

THE RELATIONSHIP BETWEEN LEADERSHIP STYLE AND WORK VALUES
OF EMPLOYEES IN THE PRINTING INDUSTRY IN PENANG

LOH JIN HAN

Research Report Submitted in Partial Fulfillment of the Requirement for the Degree of
Master of Business Administration (MBA)

June 2010

ACKNOWLEDGEMENTS

My sincerest gratitude to my supervisor for his valuable comments and suggestions, impressive encouragement and precious time spent on my thesis. He is not only taught me how to solve the academic problems and also how to deal with difficulty in my life, which impressed me more and would benefits my future path in life and career. Meanwhile, credits should be given to those questionnaires respondents, family and friends. Your support has been instrumental in making this research a success.

TABLE OF CONTENTS

ACKNOWLEDGEMENTS	i
TABLE OF CONTENTS	ii
APPENDIX	iv
LIST OF TABLES	vi
ABSTRAK	vii
ABSTRACT	viii

CHAPTER 1. INTRIDUCTION

1.0 Introduction	1
1.1 Background of Study	2
1.2 Problem Statement	3
1.3 Research Objective	5
1.4 Research Questions	6
1.5 Significance of Study	6
1.6 Scope of Study	7
1.7 Definition of Key Terms	7
1.8 Leadership Style	8
1.9 Work Values	8
1.10 Organizational of Chapter	8

CHAPTER 2. LITERATURE REVIEW

2.0 Introduction	9
2.1 Definition of Leadership	9
2.2 History of Leadership	10
2.3 Leadership Approaches	13
2.4 Trait Approach	14
2.5 Behavioural Approach	15
2.6 Contingency Approach	16
2.7 Transformational Leadership	17
2.8 Transactional Leadership	27
2.9 Management by Exception	28
2.10 Contingency Reward	28

2.11 Work Values	31
2.12 Intrinsic Rewards	31
2.13 Extrinsic Rewards	34
2.14 Demographic Variables	35
2.14.1 Age	35
2.14.2 Work Experience	36
4.14.3 Marital Status	37
2.15 Theoretical Framework	38
2.16 Independent Variables	39
2.17 Dependent Variables	39
2.18 Hypothesis	39
2.19 Summary	40

CHAPTER 3. METHODOLOGY

3.0 Introduction	41
3.1 Research Design and Procedures	41
3.2 Nature of Study	41
3.3 Population	42
3.4 Sample Size	42
3.5 Sampling Method	42
3.6 Time of Horizon	43
3.7 Sample Frame	43
3.8 Unit of Analysis	43
3.9 Data Collection	44
3.10 Data Analysis	44

3.11 Measurement of Variables	44
3.12 Descriptive Analysis	45
3.13 Factor Analysis	46
3.14 Reliability of Measures	46
3.15 Multiples regression analysis	46
3.17 Summary	46

CHAPTER 4. ANALYSIS AND RESULTS

4.0 Introduction	47
4.1 Respondents Rate	47
4.2 Descriptive Statistic of Respondents	48
4.3 Personal Profile	48
4.4 Goodness of Measure	49
4.4.1 Factor Analysis	49
4.4.2 Measure of Sample Adequacy	50
4.4.3 Anti-Image Correlation	51
4.4.4 Communalities	51
4.4.5 Rotated Component Matrices	52
4.4.6 Rotated Component Matrix Transactional Leadership Style	53
4.4.7 Rotated Component Matrix Transformational Leadership	54
4.4.8 Rotated Component Matrix Intrinsic Work Values	55
4.4.9 Rotated Component Matrix Extrinsic Work Values	56
4.4.10 Reliability Coefficients of Variables	56
4.4.11 Hypothesis	58
4.5 Results	62

4.6 Summary	86
-------------	----

CHAPTER 5. DICUSSION AND CONCLUSION

5.0 Introduction	67
5.1 Recapitulation	67
5.2 Discussions	68
5.3 Theoretical Implications	73
5.4 Limitations	74
5.5 Future research	75
5.6 Summary	77
References	77

APPENDIX

Appendix A	Questionnaires Samples	104
Appendix B	SPSS output – Frequency table	110
Appendix C	SPSS output - Factor analysis	112
Appendix D	SPSS output – Reliability test	131
Appendix E	SPSS output – Regression analysis	139
Appendix F	Hierarchical multiples analysis	144

LIST OF TABLES

Table 1	Descriptive Statistic of Respondent	48
Table 2	KMO Bartlett’s Test	50
Table 3	Anti-Image Matrices	51
Table 4	Communalities	51
Table 5	Rotated Component Matrix for Transactional Leadership Style	53

Table 6	Rotated Component Matrix for Transformational Leadership Style	54
Table 7	Rotated Component Matrix for Intrinsic Work Values	55
Table 8	Rotated Component Matrix for Extrinsic Work Values	56
Table 9	Reliability Test	57
Table 10	Coefficient Between Independent and Dependent Variables	58
Table 11	Model Summary	60
Table 12	Coefficient	62
Table 13	Coefficient	63

Abstrak (Malay)

Kepemimpinan adalah faktor kunci dalam melanjutkan syarikat menuju kejayaan. Dalam dunia perniagaan yang kompetitif, pemimpin memainkan peranan yang sangat penting dalam mempengaruhi nilai kerja pekerja dalam setiap industri. Nilai kerja Tinggi pemimpin yang boleh menyampaikan kepada pekerja, meningkatkan kerja pekerja "nilai persepsi dan nilai kemudian quality dirasakan pekerja boleh menyebabkan prestasi yang lebih baik secara keseluruhan. Dengan demikian, kajian ini cuba untuk mengetahui hubungan antara kepemimpinan dan kerja dan dikendalikan oleh pembolehubah demografi iaitu umur, status perkahwinan dan pengalaman kerja. Pendekatan kuantitatif tersirat untuk kajian ini dan sampel 97 responden dikumpul melalui kaedah kuesioner. Alat statistik SPSS digunakan untuk menguji regresi statistik deskriptif, dan regresi berganda hirarkis. Keputusan kajian menunjukkan kepemimpinan yang signifikan nilai-nilai yang berkaitan dengan pekerjaan. Variabel demografi, pengalaman kerja mempunyai pengaruh signifikan di antara gaya kepemimpinan dan nilai-nilai kerja intrinsik. Akhirnya, cadangan dan daerah untuk kajian masa depan kajian ini menyimpulkan.

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. Higher work values that leader could convey to the employees, enhance employees' work values perception and subsequently high value perceived employees may lead to a better performance as a whole. Thus, this research attempts to investigate the relationship between the leadership and work and moderated by the demographic variables namely, age, marital status and work experience.

Quantitative approach is adopted for this research and a sample of 97 respondents is collected through questionnaires method. SPSS statistical tool is used to test the descriptive, regression statistics and hierarchical multiple regression.

The result shows that leadership is significantly related to work values. The demographic variables, working experience has significantly effect in between leadership style and intrinsic work values.

Last but not least, recommendation and area for future research concludes this research

CHAPTER 1

1.0 Introduction

Leadership is regarded as a critical factor in the introduction of changes and implementation of the tasks in organizations. It is directive in promoting and stimulating employees' effort towards organization expected result in order to achieve certain goals predetermined by the organization (Xiarasagar 2005).

In promoting and stimulating employees to perceive the work values, there are different types of leadership styles available for leaders to adopt in managing their groups. The most recent styles are transformational, transactional and laissez faire.

According to Hughes (1994) transformational leadership is to help followers beyond their personal goals and self interest to concentrate on goals which contribute to a greater group of people, organization, nation and world. In short, it is a process of leading the employees to perform beyond the expected performance through the work values impacted by the leader (Hughes et. al., 1994)

According to Bass and Avolio (1990; 1995) Transactional leadership is an influence process to exchange rewards for performance and Laissez faire refers to the indifferent leadership.

Hersey (1996), leadership style has a great impact on employees' work values perception. A good result or achievement attained is greatly depended on the leadership style that adopted by the leader to influence the employees work values (Hersey and Blanchard 1988), Given a leader's sphere of influence and potential as a role model for subordinates, leaders who display altruistic leadership behavior may

encourage such behavior among subordinates and build pro-social cultures of helping and citizenship (John, Jung & Dinger August 2009).

Hence, leadership style is a platform in developing the leader in the individual by recognizing the uniqueness in the individual and their ability to obtain a balance in all aspects of life by developing essential interpersonal relationship (Quiment 1999, p.3)

In addition, work values will be created through the leadership style with the main objective of influencing and motivating employees' performance; therefore, leadership can lead others towards a better outcome (Yukl, 2002). Work value divided into 2 types i) intrinsic work values and ii) extrinsic work values. Both work values could be viewed as motivator for the employees to fulfil different objective (Bryman 2002).

Furthermore, the leadership styles and work values might have an impact from the demographic variables such as age, working experience and marital status as the operators in the printing industry have different in ages, year of experiences and marital status (single or married) that might significantly affect to the relationship between leadership styles (transformational and transactional) and work values (intrinsic and extrinsic work values).

1.1 Background of Study

The study was focused on the effectiveness of leadership in the organization. Leadership is effective in leading and managing work activities and people when leader adopts a right leadership style. Leadership style will impact the employees' readiness, ability and willingness of subordinates if it is good matched, with this

consequences, a synchronized pattern of works will be obtained for better performance towards the organizational goals (Jui-Chen Chen, August 2004). Jui and Silverthorne (2004) also found that employees who obtained a higher willingness scores were more satisfied with their job and also had higher job performance and lower turnover intention. Interestingly, William (2001) also found that those who worked closely under the leader's guide and supervision felt less stress and less intention to leave (Williams et al., 2001). This is a reflection of a good leadership. This implies that organization goal is hardly to achieve if there is an absence of good leadership within the organisation.

In short, leadership has a critical role to play in managing human asset in the organization. Human resource is the most significant resources in the organization, contribution from human resources needs to be acknowledged and always be motivated from time to time over their success and failure. According to Vroom and Jago, (1988) leadership behaviours affect outcomes, such as group performance and goal attainment, by influencing the behaviours of subordinates in order to increase the perception of work values. Therefore, this research investigated the relationship between leadership styles (transformational and transactional) and work values (intrinsic and extrinsic) in the work place.

1.2 Problem Statement

Leadership style and work values are generally problem of employees in any industry in Penang. A research was done by Pearson (2002) in Malaysian focus groups stated that promotion was the most important work values as it was instrumental to a higher remuneration position, so, in short, monetary rewards are the importance work values

to gear them work in exchange for meeting their economic and material needs (Pearson, 2002). According to Bass and Avolio (1995) the extrinsic reward is the reflection of transactional leadership where is an influence process to exchange value reward for salary, incentives, promotion and bonuses.

Meanwhile, in a study in the nursing industry in Australia, it was found that the nurses' perception was towards extrinsic work values more than intrinsic ones rewards. This research found that nurses' pay or salary is relatively low compares to other industries so that they perceived they should pay parity with other industry, hence, they perceive that extrinsic values are important for them to stay in this industry. At the mean time, the research assessed that to increase the intrinsic work values in nurses thus, transformation leadership should be adopting in transforming nurses' extrinsic work values into intrinsic work values (Desley, Parker & Plank 2006).

Referring to the research conducted on transactional leadership to transformation leadership on Malaysia financial sectors has rated that their leaders as more transformational than transactional. The result of interview showed that the mean value for transformational leadership style was 4.64 versus a mean value of 3.85 for transactional leadership. This clearly showed that Malaysian financial leaders were indeed more transformational than transactional leadership style in order to build the work values of employees (transactional to transformational leadership: a vision or illusion). At the same time, a research was done in Malaysian focus group stated that they perceived more in extrinsic work values in any industry (Pearson 2002).

A research by Krug (1993) in the secondary school, found that leadership is important in building the work values of the teachers, the consistency of the principal's belief and thinking patterns influence their effectiveness as leaders (Krug 1993). According

to Rokeach (1973) values are acted on repeatedly and become life patterns. They are the guides and determinants of people behaviour, attitudes and ideologies. As referred to Edmonds (1979), effective schools have strong administrative leadership “without which the disparate elements of good schooling can neither be brought together nor kept together” (Edmonds 1979)

Based on the above, it seems that different industries adopt different leadership styles. In the printing industry the printing company, speed and cost is the key for achieving the surviving of the printing industry. The cost in terms of the raw material costs of paper, inks, cardboards and other materials, whereby the speed is directly concern to the work values of operators, as according to Putti (1989) worker in Singapore has better work performance when intrinsic work values is higher than extrinsic work values (Putti et al, 1989). So, this research is going to investigate what is the leadership style (transformational and transactional) of manager and work values (intrinsic and extrinsic) of employees in printing industry in Penang in order to stay competitive in the industry.

1.3 Research Objectives

The objectives of this study are:

- 1) 1) To identify the relationship between leadership styles (transformational and transactional) of managers and work values (intrinsic and extrinsic) of employees in printing industry in Penang.
- 2) To identify whether the relationship between leadership styles (transformational and transactional) and work values (intrinsic and extrinsic) is

affected demographic variables (age, work experience, and marital status) in printing industry in Penang.

1.4 Research Questions

- 1) Is there a relationship between leadership styles (transformational and transactional) of managers and work values (intrinsic and extrinsic) of employees in printing industry in Penang.
- 2) Does age affect the relationship between leadership style (transformation and transactional) of managers and work values (intrinsic, extrinsic) of employees?
- 3) Does work marital status affect the relationship between leadership style (transformation and transactional) of managers and work values (intrinsic, extrinsic) of employees?
- 4) Does work experience affect the relationship between leadership style (transformation and transactional) of managers and work values (intrinsic, extrinsic) of employees?

1.5 Significance of the Study

This research is expected to benefit the any industry of understanding the impact of leader towards the work values of employees. This study could be a reference for the printing industry operation in building up the work values of printing operators and also expected to bring considerable implication in knowledge development and operational benefits to both the researchers and practitioners. It focuses on human resource management and organizational behaviour field, in particular the area of leadership styles and work values.

This study is to provide more information for the human resources management of the printing industry to understand further the leadership styles and work values in this industry thus, human resources practitioner could be able to cater the expected work values to the employees and give advice to the leader about the leadership style would work better in this industry.

For researchers, the findings may pave the way for future research on those variables influencing work values which have not been studied before. As for the practitioners, this presented a right tool to them to identify the most effective and efficient way to improve the work values of their employees, so that resources can be channelled to the correct area for the above cause.

In addition, the previous study was only research on the relationship between work values and organizational goal in Malaysia, Singapore and Brunei by Chan & Pearson (2001). So far, there is no one study on the relationship between leadership style and work values in manufacturing industry in Malaysia.

1.6 Scope of Study

The study was focused on leadership style and work values of employees in printing industry in Penang. The individuals being studied in printing operators and the study was confined to printing industry and done in 2010.

1.7 Definition of key terms

Leadership is the process of influencing an organized group toward accomplishing its goal (Hughes, Ginnett & Curphy 2009). In the leadership they are three types of

leadership style i) transformational leadership ii) transactional leadership and laissez faire.

1.8 Leadership Style

Transformational leadership raise consciousness of followers by appealing to higher ideas and values such liberty, peace justice and equality (James and Sarros 2001)

Transactional leadership occurred when leader and follower are having same type of exchange relationship in order to get needs met, for instance, in exchange for work for money (Bass and Avolio, 1990, 1995)

1.9 Work Values

According to Pennings (1970) work values system can be defined as constellations of attitudes and opinions with which an individual evaluates his or her job and work environment. Work values are categorized into two types of work values they are intrinsic work value and extrinsic work value (Schwartz, 1999). Intrinsic values refer to as personal growth, culture values, personal values and ethical values. Extrinsic value will be like reward for skill and experience, performance based rewards and incentives. Intrinsic values is kind of satisfaction in himself or herself which is psychological delightful. Whereby, extrinsic values refer to as monetary rewards that satisfied the materials needs of employees (Schwartz, 1999).

1.10 Organizational of Chapter

The following chapters included chapter 2 on literature review, chapter 3 focus on methodology, chapter 4 on the findings and chapter 5 was focused on discussion.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

Literature review encompasses of information pertaining to leadership style, work values and moderating variables of age work experience and marital status. In the literature review explained that different leadership styles raise different work values of employees.

2.1 Definition of Leadership

“Leadership is coordinating and integrating employees with different styles through a process of applied creativity that includes continuously discovering and defining new problems, solving those problems and implementing the new solutions (Basadur 2004)”. “Leadership is an important process in organization to induce a subordinate to behave in a desired manner towards accomplish organizational goal” (Hughes ; Ginnett & Curphy 2009).

Leadership is one of the key ingredients in modernising today’s business. Better leadership means better employees outcomes and improved working practices for the company (NHS Modernisation Agency, 2004a). Besides that, Yukl (2002) also stress on that leadership is as the process of influencing others towards achieving some kind of desired outcome (how leader influence employees behaviour). The term leadership means different things to different people. Although no ultimate definition of leadership exists (Yukl, 2002), the majority of definitions of leadership reflect some

basic elements, including “group” “influence” and “goal” (Bryman, 1992). Influence others to achieve, leaders should translate into action to the people who consent to be led. A manager who wants to lead must learn how to facilitate a staff’s collectively learning how to express leadership. The principal should create conditions that will elicit leadership behaviours from everyone in the building in circumstances and at times that their contribution is essential for achieving the school’s purposes (Wayson (1979)

2.2 History of Leadership

The development of leadership began from the industrial revolution when there was a shift from an agriculture base to an industrial one and, thereby, required a change in how leaders would treat their followers. The Industrial Revolution created a paradigm shift to a new theory of leadership that emphasised every people gained power by virtue of their skills (Clawson, 1999). New technology, however, was accompanied and reinforced by mechanization of human thought and action, thus creating hierarchical bureaucracies (Morgan, 1997). This era of management such as theory was Max Weber, a German sociologist who “observed the parallels between the mechanization of industry and the proliferation of bureaucratic forms of organization” (Morgan, 1997, p. 17). He emphasized that the bureaucratic form of the administration process in the same manner that the machine routinized production. Weber’s concerns about bureaucracy, however, did not affect theorists who set the stage for what is now known as “classical management theory” and “scientific management.” Classical theorists focused on the design of the total organization while scientific managers focused on the systematic management of individual jobs. In contrast to Weber, classical theorists such as Henri Fayol and F. W. Mooney, staunch advocates of

bureaucratization, devoted their energies to identifying methods through which this kind of organizational structure could be achieved (Bass, 1990; Morgan, 1997). Collectively, these theorists set the basis for many modern management techniques, such as management by objectives. Scientific management, an approach heralded by Frederick Taylor, was technological in nature (Hersey, Blanchard, & Johnson, 1996). Taylor fused the perspective of an engineer into management with a strong emphasis on control, ruthless efficiency, quantification, predictability, and de-skilled jobs. He initiated time-and-motion studies to analyze work tasks to improve worker productivity in an attempt to achieve the highest level of efficiency possible. Consequently, he has been accused of viewing people as instruments or machines to be manipulated by their leaders. The function of the leader under scientific management theory was to establish and enforce performance criteria to meet organizational goals; therefore, the focus of a leader was on the needs of the organization and not on the individual worker.

The early theories and studies provided researchers with tangible and measurable performance outcomes that were directly transferable to profitability and spreadsheet bottom-lines. A new theory of organizations and leadership began to emerge based on the idea that individuals operate most effectively when their needs are satisfied. Maslow's (1959) Hierarchy of Needs posited that once a worker's physiological, security, and social (intrinsic) needs were met, productivity would only be possible if the employee's ego and self-actualizing (extrinsic) needs were also met. Leader focus became redirected toward worker needs.

Herzberg's Dual Factor Theory, the evolution of intrinsic and extrinsic needs, furthered Maslow's work stating that employees' intrinsic and extrinsic needs could, and should, be met simultaneously. Herzberg's (1966) Motivation-Hygiene Theory furthered the work of Maslow by providing insights into the goals and incentives that tend to satisfy a worker's needs. In the late 1970s, leadership theory research moved beyond focusing on various types of situational supervision as a way to incrementally improve organizational performance (Behling & McFillen, 1996; Hunt, 1991). Research has shown that many leaders turned to a transactional leadership theory, the most prevalent method of leadership still observed in today's organizations (Avolio, Walderman, & Yammarino, 1991; Seltzer & Bass, 1990). Transactional leaders lead through specific incentives and motivate through an exchange of one thing for another (Bass, 1990). The underlying theory of this leadership method was that leaders exchange rewards for employees' compliance, a concept based on bureaucratic authority and a leader's legitimacy within an organization (Tracey & Hinkin, 1994; Yukl, 1998). Avolio, Walderman, and Yammarino (1991) suggest that transactional leadership focuses on ways to manage the status quo and maintain the day-to-day operations of a business, but does not focus on identifying the organization's directional focus and how employees can work toward those goals, increasing their productivity in alignment with these goals, thus increasing organizational profitability (Avolio, Walderman, and Yammarino (1991) . The idea of transactional leadership is nearsighted in that it does not take the entire situation, employee, or future of the organization into account when offering rewards (Crosby, 1996).

The industrial keep continue develop as well as leadership style when needs of a person could not be met. The focus of effective leadership began to change. Leaders were no longer required to measure work and ensure that the most effective person did

it in the most efficient manner which did not always increase the organization's productivity and profitability anyway. Leaders now needed active involvement from the followers to achieve the organization's goals. Douglas McGregor, closely linked to the work of the behavioural theorists, provided a basis for a new emerging theory of transformational leadership.

The literature reviewed suggests that traditional power, derived from a leader's position in a bureaucratic, hierarchical structure, is becoming obsolete and that effective leaders work from the "inside out" to transform their organization and workers (Burns, 1978). The job of the transformational leader is not to make every decision within the organization, but to ensure that collaborative decision-making occurs (Badaracco & Ellsworth, 1989; Book, 1998; Dixon, 1998; Wheatley, 1994). This type of leadership motivates individuals to work together to change organizations to create sustainable productivity (Dixon, 1998). Transformational leaders look at where the organization should be heading and determine how to handle internal and external change and employee needs to reach that goal (Avolio, Waldman, & Yammarino, 1991; Pawar & Eastman, 1997; Tichey & Devanna, 1986). Transformational leadership is an expansion of transactional leadership (Bass & Avolio, 1994) and the transformational leadership has been the theory of choice for the past several decades (Patterson, 2003; Pawar & Eastman, 1997; Rainey & Watson, 1996).

2.3 Leadership Approaches

Leadership is conceptualised by the behavioural areas from laissez-faire style (non-leadership), through transactional leadership (which hinges on reward system and punishments), to transformational leadership (which is Performance and leadership

outcome correlates based on inspiration and behavioural charisma) (Bass and Avolio, 1993).

2.4 Trait Approach

Personality trait reflects the behaviour of the leader. A good leader serves and manages people with respect, care, honest, friendly and also with proactive, motivated and consistency attitude (Bass, 1990; Stogdill, 1974). From the perception of (Hollander and Julian, 1969; House et al., 1999; Lord et al., 1982, 1984, 1986; Lord and Maher, 1991) leader effectiveness are determined by prototypical notions of traits such as conscientiousness, agreeableness and emotional stability that characterize such leaders; and individuals who tend to emerge as leaders are those who mostly match group members' prototypical notions of effective leaders' traits and behaviours.

Effective leaders possess a set of traits or a prescribed set of behaviours exercised in response to a defined situation (Fiedler and Chemers, 1974). According to Yammarino and Dubinsky, (1994) leader with transformational leadership style is more emotional based compare to the transactional leadership. Those leader who considered themselves to motivate and inspire subordinates to work towards common goals (inspirational motivation), reported that they monitored and managed emotions both within themselves and others, similarly, those leader who rated themselves needs of subordinates (individual consideration) also rated themselves more likely to monitor and manage emotions both within themselves in others. Thus, the ability of leader is greatly depending on the emotional performance of leader, whom has good emotional has high ability to handle the needs of individual and motivate them to feel at work (Goleman, 1986b), in other words, this is to faster positive attitude at work and create

sense of contribution and importance with and among employees (Hogan et al ., 1994).

Leader with individual consideration and inspiration motivation to help people to develop and motivate is much depending on the certain his or her personal trait who is insightful, patient, intelligent and emotional intelligent and aggressive to lead his group to move one step ahead (Yammarino et al., 1993).

Thus, leadership trait based on the personality trait of a person possesses inside. It is can not be seen with bared eyes but they can be inferred from consistent pattern of behaviour and reliably measured by personal inventories, for example, leader must be hardworking, strong motivation, positive attitude and morality and potential to grow (Hughes, Ginnett & Curphy 2009).

2.5 Behavioural Approach

Behavioural approach refers to as leaders' behaviour influent the followers to change their beliefs and values in their works (Kellway and Barling, 2000). Leader with positive behaviour and consistency is potentially enhancing individual to be more innovative among their employees could attempt to consult them more often, ensure that employees have sufficient autonomy in deciding how to go about their task, and support and recognize people's initiatives and innovative efforts. Creating a positive and safe atmosphere that encourages openness and risk taking seems to encourage idea generation and application (Kellway and Barling, 2000). In the latest research by (Kahai et al., 2003; Shin and Zhou, 2003) in behavioural leadership said that most of leaders today are looking at the performance outcome rather than the innovative related outcome to suit the ever changing environment. With that, leader's influential

ability is greatly depended on the interaction with their employees in the organization (Yukl, 2002).

2.6 Contingency Approach

The contingency approach was first presented by organisation theorists Lawrence and Lorsch in the 1960s. The ever changing external environment has an impact on organisational structure and management, and that different forms of organisation occur under different environmental conditions. Thus, it concludes that there is not one best way to organise and that various forms of organisation have to be adapted to the environmental conditions (Lawrence and Lorsch, 1969)

Most of the managers believe that there is no single leadership style or leadership trait that universally applies in all situations (Lord, 2001). For example, environmental change in terms of the rapid advancement of technology and competitive is taking place locally and globally that impact the organization strategic plan to be changed in order to adjust to the fast changing environment to achieve its sustainability (Ursula and Jaatinen, 2001). In this highly dynamic environment, leader may not able to apply the old same method to solve the current problem as there is an ever- altering changed of external environment. Thus, it is referred to (Dennard 1996 op.ci) that what worked in the past may not necessarily work today (Dennard (1996) op. ci).

Meanwhile, the Situation Leadership Theory (SLT) that leader is effective if a manager uses the right style of leadership that best matches the willingness, readiness and ability that could lead to a higher level of subordinate satisfaction and performance. The basic leadership style in SLT is divided into four quadrants:

- i) High task and low relationship – telling
- ii) High task and high relationship – selling
- iii) Low task and high relationship – participating
- iv) Low task and low relationship – delegating

According to Hersey (1996), at the lower levels of readiness, the leader needs to provide direction whereas the higher levels of readiness, followers become responsible for task direction. Thus, the leader needs to know which leadership that able to lead employees to achieve the goals (Hersey et al. 1996).

Thus, react to different situation with different leadership style in handling and settling problem through influential power of leader to group. Contingency approach takes place where there is a dynamic and uncertainty situation requires flexible leadership style for attaining the expected outcome (Tarter & Hoy, 1997).

2.7 Transformational Leadership

According to Burns (1978) the transformational leadership is to raise employees' capability in order to achieve more than they are targeted to achieve. It is a moral agent of leader engages between follower to influence and change individual goals and belief unify with organization beliefs and goals. Further Bass (1985) suggested that transformation leader raise the followers' consciousness level and pursue them the interest of the organization over their own-self interest. Thus, transformational leadership style is strengthening group spirit to achieve beyond the expectation outcomes (Burns 1978).

Based on Bass and Avolio (1978), transformational leadership is divided into four dimensions or factors:

i) Idealized influence or charisma refers to the leader provides vision and a sense of mission and also a set high standard of ethical values where who gains respect, trust and increases optimism. Such a leader excites and inspires subordinates through his or her great persistence and determination in the pursuit of objectives and moral conduct, sacrifice self-gain for the gain of others, consider subordinates' needs over their own needs and share successes and risks with subordinates. This dimension is a measure of the extent of followers' admiration and respect for the leader and therefore, transformational leader who becomes a role models who are trusted by the subordinates.

As refer to (Shamir and Howell, 1999) the idealized influence behaviours are not restricted to the top of the organization and they are more likely to emerge among upper rather than middle managers. Their greater discretion and autonomy allows upper managers to follow personal values to a large extent and to engage in innovative, unconventional activities. Also, upper managers have the authority to initiate large-scale changes and to promote them through charismatic action-taking. Accordingly, Waldman et al. (2004) found CEOs' charismatic leadership to enhance strategic change at the company level. Middle managers may find it more difficult to perform such behaviours. Constrained by organizational regulations and limited in their authority to initiate far-reaching, innovative decisions, middle managers' charismatic appeal is likely to remain limited. As Shamir and Howell (1999) argued, lower level leaders (such as middle managers) "typically have a more limited span of discretion, and are more likely to adapt their behaviours to the expectations of their superiors unless their superiors expect them to behave in a charismatic manner, it may be very difficult for them to do so" (pp. 276-277). Middle managers may nevertheless be able to attain idealized influence by setting a personal example in daily interactions

with followers (Rainey and Watson, 1996). However, they usually lack upper managers' opportunities for large-scale, charisma-building actions, such as sizable symbolic activities or planned speeches (Shamir and Howell, 1999).

ii) Inspirational motivation. The leader stimulates subordinates to envision attractive future states while communicating expectations and demonstrating a commitment to goals and a shared vision. The leader acts as a role model for subordinates, communicates a vision and uses symbols to focus efforts. This dimension is a measure of the leader's ability to engender confidence in the leader's vision and values. Inspirational motivation provides followers with an overarching vision, communicating high performance expectations, and using symbolic acts to focus followers' efforts on achieving the vision (Bass, 1985). Such leadership is more likely to occur among upper rather than middle managers. As Antonakis and Atwater, p697 (2002) argued, "the role of top-level leaders is to use their vision and values to ensure that organizational resources are used to achieve the organization's intended objectives. At lower hierarchical levels, values and vision also play a role, but different instrumental leader behaviours will contribute to organizational performance" (Antonakis and atwater, p. 697, 2002). In contrast to upper management, middle managers' job profile usually does not include the formulation of visionary goals (Bryman, 1992). Also, upper managers' responsibilities are usually more abstract and long-term oriented than those of middle managers (Pavett and Lau, 1983; Van der Velde et al., 1999). Thus, upper managers may find it more important to focus on the big picture and to develop and communicate a meaningful vision. Middle managers may nevertheless be able to achieve certain levels of inspirational motivation by explicating the visionary aspirations defined by upper management

towards their followers, by clarifying how work unit goals relate to the visions, and by translating strategic objectives into daily routines (Rainey and Watson, 1996). However, while middle managers' inspirational motivation is likely to remain limited to such a smaller scale, upper managers more frequently have opportunities for the development and communication of a global, strategic vision for the entire organization or significant subunits thereof (Shamir and Howell, 1999).

iii) Individual consideration. Leaders build a considerate relationship with each individual, pay attention to each individual's need for achievement and growth by acting as a coach or mentor, developing subordinates in a supportive climate to higher levels of potential. Individual differences in terms of needs and desires are recognized is a measure of the extent to which the leader cares about the individual follower's concerns and developmental needs. These leader behaviours seem unlikely to differ between upper and middle managers, because they do not require great amounts of hierarchical power and autonomy. Rather, such behaviours can be performed in daily interactions with subordinates by both upper and middle managers (Avolio and Bass, 1995; Rainey and Watson, 1996). Upper managers' tasks, for example, may contain many aspects of individualized consideration, such as employee empowerment and development (Javidan and Dastmalchian, 1993). Similarly, middle managers may be in an excellent position for individualized consideration, as they are often closely related to their direct subordinates, making them aware of subordinates' strengths, weaknesses, and development potentials (Rainey and Watson, 1996). Some researchers have gone so far as to suggest that individually considerate behaviours may be performed even by non-

transformational leaders throughout the organization (House and Shamir, 1993). We therefore do not expect pronounced differences regarding individualized consideration among upper and middle managers

- iv) Intellectual stimulation. Leaders stimulate their subordinates' efforts to be innovative and creative by questioning assumptions, reframing problems, and approaching old situations in new ways. Leader encourages subordinates to try new approaches but emphasizes rationality and stimulates followers to rethink old ways of doing things and to reassess their old values and beliefs. This dimension is concerned with the degree to which followers are provided with interesting and challenging tasks and encouraged to solve problems in their own way (Bass 1985).

Intellectually stimulating leaders encourage followers to develop innovative ideas and to challenge old ways of doing things by proactively involving followers in their decision-making (Bass, 1985). Upper managers may perform such behaviours to a greater extent than middle managers, because due to their higher autonomy, they may have greater freedom to probe innovative solutions and to involve subordinates in the search for novel approaches (Shamir and Howell, 1999). Also, with upper managers' work problems often being ill-defined and complex, they may more frequently depend on direct subordinates' creativity in developing effective solutions (Waldman et al., 2004). Thus, upper managers may have the authority, the opportunity, and the necessity to exhibit intellectual stimulation. Middle managers may find it more difficult to approach work problems in innovative ways, as their tasks are more clearly pre-defined. Therefore, middle managers also may less often require their

subordinates' creativity to arrive at effective solutions, diminishing the necessity for intellectually stimulating behaviours. And finally, middle managers may lack the authority to promote innovative processes. They "often serve as rule enforcers and protectors of the organization rather than innovators" (Rainey and Watson, 1996, p. 780). Due to their general familiarity with followers' work, middle managers may be able to stimulate followers' creativity by framing given tasks in challenging ways (Rainey and Watson, 1996). Nevertheless, such intellectual stimulation is likely to be less comprehensive and less frequent than in the case of upper managers. Accordingly, managers at higher organizational levels have been found to more frequently include subordinates in their decision-making than lower level managers (Jablin, 1987) and to give subordinates greater opportunities to critically question managerial instructions (Miles et al., 1996). In the transformational, leader motivates employees through the idealization (high standard of ethical values and role model), inspiration motivation (engender employees confidence through its leader's vision and values), individualization (identify individual development needs) and intellectual (encourage employees think for different ways of problem solving method). Through these four factors leaders seem to be able to deal with strategic matters more efficiently and in turn are able to build commitment in employees, these leaders are more likely to take an organization forward.

Furthermore, transformational leadership causes more active behaviour of every participant due to inner motivation (Burns, 1978) and so, leader needs emotion intelligent to improve individual development needs to influence employees to change (Yammarino and Dubinsky 1994). Similarly, a research from (Salovey and Mayer, 1990) that transformational leader needs emotional intelligent which was described as

a set of abilities of leader of how effectively ones deal with emotions both within oneself and others. It has been proposed that in leadership, dealing effectively with emotions may contribute to how one handles the needs of individual and how effectively motivate employees. Yammarino and Dubinsky (1994) argued that transformational leadership is more emotion-based compared to transactional leadership and involves heightened emotional levels. It is predicted that there will be stronger relationship between emotional intelligent and transformational leadership than between emotional intelligent and transactional leadership.

Palmer et al. (2001) reported on emotional to evaluate the link between emotional intelligent and leadership style and found significant correlations with several components of the transformational leadership model. Specially, the inspirational motivation and individualized consideration components of transformational leadership correlated with the ability to monitor emotions and the ability to manage emotions.

The performance management emotional intelligent is critical in leading employees towards organizational goals. Leader may not only to deliver outputs but also to deal effectively with colleagues and staff. It may be common for leader to have “what” but not “how” skills (the “how” of performance – MAC, 2001). For example, a production engineer may perform complex tasks tenaciously and manage to produce business outputs, but may be ineffective at managing his or her subordinates, leading to staff turnover and underperforming. So, the result of staff turnover and underperforming might show that emotional intelligent may be useful in identifying who is and is not likely to deal effectively with colleagues and staff thus, emotional intelligent is important for a leader when communicating and dealing with people in the

organization in order to increase employees' commitment (Ciarrochi, 2005). This is because a creative thinking and flexible planning is associated with the emotional intelligent construct, specifically with the ability to utilize and assimilate emotions in thoughts (Salovey and Mayer, 1990).

Transformational leaders stimulate their followers' commitment to the organization (Barling et al., 1996), its goals and values (Bass, 1998), and team commitment (Arnold et al., 2001). However, Bass (1998) and Yukl (2002) define commitment differently. According to Yukl's (2002) the definition refers to an agreement between leader and followers internally and enthusiasm when carrying out a request or a task. When Bass (1998) discusses the association between transformational leadership and commitment, he refers to a broader loyalty and attachment to an organization.

In addition, Yukl (1999) argues that the transformational leadership model overlooks some behaviours that in relation to effective leadership such as influence behaviours could be one of the factors. Influence is defined as an interactive process in which leader attempts to convince other people to believe and or act in certain ways hence, influence behaviour in the leader and hope that request to be presented by the followers. The influence process is important in as much as it impacts on the outcome of the request (Yukl, 2002). The target of the request may be committed, compliant, or resistant. When the target internally agrees with the request and is enthusiastic about it, then the target is committed. There are three types of behaviours of followers a compliant target will carry out the request, but with indifference and minimal effort. Finally, resistance is manifested by an active avoidance of carrying out the request.

There are eleven influence tactics, including rational persuasion, apprising, inspirational appeals, consultation, collaboration, ingratiation, personal appeals,