

A Study of the relationship between leadership styles
(transformational and transactional) and employees' job satisfaction
in the electronic industries, in Penang.

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

2009

DEDICATION

MY Family:

My father, Chan Beng Yew
My Mother, Sing Seng Sing
My sister Chan Leng Fung

ACKNOWLEDGEMENT

It is with deepest gratitude to my God That I complete my Master's degree studies in Management. With his unfailing love and guidance, I would never have the strength and courage to continue this endeavor.

I wish to express appreciation to the people who have inspired and assisted me in the preparation of the dissertation. I extend my deepest appreciation to my supervisor Dr Mohammad Hossein Motaghi, for his guidance and encouragement to make this study possible. His strategy and data collection and analysis method provide the framework around this dissertation.

I would also like to thank my family, I express my love and gratitude for instilling in me the values, work ethic, commitment, and throughout my life. Without their advice and encouragement I would never be able to pull through during the hard time.

To my friends at USM, who have supported and encourage me, I express my gratitude. In particular, I would like to thank Pei Sun and Adel Tajasom for their support in scheduling classes and other work-related commitments, allowing full-time graduate school, through formidable, to become reality. To my friend in Singapore, Seow Ming Hua and Ho Pei Yun.

TABLE OF CONTENTS

TITLE	
DEDICATION	ii
ACKNOWLEDGEMENT	iii
TABLE OF CONTENT	iv
LIST of FIGURES	vii
LIST of TABLES	vii
APPENDICES	vii
ABSTRAK	viii
ABSTRACT	ix

Chapter 1 INTRODUCTION

1.1	Introduction.....	1
1.2	Background of study.....	3
1.3	Research problem/problem statement.....	6
1.4	Research Objectives.....	8
1.5	Research Questions.....	9
1.6	Scope of Study.....	10
1.7	Significance of Study.....	11
1.8	Definitions of Terms.....	13

Chapter 2 LITERATURE REVIEW

2.1	Introduction.....	15
2.2	Definition of leadership.....	16
2.3	Theories of leadership.....	16
2.3.1	Traits Theory	16
2.3.2	The Great Man Theory	17
2.3.3	Behavioral Theory	18
2.3.4	Contingency Theory	19
2.3.4.1	Fiedler's Contingency Theory.....	19
2.3.4.2	Vroom and Jago Leadership Theory.....	20
2.3.5	Situational Theories.....	21
2.3.5.1	Hersey-Blanchard Situational leadership theory.....	22
2.3.5.2	Path-Goal Theory.....	23
2.3.6	Transactional and Transformational Leadership Theories.....	24
2.3.6.1	Transactional Leadership Theory.....	25
2.3.6.2	Transformational Leadership Theory.....	28
2.4	Leadership styles.....	31
2.4.1	Authoritarian (or autocratic) style.....	31
2.4.2	Democratic Leadership Style.....	31
2.4.3	Laissez-Faire Leadership Style	32
2.4.4	Charismatic Leadership Style.....	32
2.4.5	Transactional leadership style.....	33
2.4.6	Transformational leadership style.....	34
2.5	Job satisfaction.....	38
2.5.1	What is attitude?.....	38

2.5.2	What are organizational attitudes?.....	39
2.5.2.1	Job involvement.....	39
2.5.2.2	Organizational commitment.....	40
2.5.2.3	Job Satisfaction.....	40
2.5.2.3.1	How Job satisfaction Forms?.....	41
2.5.2.3.2	How Job satisfaction changes?.....	42
2.6.1	How job satisfaction is affected by leadership styles?.....	44
2.6.2	Studies related to leadership style and job satisfaction.....	45
2.7	Moderator variables of relationship between leadership style and job satisfaction.....	46
2.7.1	Age.....	46
2.7.2	Work experience.....	47
2.7.3	Marital status.....	48
2.7.4	Gender (sex).....	48
2.8	Theoretical Framework.....	50
2.8.1	Hypothesis Development.....	52
Chapter 3 METHODOLOGY		
3.1	Introduction.....	54
3.2	Research Design.....	54
3.3	The nature of study.....	54
3.3.1	Population.....	55
3.3.2	Sample frame.....	56
3.3.3	Unit of analysis.....	56
3.3.4	Sample size.....	56
3.3.5	Sampling method.....	56
3.4	Measurement of variables.....	56
3.5	Data collection.....	59
3.6	Data analysis.....	60
3.6.1	Descriptive statistic.....	60
3.6.2	Factor analysis.....	61
3.6.3	Reliability of measures.....	61
3.7	Summary.....	61
Chapter 4 RESTULTS		
4.1	Introduction.....	62
4.2	Sampling Profile.....	62
4.3	Goodness of Data.....	63
4.3.1	Factor Analyses.....	65
4.4	Reliability Analysis.....	67
4.5	Descriptive Analyses.....	68
4.6	Correlation Analysis.....	69
4.7	Hypothesis Testing.....	70
	H1: The positive relationship between transactional leadership style and job satisfaction.....	70
	H1a: The positive relationship between contingent reward and job satisfaction.....	71
	H1b: The positive relationship between management by exception passive and job jatisfaction.....	71

H1c: The positive relationship between management by exception active and job satisfaction.....	71
H1d: Age moderate the relationship between transactional leadership style and job satisfaction.....	72
H1e: Sex moderates the relationship between transactional leadership style and job satisfaction.....	74
H1f: Marital status moderates the relationship between transactional leadership style and job satisfaction.....	75
H1g: Work experience moderates the relationship between transactional leadership style and job satisfaction.....	76
H2: The positive relationship between transformational leadership styles and job satisfaction.....	78
H2a: The positive relationship between Individualized consideration and job satisfaction.....	78
H2b: The positive relationship between Inspirational motivation and job satisfaction.....	78
H2c: The positive relationship between Intellectual stimulation and job satisfaction.....	79
H2d: The positive relationship between Idealized influence and job satisfaction.....	79
H2e: Age moderates the relationship between transformational leadership style and job satisfaction.....	79
H2f: Sex moderates the relationship between transformational leadership style and job satisfaction.....	81
H2g: Marital status moderates the relationship between transformational leadership style and job satisfaction.....	83
H2h: Work experience moderates the relationship between transformational leadership style and job satisfaction.....	84
4.8 Summary of the Results.....	86
Chapter 5 DISCUSSION	
5.0 Introduction.....	89
5.1 Recapitulation.....	89
5.2 Discussion of the Findings.....	89
5.3 Implications of the Study.....	92
5.4 Study Limitations.....	92
5.6 Future Research and Recommendation.....	93
5.7 Conclusion.....	94
References.....	95
Appendices.....	110

LIST OF TABLES

Table 3.1: Distribution of scale items of transformation and transactional leadership style, job satisfaction and demographics.....	59
Table 4.1 Profile of Respondent.....	62
Table 4.2A Factor analysis for independent variables (Transformational leadership styles).....	64
Table 4.2B Factor analysis for independent variables (Transactional leadership styles).....	66
Table 4.2C Factor analysis for dependent Variables (Job satisfaction) Factor Loading for Job satisfaction.....	67
Table 4.3 Results of Reliability test.....	68
Table 4.4 Descriptive of Aggregated Statistics.....	68
Table 4.5 Inter-correlation among variable.....	70
Table 4.6.1 Regression Results on Transactional Leadership and Job Satisfaction.....	71
Table 4.6.1A The Effect of Age as Moderator on Relationship between on Transactional Leadership and Job satisfaction.....	73
Table 4.6.1B The Effect of Sex as Moderator on Relationship between on Transactional Leadership and Job Satisfaction.....	74
Table 4.6.1C The Effect of Marital Status as Moderator on Relationship between on Transactional Leadership and Job Satisfaction.....	76
Table 4. 6.1D The Effect of Work Experience as Moderator on Relationship between on Transactional Leadership and Job Satisfaction.....	77
Table 4.7.1 Regression Results on Transformational Leadership and Job Satisfaction	78
Table 4.7.1A The Effect of Age as Moderator on Relationship between on Transformational Leadership and Job Satisfaction.....	81
Table 4.7.1B The Effect of Sex as Moderator on Relationship between on Transformational Leadership and Job Satisfaction.....	82
Table 4.7.1C The Effect of Marital Status as Moderator on Relationship between on Transformational Leadership and Job Satisfaction.....	84
Table 4.7.1D The Effect of Work Experience as Moderator on Relationship between on Transformational Leadership and Job Satisfaction.....	85
Table 4.8 Summary of the results.....	86

LIST OF FIGURES

Figure 1 Satisfaction and Performance Relationships: 3 views.....	42
Figure 2 – Conceptual model.....	51

APPENDICES

Appendix A-1 Cover Letters.....	109
Appendix A-2 Questionnaires.....	110
Appendix B Frequency Analysis.....	114
Appendix C Factor Analysis.....	115
Appendix D: Reliability Test.....	135
Appendix F: Correlation Analysis.....	148
Appendix G: Regression Analysis.....	151

ABSTRAK

Kajian ini adalah untuk memeriksa hubungan antara kepimpinan (transformasi dan transaksi) dan kepuasan bekerja dalam industri elektronik. Ia juga mengambil berat mengenai peranan moderator, umur, jantina, taraf perkahwinan, dan pengalaman kerja. Soal selidik diberi kepada 300 orang jurutera dalam dua buah syarikat elektronik dalam wilayah utara Malaysia, daripadanya seratus lima puluh berjaya dikutip balik. Analisis statistik menjelaskan hubungan antara pembolehubah-pembolehubah yang ada. Manakala paling banyak penemuan penting yang dijumpai adalah cara kepimpinan (transaksi dan transformasi) yang berkaitan dengan kepuasan bekerja oleh pekerja-pekerja terbabit. Implikasi kajian itu telah dibincangkan, dan beberapa cadangan telah dibuat.

ABSTRACT

The study was to examine the relationship between leadership styles (transformational and transactional) and job satisfaction in electronic industry. It is also considered the moderating role of age, gender, marital status, and work experience. A set of questionnaires was administered to 300 engineers in two electronic companies in northern region of Malaysia, of whom one hundred and fifty responded. Statistical analysis was done to explain the relationship between variables. The most salient finding was that leadership styles (transactional and transformational) were related to job satisfaction of employees. Implication of the study was discussed, and some suggestions were made.

Chapter 1

INTRODUCTION

1.1 Introduction

One of the earliest developed countries in the world is Malaysia. Dr. Mahathir visualization of Vision 2020 inspired all Malaysians to share in this Vision. Later, with excellent leadership of the Prime Minister, Vision 2020 was rapidly adopted as national Vision. This Vision gives new and higher standards and goals for national objective, and transformed the way Malaysians see themselves and into the shared destiny. Malaysians are urged by their leaders to strive to be the best and not settle for the second best (Wee, 2003). About 30 years ago, Malaysia was once a vast rice field, now it is a free trade zone which housed 700 electronics companies and 175,000 workers (Yazicioglu, 2003). Yazicioglu (2003) stated that in the 1970s, with an economy dominated by agriculture, trade and shipping, this 1,285-acre area was transformed and now contributed 60 percent of the country's electronics exports. During 1970, with the establishment of 8 multinational companies, Penang generated USD \$342 million for the Malaysian economy; today, the figure has ballooned to USD\$4.47 billion (Yazicioglu, 2003).

Leaders are believed to be able to realize change and develop strategies to effect change (Snyder and Shorey, 2003). In challenging time, strong leadership is accepted as the key to providing people with visions and responding to social demands (Melum, 2002). Leadership has been defined as the processes involve influencing follower toward vision and goal achievement (Stogdill, 1948). This process include interactions of social communications in the circumstance particularly response to situations (Birnbaum, 1992).

Bass (1960) defined leadership as how leader can transform the ways follower think and proceed, and how the group were inspire by the leader can perform its project. Kouzes and Posner (2002) also argued that leadership is a relationship between people who seek to lead and people who desire to be leaded. Fiedler and Chemers (1974) stated that the main challenge for managers is to build a long-term vision, to increase job satisfaction toward a better performance. In order to actualize this vision they should focus on inspiring and empowering their employees.

In working environments, managers usually exert a direct influence upon subordinates' attitude and behavior, such as job satisfaction. There are some managers who enable employees to participate more in decision making and encourage two way communications process. This managerial behavior is called transformational leadership (Judge and Bono, 2000). According to Bass (as cited in Berson and Linton, 2003), the effective leaders encourage followers to excel in performance by using vision, intellectual stimulation, and individualized consideration to inspire employee.

On the other hand, there are some managers who give specific tasks and procedures and practice closely monitoring their subordinates in order to prevent mistakes. They tend to create a climate of higher pressure and emotional exhaustion. This managerial behavior is called transactional leadership.

However, Bryman, (as cited in Evans, 2005) stated that transactional leadership behaviors do not qualify as a real leadership. It does not seek to motivate followers beyond the level that is required to avoid punishment or gain extrinsic rewards.

However, in the competitive world business environment it is vital that organizations employ leadership styles that enable them to survive in a dynamic environment. It is argued that effective leadership has positive influence on the performance of employees (Maritz, 1995; Bass, 1997). Ivancevich, Konopaske and Matteson (2008) believe that if leaders are able to develop generally favorable attitudes toward the organization and the job then they are able to achieve effectiveness.

This study is going to investigate the relationship between leadership styles (transformational and transactional) and job satisfaction of employees in electronic industry in Northern region of Malaysia.

1.2 Background of the study

Leadership is one of the important factors in the success and continued success of groups and organizations. An effective leadership style plays a very important role toward job satisfaction. While Leadership styles have an impact on organizations, leaders who want the best result should not rely on a single leadership style. Kouzes and Posner (2003) stated that charismatic and transformational leadership styles have attracted substantial research attention. The charismatic, transformational, and transactional are all dependent on perception of individuals (Awamleh and Gardner, 1999). In all famous transformational and transactional theories of leadership approaches, charisma remains a basis (Bryman, 1992; Paul, Costley, Howell and Dorfman, 2002).

In order to understand transformational leadership, we must differentiate it from transactional leadership. Burns (as cited in Emery and Barker, 2007) stated that

transactional leadership is a leadership style that based on bureaucratic authority, legitimacy, work standards and assignments task oriented within the organization. Also, he suggests that transactional leaders tend to focus on exchange process where the leaders administer rewards and punishments. This mean that the leader and follower agree, explicitly or implicitly, that desired follower behaviors will be rewarded, while undesirable behaviors will result in punishment. Therefore, transactional leadership essentially involves cost benefit economic exchange with followers (Bass, 1985a). On the other hand, the next leadership style is thought to achieve remarkable levels of performance from followers. This is called transformational leadership style. It engages followers by appealing to their upper level needs (e.g. self-actualization) and ideals that yield higher levels of follower satisfaction, performance, and organizational commitment in individuals. Burn (as cited in Evans, 2005) stated that the transformational leadership is a leadership style that motivates followers by appealing to higher ideals and moral values.

Over the year researchers have attempted to understand the nature of job satisfaction and its effects on work performance (Mullins, 2005). Job satisfaction is a complex and multifaceted concept, which can have different meaning to people. Job satisfaction is more of an attitude (Locke, 1976). Hoy and Miskel (1996 p.252) stated that job satisfaction has been studied since the early 1930s. Early proponents felt "a happy worker was a productive worker". The definition of job satisfaction was developed by Hoppock (1935 p.252) as any combination of psychological, physiological and environmental circumstances that cause a person to say, "I am satisfied with my job". The study of job satisfaction strengthened with the concern for the quality of work, epitomized in the 1970s by the publication of *Work in America* (Hoy and Miskel, 1996). Some researchers define job satisfaction as an emotional

reaction to a job whereby the employee compares actual outcomes or desires to expected or deserved outcomes (Cranny, Smith, and Stone, 1992).

Ratsoy (1973) suggests that if employees recognize a high degree of bureaucracy in their organizations, their job satisfaction will decrease. In addition, leadership, decision making, and communication processes also influence job satisfaction. Grassie and Carss (1973) stated that the quality of leadership correlates highly with job satisfaction. Likewise, as the organizational climate of companies becomes more open or participative, the level of employee satisfaction increases (Miskel, Fevurly, and Stewart, 1979).

Leadership styles (transformational and transactional) and job satisfaction are recognized as fundamental components influencing the overall effectiveness of organization (Kennerly, 1989). Leithwood (1992) stated that managers practicing transformational leadership style can have a sizeable influence on employees and have noteworthy changes of employee attitudes toward industrial improvement. Robbins (2003) described transformational leaders as managers who encourage subordinates to transcend their self-interest and who are capable of having profound and extraordinary effect on subordinates; whereas, managers practicing transactional leadership style can offer reward to subordinates on the basis of return of effort and performance (Robbins, 2003). In some electronic manufacturing companies, employee dissatisfaction due to project failures and often these are the result of management and organizational issues, rather than the technology (Leibowitz, 1999). The job dissatisfaction of employees has been a problem in many organizations (Niederman and Sumner, 2004). Employees possessing technological skills in high demand have shown more loyalty to their own careers and personal development than to their organizations (Gooley, 2001). For instance, when key

employees lose satisfaction or interest of the job, they may be present or be on time for work because of company policy, but later on choose to leave the organization, when they find a better paid job. They may depart with critical knowledge of business processes which are vital for maintaining a competitive advantage of the organization (Parker and Skitmore, 2005). There is also concern cause if employee departs before the completion of project. The loss of key employee can disrupts the project team with insufficient knowledge and an inadequate staffing level which increase the risk of failure (Keil, Cule, Lyytinen, and Schmidt, 1998).

In the light of the above realization, although the relationship between leadership and employee attitudes such as organizational commitment and job satisfaction has been well documented in previous research (for example, Dumdum, Lowe and Avolio, 2002; Judge and Piccocolo, 2004; Lowe, Kroek, and Sivasubraman, 1996), the researcher is not aware of any prior research that has examined the relationship between transactional and transformational leadership styles and job satisfaction in Malaysia. Therefore, this study is going to investigate the relationship between leadership styles and employees' job satisfaction in electronic industry, in Northern region of Malaysia.

1.3 Research problem/problem statement

In manufacturing companies, employees are vital component of the production factors of an organization (Storey, 1995). A variety of factors influence their work lives. These factors affect their performance and ultimate productivity. Employees' satisfaction levels are reflected in their intrinsic and extrinsic willingness to put their labor at the disposal of their employer (O'Malley, 2000). However, job satisfaction is not the only factor that causes people to produce at different rates (Daniels, 2001). In

addition to being influenced by the level of satisfaction, performance is affected by a worker's ability as well as a number of situational and environmental factors such as mechanical breakdowns, low quality materials, an inadequate supply of materials, and availability of stock and market forces (Gower, 2003). Scholars suggested that the human aspects of the manufacturing industry are more important than the technological characteristics for the success of a project (Byrd, Lewis, and Turner, 2004; Gorla and Lam, 2004).

Byrd, Lewis, and Turner (2004) argued that organizational functions, and managerial skills are compulsory for employee in addition to current technical skills they already have. Gorla and Lam (2004) identified several team-related factors that affect project development and performance. These factors included personality composition of the members, team leadership, communication and coordination. Other researches emphasized the importance of supervisor-subordinate communication and interactions. A survey, taken from management executives, by Messmer (2004) suggests 43% individual's relationship with his or her manager has the greatest impact on job satisfaction. Messmer (2004) outlined some proposal for the managers should a) encourage professional growth, b) show a personal interest and be supportive, c) avoid mixed messages and provide competitive pay.

Although the relationship between 'concern for employees' and job satisfaction is not always clear, research in this area generally indicates that consideration is more positively related to satisfaction than a task structured style of leadership (Wilkerson and Wagner, 1993). Thus, Therefore, it can be argued that job satisfaction is the result of two types of elements: intrinsic and extrinsic (Herzberg, 1968). Leadership is one of the extrinsic factors that had a significant impact on employee work attitude. A leader positive attitude toward employees improve

employee attitudes toward work and the organization; And a leader negative attitude has an adverse effect on employee attitudes. Thus leadership styles can cause employees positive or negative attitudes toward the job. Turnover experts, both academic and practitioner, have asserted that leadership plays a significant role in employee turnover decisions (Maertz and Griffeth, 2004).

Parker and Skitmore (2005) also concluded that, when employees leave the company, they disrupt and negatively affect project team performance and potentially negating an organization's competitive advantage. Thus, job dissatisfaction and transition issues caused by turnover will lead to poor quality and may negatively affect employee and manufacturing's growth and development. Therefore, the problem which initiated in this study was job dissatisfaction of employees due to poor leadership style/application which could cause loss of competitive edge for electronic firms.

1.4 Research Objectives

The leadership styles of the managers have been found to contribute to job satisfaction and organizational commitment (Jackofsky and Slocum, 1987). This suggests that the various leadership styles exhibited by managers influence the job satisfaction of the followers. Therefore, the purpose of this study is to investigate whether there is a relationship between leadership styles (Transformational and Transactional) and Job satisfaction; of employees and whether Age, Gender Marital Status and Working Experience moderate the relationship between the above mentioned variables.

1.5 Research Questions

In order to achieve the above-mentioned objectives, the following questions should be answered:

- 1) Is there a positive relationship between transactional leadership style and job satisfaction?
 - 1a) Is there a positive relationship between contingent reward and job satisfaction?
 - 1b) Is there a positive relationship between management by exception passive and job satisfaction?
 - 1c) Is there a positive relationship between management by exception active and job satisfaction?
 - 1d) Does age moderate the relationship between transactional leadership style and job satisfaction?
 - 1e) Does sex moderate the relationship between transactional leadership style and job satisfaction?
 - 1f) Does marital status moderate the relationship between transactional leadership style and job satisfaction?
 - 1g) Does work experience moderate the relationship between transactional leadership style and job satisfaction?
- 2) Is there a positive relationship between transformational leadership style and job satisfaction?
 - 2a) Is there a positive relationship between individualized consideration and job satisfaction?

- 2b) Is there a positive relationship between inspirational motivation and job satisfaction?
- 2c) Is there a positive relationship between intellectual stimulation and job satisfaction?
- 2d) Is there a positive relationship between idealized influence and job satisfaction?
- 2e) Does age moderate the relationship between transformational leadership style and job satisfaction?
- 2f) Does sex moderate the relationship between transformational leadership style and job satisfaction?
- 2g) Does marital status moderate the relationship between transformational leadership style and job satisfaction?
- 2h) Does work experience moderate the relationship between transformational leadership style and job satisfaction?

1.6 Scope of the study

The study was conducted on employees in electronic firms in northern region of Malaysia. The individuals being studied included engineers. The study confined to electronic industry and was done in 2009.

1.7 Significance of Study

In work setting, leaders are often the most important individuals and are most likely to exert a direct influence on the attitude and behavior of their employees. Leaders who encourage a two-way communication process and enable employee to participate in decision making create a favorable climate among their employees. Their followers are motivated and encouraged to work for goals instead of short-term self-interest (Ivancevich et al., 2008). They are considered as transformational leaders. Transformational leadership consists of: individualized consideration; inspirational motivation; intellectual stimulation; and idealized influence (Sarros and Santora, 2001).

On the other hand, leaders who are perceived to closely monitor their employees based on their legitimate authority within the bureaucratic structure of the organization tend to create stress and emotional exhaustion among their staff (Mullins, 2007). They are considered as transactional leaders. This style of leadership consists of two dimensions: contingent rewards; and management by exception (passive; active) (Sarros and Santora, 2001).

Therefore, leadership style has been shown to have significant impact on employees' attitude and behavior, especially on job satisfaction (Lok and Crawford, 1999, 2001). It contributes enormously in the success and/or failure of an organization. The relationship of leadership styles and employee performance has been extensively studied (Bass, 1990a; Collins and Porras, 1996; Manz and Sims, 1991; Sarros and Woodman, 1993).

Some of the leadership styles with their special attributes sometimes are seen as important factors for employee job satisfaction. Transformational leadership

attributes are considered as such (Iverson and Roy, 1994; Sergiovanni and Corbally, 1984; Smith and Peterson, 1988).

Therefore, job satisfaction as an attitude that worker have about their jobs could be influenced by leadership styles (Ivancevich et al., 2008). Job satisfaction has received significant attention in studies of the work place. This is due to general recognition that this variable can be one of the major determinants of organizational performance (Angle, 1981; Riketta, 2002). When employees are not satisfied at work, the productivity and effectiveness will suffer (Laschinger, 2001; Miller, 1978). Thus, job satisfaction is an important attitude to overall contribution of the employee to the organization which can be affected and influenced by leadership styles.

Leadership development is one of the crucial factors in managing global issues of today business world; consequently, it is vital to understand the leadership styles which are being practiced and their relation to job related factors. Therefore, identifying the relationship between leadership styles and job satisfaction in electronic industry in region of Malaysia can enhance understanding of what kind of leadership styles is likely to be conferred with influence and status over others at such work setting. Furthermore, it is believed that some of the attributes of transformational leadership styles such as empowerment and clear vision are often seen as important elements of employee job satisfaction (Iverson and Roy, 1994; Sergiovanni and Corbally, 1984; Smith and Peterson, 1988) are associated with a flatter organizational structure in western firms (Whitley, 1997; Chen, 2001); Whereas, Asian firms tend to be more bureaucratic, hierarchical, have central decision making and are policy driven (Lok and Crawford, 2003). This study broadens the application of existing research to a new cultural paradigm. Such information not only elevates the level of organizational learning but also will assist practitioners in developing incentive

structures that effectively result in job satisfaction of Malaysian employees. It also provides the foundation for exploring of regional and ethnic differences in employees' job satisfaction.

1.8 Definitions of Terms

Leadership Style - Leadership style is the method and approach of providing directions and guides, inspiring people, and executing plans (U.S.Army, 1973). The style of leadership, that individuals use, will be based on a mixture of their beliefs, values and preferences, as well as the organizational culture (Bolman and Deal, 1991).

Transformation leadership: the leaders inspire subordinates to do beyond expected by instilling pride, communicating personal respect, facilitating creative thinking, and providing inspiration (Bass, 1985). This leadership style occurs when one or more persons engage with others in such a way that leaders and subordinates raise one another to higher levels of motivation, innovation, creativity and morality (Tucker and Russell, 2004). Sarros and Santora, (2001) stated the four dimensions of this styles as: a) Individualized consideration which is defined as where the leader treats employees as essential components of the organization; b) Inspirational motivation which is defined as where the leader attempts to communicate the organizational vision, challenge workers, provide encouragement and allow autonomy; c) Intellectual stimulation which is defined as where the leader attempts to intellectually stimulate workers to be creative; d) Idealized influence which is defined as where the leader attempts to portray themselves as a role model.

Transactional leadership: Is a leadership style where leader pursue cost interest and the interest exchange with employees. Transactional leaders use conventional reward

and punishment to gain compliance from their followers (Bryant, 2003). Bass (1985) believes that transactional leaders increase subordinates keenness to perform and expected levels by rewarding base on acceptable performance with desired outcomes, and clarifying expectations role when subordinates do not meet performance standards. Sarros and Santora, (2001) stated that this style of leadership has two dimensions as: a) contingent rewards which is defined as where the leader rewards employees effort contractually, by telling them what need to be done to gain rewards and punishing for undesired action, and giving extra feedback and promotions for good work; b) management by exception which is defined as where the leader only intervenes when things go wrong or in anticipation of problems. In passive management-by-exception leaders intervene only after standards are not met. In the more active form of management-by-exception leaders try to anticipate mistakes or problems

Job satisfaction :_Job satisfaction can be defined as an attitude that people have about their jobs, and based on which react to their work environment (Ivancevich and Matteson, 2005). Thus, the happier the employees are within their job, the more satisfied they will be and if employee becomes dissatisfied it means that things are not moving where they should be (Weiss, Dawis, England, and Lofquist, 1967).

Chapter 2

LITERATURE REVIEW

2.1 Introduction

The most complex and multifaceted phenomena studied by organizational and psychological researcher is leadership (Wren, 1995). When the term “leader” was noted in the early 1300s and conceptualized before biblical times, the term leadership has been in existence only in the late 1700s (Stogdill, 1974). However, researchers only begin to study on leadership topic during the twentieth century (Bass, 1981). Since then, there has been intensive research on this topic.

The researchers demonstrated many different definitions of leadership that one may finds in the literature (Van Seters and Field, 1989; Johns and Moser, 1989). This chapter presents an extensive review of literature relevant to leadership and job satisfaction, leadership theories, leadership style, leadership history. Literature on leadership consists of definition of leadership, while the literature on job satisfaction consists of attitude, organization attitude and studies related to leadership style and job satisfaction. The last part of this chapter is followed by the theoretical framework of the study and the development of hypotheses.

2.2 Definition of leadership

We define leadership as the process of influencing others to facilitate the attainment of organizational relevant goal (Northouse, 2004). Leadership involves neither force nor intimidation. A manager who relies exclusively on force and formal authority to direct the behavior of followers is not applying leadership. (Conger, 1989) Thus, a manager or supervisor may or may not also be a leader.

Yukl and Van Fleet (1992) define leadership as “a process that includes influencing the task objectives and strategies of an organization, influencing people in the organization to implement the strategies and achieve the objectives, influencing the group maintenance and identification, and influencing the culture of the organization.” (p.149)

2.3 Theories of leadership

2.3.1 Traits Theory

Similar in some ways to “Great Man” theory, trait theory assumes that people inherit certain qualities and traits that make them better suited to leadership. Trait theories often identify particular personality or behavioral characteristics shared by leaders (Ghee and Daft, 2004).

In 1948, after examined over 100 studies based on trait approach, Stogdill (cited in Ghee and Daft, 2004) concluded that various traits were consistent with effective leadership, including general intelligence, initiative, interpersonal skills, self-confidence, drive for responsibility, and personal integrity. However, Stogdill (cited in Daft, 2002) finding also suggested the important of a particular trait was relative to the situation, which may lead to the success of a leader in one situation and irrelevant in other situation. Ralph Stogdill (cited in Hughes, Ginnett and Curphy,

2009) stated that, leaders were not qualitatively different from followers and some characteristics, such as intelligence, initiative, stress tolerance, responsibility, friendliness, and dominance, were modestly related to leadership success.

Kirkpatrick and Locke (cited in Daft, 2002; Invancevich, Konopaske and Matteson, 2008) examined the literature and suggested that drive, motivation, ambition, honesty, integrity, and self-confidence are key leadership traits. They believe that leaders don't have to be great minds to succeed, but leaders need to have the right traits to be successful.

2.3.2 The Great Man Theory

The Great Man theory assume that the capacity for leadership is inherent (Hughes, Ginnett and Curphy, 2009). This earliest theory of leadership, assume leaders are born and look, act, and lead by preset, often genetic. The Great Man Theory, suggest that leaders are born and not made, which means, a leader is a person who is gifted by heredity with unique qualities that differentiate him, from his followers (Dorfman, 1996).

The early research on leadership was based on the study of people who were already great leaders. These people were often from the nobility or upper classes, as few from lower classes had the opportunity to lead. This contributed to the notion that leadership had something to do with breeding (Bass, 1997; Bennis, 2003; Burns, 1978).

The idea of the Great Man was also into the heroic, mythic domain, with ideas that during the times of need or depression, a Great Man would arise, almost by magic

or god's will. This was easy to verify, by pointing to people such as Adolf Hitler, Mao Zedong, Joseph Stalin, John F. Kennedy, Eisenhower and Churchill. (Bass, 1990).

This led to hundreds of research studies that looked at whether leaders are differentiated from followers by personality traits, physical attributes, intelligence, and personal values.

2.3.3 Behavioral Theory

In behavioral Theory, the researchers decide that with traits alone cannot fully explain leadership effectiveness. Instead, these researchers explored on leader behaviors in 1950 (Champoux, 2000). This leadership theory focuses on the actions of leaders, not on mental qualities or internal states. According to this theory, people can learn to become leaders through teaching and observation (Ghee and Daft, 2004). These researchers, from the university of Ohio State University, suggested that leadership could be narrow down into two behavior types, initiating structure and consideration (Jex, 2002; Daft, 2002). Consideration is described as the level of showing interest, mutual trust, respect and concern between leader and follower. Initiating structure is described as leader organizing and communicating well and making sure that followers behavior stays focused on the tasks that they are suppose to accomplish (Jex, 2002).

During about the same time, Rensis Likert and other researchers at the University of Michigan identified two distinctions between job centered leadership behavior and employee centered leadership behavior (Champoux, 2000). The job centered leader focuses on finishing the task and under supervision so that followers do their tasks using procedures (Kreitner and Kinicki, 2007). In contrast to the job centered leader, the employee centered leader focus on the employee's needs and

leader support, communicate and facilitating with expectation of their employers (Nahavandi and Malekzadeh, 1999).

2.3.4 Contingency Theory

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

“Contingency theories of leadership attempt to add value by incorporating a wider range of variables into the equation. They suggest that the most appropriate style of leadership is contingent on a range of variables from the context within the leadership will be exercised” (Martin, 2005:358).

2.3.4.1 Fiedler’s Contingency Theory

Fiedler’s Contingency Model is widely regarded as the Father of Contingency Theory of Leadership (Hersey and Blanchard, 1993; Moorhead and Griffin 1995).

“This theory was developed by Fiedler and postulates that the performance of groups is dependent on the interaction between leadership style and situational favorableness” (Ivanevich, Konopaske and Matteson, 2008 :418).

According to Nahavandi and Malekzadeh (1999), Fiedler recommends three major important variables which determined whether in a particular situation is favorable to the leaders.

- 1) Leader-member relation – the degree of confidence, trust, respect the follower in the leader, in other word the leader’s personal relations with the followers.
- 2) Task structure – the level of the structure in the tasks the followers are involved to solve.
- 3) Position power – the authority power that the inbuilt to the leader position.

Fiedler (as cited in Hersey and Blanchard, 1993; Howard, Foster, Young and Shannon, 2005) then rated managers as to whether they were relationship oriented or task oriented, as follow:

- a) Task-oriented leaders tend to do better in group situations that are either very good or unfavorable.
- b) Relationship-oriented managers, on the other hand, do better in all other situations, that are intermediate in favorableness.

Although Fiedler’s leadership theory is useful, but there is drawback because judging whether a leadership style is good or bad can be hard. Each manager has his or her own preferences for leadership. (Hughes, Ginnett and Curphy, 2009).

2.3.4.2 Vroom and Jago Leadership Theory

Vroom and Yetton (1973) originally created the leadership decision making theory that targeted the situations in different level of participative decision making. In contrast to Fiedler’s work on leadership Vroom and Yetton leadership theory concerns itself with leader behavior aspect, the various level of subordinate participation in decision making would seem suitable (Vroom and Yetton, 1973; Hersey and Blanchard, 1993).

Later years, the original model was revised by Vroom and Jago (1988) to improve its accuracy. The Vroom and Jago leadership model indicate that leadership decision making procedures will be most effective in each of several different situations. According to Vroom and Jago (1988) there are 3 elements that are critical components as follow:

- a) Specification of the criteria by which decision effectiveness is judged.
- b) The framework for describing specific leader styles.
- c) Important diagnostic procedures which explain the feature of the leadership situation.

The Vroom and Jago theory has its draw back because it lacks full experimental verification establishing its validity. Additional research is require to validate this theory (Vroom and Jago, 1995).

2.3.5 Situational Theories

Situational theories suggest that leaders should use the most excellent course of action based upon situational variable. Different styles of leadership may be more appropriate for certain types of decision-making.

2.3.5.1 Hersey-Blanchard Situational leadership theory

The Situational leadership Theory, developed by Paul Hersey and Kehheth H. Blanchard, is based on the theory that most successful leadership occurs when the leader's style matches the situation. This leadership theory emphasizes the need in flexibility (Ivancevich et al., 2008; Reece and Brandt, 2002).

Hersey stated that, in some situations, there is no one best way to influence that given the specific situation; the leader must decide how much task behavior and how much relationship behavior to display (Silverthorne, 1999). Also, when must a leader apply which leadership style to influence the individuals or group depends on the readiness level of the follower (Schermerhorn, 2001). For instance, a rescue squad arrives at an accident scene. In this crisis-oriented situation, the leader of the squad may reply on very structure leadership style because there is no time to discuss things over or receive feedback from squad members (Hersey and Blanchard, 1993).

Hersey and Blanchard (cited in Yukl and Falbe, 1991) created four leadership styles available to managers:

- a) Telling – the leader defines the roles needed to do the job and tells followers what, how, and when to perform the tasks.
- b) Selling – the leader provides followers with structured instructions, but is also supportive.
- c) Participating – the leader and followers share in decisions about how best to complete a high-quality job.
- d) Delegating – the manager provides little specific, close direction or personal support to followers.

The Hersey-Blanchard Situational leadership theory has its draw back because it lacks full experimental verification establishing its validity. Testing of the model has been limited. Hersey and Blanchard failed to provide enough evidence. Additional research is required to validate this theory (Sashkin and Sashkin, 2003).

2.3.5.2 Path-Goal Theory

The path-goal theory, main work developed by House (1996), focuses on the different situations and leader behaviors rather than on fixed traits of the leader. Base on this theory, leaders are effective because of their positive influence on the followers' motivation and satisfaction (House, 1996). Thus, this path goal theory allows for the possibility of adapting leadership to different situation (Seters and Field, 1990). The path-goal theory of leadership implies that effective leaders clarify the paths or behaviors that will lead to desired rewards or outcomes (Ivancevich et al., 2008; Moorhead and Griffin 1995; Mullins, 2005). According to House and Dessler (1974), the early path-goal theory identifies four specific kinds of leader behavior:

- a) Directive leader – tell the followers what is require and expectation of them.
- b) Supportive leader – tends to treat subordinates as equals.
- c) Participative leader - consults with subordinates and use their suggestions and idea before reaching decision.
- d) Achievement-oriented leader – sets challenging goals, expects subordinates to perform at the highest level, and continually seeks improvement in performance.

Schriesheim and Neider (1996) commented that Path-Goal Theory has draw back of not sufficiently tested to determinate its usefulness. Much of its research to

date has involved only partial tests of the original and the revised path and goal model. Additional research is required to validate this theory (Schriesheim and Neider, 1996).

2.3.6 Transactional and Transformational Leadership Theories

Transformational leadership is based on the leader's personal qualities, which has a substantial impact on followers and can potentially renew an entire organization. The concept of transformational leadership dates to Burns' (1978) Pulitzer-Prize-winning book on leadership. Burns (1978) stated that leadership literature is in large quantities; however no central concept of leadership has materialized. One reason is because scholars are working in different disciplines to answer precise questions unique to their specialty.

So, Burns (1978) decided to simplify leadership across cultures and time and came up with the idea that the transforming leaders motivate and inspire people by helping group members see the importance and higher good of the task. The result of this leadership is a mutual relationship that converts followers to leaders and leaders into moral agents. He also stated that leaders are neither born nor made; instead, leaders evolve from a structure of motivation, values, and goals. Therefore, "Transformational leader motivates followers to work for goals instead of short-term self-interest and for achievement and self-actualization instead of security" (Ivancevich et al., 2008: 432).

On the other hand, transactional leaders emphasize on the clarification of goals and objectives, work task and outcomes, and organizational rewards and punishments. Transactional leadership appeals to the self-interest of followers. It is based on a