of a company guided by common goals and principles and mutual trust and respect.

First, efficiency is the ratio of production to total factors needed to achieve it. In individual output, success is quality. It is a global element in businesses, where efforts by workers may typically boost this. The relationship between the actions of the leaders or the style of leadership and the staff has gained increased community attention. The type of leadership style affects how entities handle increases in productivity. Transformational leadership style has a vital role in developing efficiency by enhancing marketability and providing strategic vision for the organization.

Jaskyte (2004) suggests that innovative leaders inspire their workers to participate and accomplish their organizational goals by four distinct components of behaviour: motivation, intellectual stimulation, empathy and inspiration. Also, if transformational leading figures unintentionally endorse innovation by shaping their followers' commitment and building an organisational environment that inspires them to create new ideas, that will maintain and ensure the long-term survival of the organization (B. J. Avolio, Zhu, Koh, & Puja Bhatia, 2004). As a result, their employees are satisfied while working and make the extra effort to propose innovations and achieve better results in the work (Elenkov & Manev, 2005).

Let's take a look at what happened to Nokia, as an example. In the end, Although this paucity of innovation management and understanding is a failure up at the top of the Nokia organization. Yet for more than a decade, Nokia had embodied transformational leadership, developing from a rubber product maker to tech hardware, eventually becoming the global market leader for mobile devices. Nevertheless, The management team present over the past five years or perhaps longer of Nokia's downfall shown that the transactional leadership features that concentrated on short-term management and development and enhancement of results. As well as the existence of a dominant player who feels that due to past success they understand their customers better, this is largely the reason Nokia is no longer exists. Make sure the top team imposes a disruptive leadership style in the rapidly evolving technology environment, as contrast to transactional leadership style.



## 1.2 Problem Statement

The restructuring and progress of the public and private sectors has made a very good deal of doubt about the result and the approach to lead (Bass et al., 2003). The goal is to perform much better in each and every organization, public or private. A fair number of experts' studies have found that job or work performance and leadership in our communities are very important (Ogbonna and Harris, 2000). Additionally, it is very difficult for every leader to enhance the quality of the work or to improve the performance. In addition, there are several factors that influence employees' performance directly or indirectly such as motivation, discipline, engagement, fairness, ethics and much more. Nevertheless, the leader of the company can control all of these parameters.

Employee efficiency includes the implementation of assigned duties, meetings on deadlines, skills of employees and quality and efficiency in doing the work. Several companies require a good style of leadership that enhances their employees' performance. This is because difficulties such as poor technology development, low productivity and inability to achieve production targets are confronted by some organizations such as manufacturing factories. This issue arises due to the current lack of long term interventions of particular styles of leadership towards certain situations that were thought to be a matter at hand. This issue devastates worker efficiency. Therefore, this is why the researcher aim to investigate either transformational leadership style can stimulate employees' performance.

### **1.3 Research Question**

In order to achieve the research objectives, the researcher will endeavor to answer the research questions:

- i. What is the factor contributes to employee performance by transformational leadership?
- ii. What is the most influential factor contributed to employee performance by transformational leadership?
- iii. How does the study contribute to employee performance by transformational leadership?

### **1.4 Research Objective**

The main objective of this study is to investigate the effect of leadership styles on employees' performance through service innovation. The specific objectives of this study are:

- i. To identify the factors contribute to employee performance by transformational leadership.
- ii. To determine the factors contribute the most to employee performance by transformational leadership.
- iii. To propose framework related to employee performance by transformational leadership.

## **1.5 Scope of Study**

The study focuses on exploring how transformational leadership style affects the employees' performance where the scope is only limited to the employers and employees of manufacturing companies in Negeri Sembilan. It will also access each and every single objective that is mentioned. The targeted employers and employees for this study included all manufacturing companies from different industry in Negeri Sembilan. Next, these groups of respondents will provide the primary data for this study. Therefore, this study will uncover the effect of transformational leadership on employees' performance.

## **1.6 Significant of Study**

This study aims in providing a clear understanding of the relationship between transformational leadership and employees' performance. The role of leadership style is vital to the employee performance toward the application of transformational leadership. This is because it would define the justification of why workers respond positively to a manager's specific managerial style and also understand what makes employees more motivated, disciplined and engaged with their work. Moreover, this research can act as guidance to the companies that thinking about applying transformational leadership on their businesses.

This analysis will be beneficial to other scholars who may concentrate on understanding the concept of competent leadership by achieving the goals specified in the research goal. First, the importance of this research is the likelihood that somehow the results in this research might be used by other scholars for future studies which will have a significant impact on society. In addition, this research results could be used for other studies which may be useful in delivering improvements to the industry.

## **1.7 Limitation of Study**

This study had been prepared carefully yet the researcher was aware of the capabilities and shortcomings. Firstly, the study is conducted specifically on employers and employees of manufacturing companies in Negeri Sembilan only where the collection of data will occur insufficiently. Hence, the research still needs more evidence-based to support future study. Secondly, the time limit, the duration of time to conduct the study. Due to the reason, this study is conducted within 14 weeks only.

## **1.8 Summary**

In this chapter, the researcher identified the context of the research which is leadership style that effect employees' performance. Then, the problem statement was dealt with the leadership style that stimulates employees' performance which has not been fully explored. Next, the researcher stated that there are three objectives in this research and fully described the significance, scope and research constraints.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter will provide further explanation on leadership style and employee performance. It will also explain the independent variables and dependent variable that consider about the factors, which the leadership style, employees performance and service innovation according to supported articles. Besides, this chapter will explain how leadership style will affect employees' performance. The last part of this chapter is about the summary of the literature review.

#### **2.2 Definition of Concept**

##### **2.2.1 Leadership Style**

Leadership style is a mechanism that leaders use to affect others' tendencies. Leadership style is the behavioral pattern one uses when the individual attempts to control others' behavior. Each leader has different techniques for encouraging, stimulating, and directing his staff's potential. The cause underneath the variety is that

their style of leadership is distinct from any leader. The style of the leader is also seen as critical in evoking success among employees (Barling, Weber, & Kelloway, 1996; Berson, Shamair, Avolio, & Popper, 2001; Zacharatos, Barling, & Kelloway, 2000).

Nonetheless, the personality of the leader itself cannot be accountable for the success of the employee, as well as for the achievement of company objectives. The employees have a major role to play, too. Accurately, the perspectives of employees regarding the style of their leader and their thoughts about their ability to conduct and deliver company objectives seem to be important considerations. Moreover, the employees' perception of their relationship with their manager and in particular the level of support they receive from their manager would seem to influence performance. Therefore, for this study, the researcher plans to choose transformational leadership as the variable in this study.

### **2.2.2 Employee Performance**

Employee performance is essentially achieved outcomes and achievements made at work. Performance translates to maintaining strategies while striving for outcomes. In other words, performance is a person's overall result or achievement on certain period of time relative to the quality of the job, the goals or requirements that were defined and decided upon in advance (Rivai, 2004). Worker productivity is driven by a variety of personal traits.

Furthermore, numerous studies indicate that focusing on promoting employee engagement is an effective way to improve employee performance (Macey et al., 2009; Mone and London, 2010). Next, research (Christian et al., 2011; Fleming and Asplund, 2007; Rich et al., 2010; Richman, 2006; Macey and Schneider, 2008; Holbeche and Springett, 2003; Leiter and Bakker, 2010) also indicates that higher levels of employee satisfaction improve work performance, mission success, and corporate citizenship

behaviour, profitability, discretionary initiative, affective dedication, ongoing commitment, psychological environment levels and customer service.

### **2.2.3 Relationship between Leadership & Performance**

A summary of the literature of studies into the thread of leadership finds that the history on leadership and performance can be widely classified into a number of vital periods. Even though the quick overview above reveals that study into leadership have gone into periods of skepticism, keen interest has concentrated on the significance of the leadership role to the progress of organizations. Fiedler (1996), one of the most influential leadership scholars has given a recent dissertation on the value of leadership by proposing that a leader's effectiveness is a true indicator of the success or failure of a party, organization, or even a nation as a whole. In addition, it has been claimed that one-way organizations have tried to cope with the increasing uncertainty and instability of the external environment is by training and improving leaders and by arming them with the tools to cope (Darcy and Kleiner, 1991; Hennessey, 1998; Saari et al., 1988). Such arguments are based on believing a direct relationship between leadership and success of the organisation. Widely recognized cases of a direct leadership – performance relation can be found in various anecdotal accounts of company performance enhancements due to leadership changes (Nicholls, 1988; Quick, 1992; Simms, 1997).

There was also a lack of empirical studies on the relationship between leadership and performance. One prominent factor is the comprehensive study of leadership's effect on performance in the rather unusual scope of Icelandic fishing vessels. Thorlindsson (1987) stated that the leadership skills of the captains may account for differences in the output of various fishing ships under similar conditions. Thorlindsson (1987) confirmed over a three-year period that the ship captains' leadership qualities counted for 35 to 49 per cent variation in the catch of various crews. Several authors note that transition

leadership is correlated with organizational success (Bycio et al., 1995; Howell and Avolio, 1993). Conceptually, it's believed that transformational leaders' innovative and motivational abilities inspire followers to achieve better performance (Nicholls, 1988; Quick, 1992). It would seem that only some studies have reacted to Porter and Mckibbin's (1988) finding that most of the work published in support of this argument is either inconclusive or empirically dubious. Lastly, the minimal or inconclusive character of research findings in this field indicates a need to deeply examine the essence of the leadership-performance connection.

### **2.3 Why Leadership Fails**

The ability to perform and get things accomplished is a driving force of achievement, with rose demand at work for mid-level and senior manager alike. Eventually, however, it can become the demise of a leader, resulting in unexpected consequences for the person itself as well as their colleagues and organisations. The high-efficiency rates that enable strongly job-focused leaders to be so successful usually led to the detriment of individuals-based approach. Things such as making connections, encouraging a team, improving others, and displaying understanding can go along the way. Next, strongly effective leaders tend to miss focusing on people because of a limited belief that increasing of individuals-focused activities will slacken them down hence hinder their potential to deliver and achieve their goals.

The truth is that an excessive concentration on efficiency and doing things makes those leaders, in general, less efficient. Often the effect is negative on the organizational atmosphere and the team members' burnout. According to Kronos and Future Workplace (2017), burnout has been identified as the greatest issue to employee commitment, with 95% of Human Resource leaders describing it as a main factor of employee turnover. Great leaders should combine task-focus with people-focus. Next, heavily task-focused leaders appear to have tunnel vision in their quest for performance,