"Exploring the Extent of Transformational Leadership in the Context of Miri Entrepreneurs"

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Abstract

In this century entrepreneurs (leaders) are faced with significant challenges that require extraordinary leadership. The business environments are changing at a very fast pace with immense competition, changing needs of customers, increasingly global economy and the rapid changes in the technology. This paper investigates the transactional and transformational leadership styles among the Miri entrepreneurs by employing the approach based on the Bass's Multifactor Leadership Questionnaire (MLQ). Miri was chosen as the area of study as it will be a resort city by the year 2005 and, hence, Miri needs entrepreneurs who demonstrate effective leadership styles to cope with the increasing dynamic and complex business environment. Moreover, the entrepreneurs must meet the increasing preference for transformational leadership styles among employees found in many studies in order to improve satisfaction and commitment of the workforce. The findings were mapped with various literatures with the intention to enhance understanding of the leadership styles of Miri entrepreneurs and to further promote effective leadership styles amongst them. This research identified the leadership style of Miri entrepreneurs as transformational rather than transactional. This finding is consistent with the findings of transformational and transactional leadership styles in the Malaysian context undertaken by Sheh (2002) and Ng et al. (2002).

Introduction

Miri is a town situated in northern Sarawak, East Malaysia, which is the biggest state in Malaysia. Miri is a one of the fastest developing town in Sarawak and is expected to achieve resort city status in the year 2005. One of the areas identified for development in Miri is entrepreneurship. Miri looks towards the development of entrepreneurship to provide a multiplier effect to the economy with investments and reinvestment; thus, creating ample employment and stimulating growth in particular for the state of Sarawak and for Malaysia as a whole.

One of the critical success factors of the entrepreneur is his/ her leadership style. Various researches in the field of leadership styles had been conducted, such as Lewin (1938 cited in Robbins, 2003), Blake and Mouton (1964 cited in Robbins, 2003), and Hersey and Blanchard (1974 cited in Robbins, 2003). Rost (1991 cited in Hedges, 1995) claimed that a true study of leadership was impossible until there is a concrete concept to describe it, and certainly the area has been considerably explored by social scientists, management researchers and many others from a variety of academic disciplines only since the beginning of the twentieth century.

This paper concentrated on Bass's theory (1985), the leadership style and behavior of transactional and transformational in the context of Miri entrepreneurs. The transformational style of leadership is the present leadership phase apart from the trait phase, behavioural phase and contingency phase (Sheh, 2002). Research has revealed the degree of transformational elements, for example charisma, inspiration, motivation, etc among the leaders in Singapore, Malaysia and Hong Kong and it was found that transformational leadership is both necessary and desirable in current day business and this will increase in importance in the future (Ng *et al*. 2002).

Literature Review

There are many of definitions of "leadership". This study defined leadership as the ability to influence or inspire a group of people to achieve particular objectives. Leadership is a very important determinant of organizational success as leaders are the ones who make changes in an organization. Rost (1991) has developed a leadership definition in view of the function of leaders towards globalization. He defined "Leadership is an influence relationship among leaders and followers who intend real changes that reflect their mutual purposes" (Rost, 1991). The studies in leadership field had evolved from various phases from trait phase in the 1920s, behavioral phase in the 1950s to contingency phase in the 1970s (Sheh, 2002). Burns (1978) developed the concept of transformational leadership. Bass (1985) built on Burns's work to further delineate the behaviour of transformational versus transactional leaders.

According to Burns (1978 as cited in Maher, 1997), transformational leadership occurs when a leader engages with a follower in such a way that both parties are raised to higher levels of motivation and morality with a common purpose. Transformational leaders exhibit charisma, encourage followers to question their own way of doing things,

and treat followers differently but equitably based on the follower's needs (Bass & Avolio, 1994). Transactional leadership, on the other hand, is a set of leadership behavior that emphasizes exchanges or bargains between the leader and the followers, and focuses on how the current needs of the followers can be fulfilled (Maher, 1997). Maher (1997) further asserts the exchanges can be economical, political, or psychological in nature; the primary characteristics that distinguish transactional from transformational leadership. Transactional leadership behavior includes contingent reward, which involves an interaction between the leader and followers based on exchange of resources and management by exception, in which leaders intervene only when problems emerge (Bass & Avolio, 1994).

Bass (1985) developed a theory of transformational leadership based on the earlier work by Burns (1978) who introduced the concept of transformational leadership. In 1985, Bernard M Bass (1985, p. 17) wrote: "Transformational leaders succeed in raising awareness about issues of consequence. This requires a leader with vision, self-confidence, and inner strength to argue successfully for what in right or good, not for what is popular or acceptable according to the time." He further reiterates that transformational leadership may support transactional leadership: "transactional leadership can service the structure of relationships and readiness that is already in place."

A further study conducted by Bass and Avolio (1994), had identified the four dimensions of transformational leadership as follows:

Inspirational Motivation (IM): This dimension is reflected by behaviors that provide meaning and challenge to the followers' work. It includes behaviors that articulate clear expectations and demonstrate commitment to overall organizational goals, and arouse a team spirit through enthusiasm and optimism. Krishnan (2000) asserts that inspirational leadership also involves envisioning a desired future state, making followers see that vision, and showing followers how to get to that state. Envisioning is translating intentions into realities by communicating that vision to others to gain their support as the right vision attracts commitment, energizes people, creates meaning and establishes a standard of excellence. Vision inspires followers to transcend the outcome and felt people to commit voluntarily and completely something worthwhile.

Idealized Influence (II): Idealized influence is described as behavior that results in follower admiration, respect and trust. Idealized influence involves risk sharing on the part of leaders, a consideration of followers' needs or personal needs, and ethical and moral conduct. Idealized influence also refers to the leaders' charisma. Krishnan (2000) defined charisma as a form of social authority that derives its legitimacy not from rules, positions, or traditions, but from faith in the leader's exemplary character. He further asserted that a charismatic leader is seen different from an ordinary person and treated as endowed with supernatural, superhuman or at least exceptional power and qualities. Only charismatic leaders, with their sense of vision and empowering behavior could address the higher order needs of followers. Charismatic leadership is characterized by followers' trust in the correctness of the leader's belief, unquestioning acceptance of the leader,

affection for the leader, willingness to obey the leader, and emotional involvement in the vision and mission of the organization.

Intellectual Stimulation (IS): Leaders who demonstrate this type of transformational leadership solicit new ideas and creative solutions for problems from their followers and encourage novel approaches for performing work. Krishnan (2000) asserted that intellectual stimulation arouses in the followers the awareness of the problems and how they may be solved, and stirs the imagination and generates thoughts and insights. The intellectual stimulation provided by the leader forces the followers to rethink some of the ideas that they have never questioned before.

Individualised Consideration (IC): This is reflected by leaders who listen attentively and pay special attention to followers' needs for achievement and growth. Krishnan (2000) refered individualized consideration as the developmental orientation of the leaders towards the followers. Bass (1998 cited in Krishnan, 2000), stated that the transformational leader gives personal attention to the followers who seem neglected, treats each follower individually and helps each follower to get what each wants. These leaders have empathy or the capacity to sense intuitively the thoughts and feelings of others.

On the other hand, in 1985, Bass found that transactional leadership consists of two factors namely:

Contingent Reward (CR): Leaders who reward followers for their effort and support, and do what needs to be done by clarifying the followers roles and task requirements to meet their personal goals and the organizational missions.

Management by Exception (ME): Leaders taking corrective action only when followers deviate from expectations or fail to meet goals.

Lately, emotion is greatly used by the transformational leader to influence the followers' attitude. Today's effective leadership skills have been described to depend, in part, on the understanding of emotions and the abilities associated with Emotional Intelligence (Goleman and Ryback cited in Palmer et al. 2001). Weber (cited in Takala 1997) noted that charismatic leaders will increase the followers' enthusiasm, emotional involvement and commitment to organizational vision. House (1977) took into account the leader's traits, behavior, influence, and situational conditions to distinguish charismatic leaders. House and Shamir (1993) formed an extension of House's theory, which takes into account personal identification, social identification, internalization and self-efficacy. Therefore, transformational leadership style is adopted in many forms to produce effective leaders for today's challenging business environment.

Due to the increasing environmental turbulence, every organization requires transformational leaders. Betty and Lee (1992) found that a transformational approach is likely to be more effective in overcoming barriers to change than a transactional style that concentrates on technical problem solving and neglect the organization issues. Another

study had found that transformation leadership has a positive and significant relationship with work group performance and employee satisfaction (Thomas, 1997).

One valuable point noted by Hedges (1995), showed that the western researchers undertook various studies and most of the studies had been conducted in western context. Therefore this research is undertaken on the underlying assumption that what is said, thought, researched, proved and practiced in western situations will be transferable to other, non-western environments, such as in the context of leadership style of Miri entrepreneurs.

Objective of the Research

The objective of this research was to identify the leadership style of Miri entrepreneurs. The study was to investigate whether the Miri entrepreneurs' leadership style was transformational or transactional leadership. This research was the first to identify the leadership style in the context of Miri entrepreneurs as no previous study on leadership styles had been conducted in Miri. Findings of this study would be useful for designing and conducting training in the entrepreneurial leadership development programs. This is in line with the government's efforts to increase entrepreneurial leadership effectiveness in Malaysia.

The research aims at answering questions about the leadership styles of the Miri entrepreneurs. The questions are as follows:

1. Do the Miri entrepreneurs provide their followers with a sense of meaning and challenge in their work? This question addresses the inspirational motivation dimension of transformational leadership.
2. Do the Miri entrepreneurs inspire the followers for higher performance? This question addresses the idealized influence dimension of transformational leadership.
3. Do the Miri entrepreneurs encourage their followers' to be innovative and creative? This question addresses the intellectual stimulation dimension of transformational leadership.
4. Do the Miri entrepreneurs pay attention to each followers need for achievement and growth? This question addresses the individualized consideration dimension of transformational leadership.

Research Method and Sampling Plan

The research includes literature review of published articles and books relating to the topic on transactional and transformational leadership. Basically, it is a collection and summary of primary and secondary data available from journals, web-sites references, books and conference proceedings. The study takes the form of a descriptive research to describe the extent to which Miri entrepreneurs demonstrate characteristics of transactional and transformational leadership.

The population of interest is defined as all the entrepreneurs in Miri. The convenient sampling method technique was used to obtain data from established companies/ firms in Miri quickly and economically. Convenient sampling is used because of two (2) fundamental reasons: -

1. Thirty (30) reputable companies were chosen based on their long history of business of more than 10 years, the number of their employees i.e. more that 50 workers and their survival through many economic cycles. As there are not many companies meeting these criteria in Miri, the random sampling method is not feasible.

2. This research is a descriptive research, as it to provides understanding of transformational leadership in Miri entrepreneurs and further research will be conducted spanning across other geographical areas in Sarawak, Sabah, and West Malaysia employing probability-sampling methods.

Data Collection and Questionnaire Design

A specific leader for each company to be surveyed was identified to ensure feedback from the respondents was consistent. In line with research ethics, a letter was written to the leader to get his/ her agreement before the questionnaire was administered in line with research ethics. For companies that are conglomerates with several strategic business units (SBUs), then the leader chosen is the Managing Director (MD) of a particular SBU of the company that is the most profitable or active. In this instance, the respondents from the particular SBU must meet two (2) criteria i.e. they have been working for the SBU for at least 1 year and they are at the managerial or supervisory levels. For companies with a sole core business, the leader will be the Chief Executive Officer (CEO) or similar positions to that effect. In this instance, the respondents will be the functional managers of the firm.

The structured questionnaire of this study is based on the 41-item subset of the Multifactor Leadership Questionnaire (MLQ) that defined transactional and transformational factors in Bass's (1985) first-order exploratory analysis. The Questionnaire had 20 transformational leadership items - 8 for idealized influence (II), 4 for Inspirational Motivation (IM) and 4 for Intellectual Stimulation (IS) and 4 for Individualized Consideration (IC). It had 12 transactional leadership items – 4 for Contingent Reward (CR) and 8 for Management –by – Exception (ME). Respondents were requested to answer the questionnaire by rating the behaviors described, using a five-point scale (0 = Not at all; 1 = Once in a while; 2 = Sometimes; 3 = Fairly Often; 4 = Frequently, if not always).

Data Analysis

Descriptive analysis was used to summarise the various variables by computing the means, and the standard deviation using SPSS and the findings as follows:-

Table 1: Leadership characteristics of Miri Entrepreneurs

Num.	Characteristics	Mean Scores	Median	Mode	Std Deviation

1.	Idealized Influence (II)	2.64	2.88	2.88	0.75
2.	Inspirational Motivation (IM)	3.00	3.25	3.50	0.67
3.	Intellectual Stimulation (IS)	2.99	3.00	3.00	0.65
4.	Individual Consideration (IC)	2.83	3.00	3.25	0.60
5.	Transformational Leadership	2.86	3.09	3.22	0.60
6.	**Management by Exception (ME)**	**1.73**	**1.88**	**1.25**	**0.53**
7.	**Contingent Reward (CR)**	**2.91**	**3.00**	**3.25**	**0.64**
8.	**Transactional Leadership**	**2.32**	**2.41**	**2**	**0.49**

For each characteristic listed in the above table, if the mean score is more than 2, it shows that the Miri entrepreneurs have a higher degree of that characteristic. The lowest mean score is 0 and the highest mean score is 4. For example, the transformational leadership scale has a mean score of 2.86 which means the Miri entrepreneurs have a moderate transformational leadership style.

From Table 1, it can be seen that the Miri entrepreneurs have a moderately high degree of transformational leadership style and this is mainly contributed by inspirational motivation, followed by intellectual stimulation, individual consideration and to the least extent by idealized influence. The Miri entrepreneurs also demonstrated a relatively higher degree of inspirational motivation compared to the other dimensions/scales of transformational leadership.

On the other hand, the Miri entrepreneurs have a lower degree of transactional leadership style compared to the transformational leadership style and they tend to reward their employees for their effort (CR) rather than taking corrective action (ME). Generally, the entrepreneurs are more transformational than transactional.

Limitations of the Research

This research was limited to the perceptions of leadership styles gained through face-to-face interviews and questionnaires with managerial and supervisory employees of business enterprises in Miri. Among the limitations of the study are:

1. The leadership survey is based on Bass's model, which is from a western cultural perspective.
2. Due to time constraint, only multifactor leadership tool (MLQ) was used. However, it is proposed that other leadership assessment tools should be included in any future study to develop a more comprehensive theoretical framework for leadership.
3. Local business community tends to be conservative and the response rate was low as expected.

4. It was difficult to identify the top leader who actually makes changes within the organization. Thus, leader holding a position of CEO or Managing Director are identified to facilitate data collection.
5. Research was limited to Miri as there was no formal study on leadership style in Miri and the importance of identifying the extent of transformational leadership among the Miri entrepreneurs, which is necessary to cope with the increasing challenges that will arise with the declaration of Miri as a resort city by 2005.
6. No generalization due to the small sample size and this study was only limited to the transactional and transformational model.

Discussions and Conclusion

Transformational leadership that includes inspirational motivation, idealized influence, individualized consideration and intellectual stimulation was the preferred leadership style of Miri entrepreneurs. This form of leadership style inspires, stimulates and encourages followers to go beyond what they can do. This research finding is consistent with other researchers' view, whereby the Miri entrepreneurs exhibited transformational leadership style to improve their organizational effectiveness.

The importance of leaders demonstrating a transformational leadership style has been well researched, especially in terms of the effect of perceived transformational leadership styles among employees towards organisational outcomes such as job satisfaction, turnover intentions, organisational loyalty and commitment.   Poon (1995) noted that several western studies show a positive relationship between charismatic transformational leadership behaviour and leadership effects such as employee satisfaction, organisational citizenship behaviors, work performance, organisation culture and organisational effectiveness.   A study by Poon (1995) among the human resource practitioners of companies listed in Malaysian stock market also found significant and positive associations among the various transformational leadership dimensions and leadership effects such as followers' perceptions of leadership quality, satisfaction, commitment, loyalty and effort.   Recent study undertaken by Griffin and Rafferty (2003) also confirmed that leaders at both the work unit and strategic levels, displaying high degree of intellectual stimulation will lead to desired organizational outcomes, such as high job satisfaction, organizational loyalty as well as lower turnover intentions.

In a recent human resource management conference held in Colombo, Sri Lanka on the 19th and 20th May 2004, Dr Hans Bohm, the Secretary General of European Association for Personnel Management in his key note address on Human Resource Competencies for High Performing Organization emphasized that the human resource professionals should exhibit transformational leadership. He further asserted that human resource management is a leadership function and leadership is a human resource management function.

Research conducted by Haji Busari and Chang (2003) revealed that there is strong influential relationship between transformational leadership style and employees motivation. Hence, the relatively high degree of transformational leadership shown by

the Miri entrepreneurs will result in a higher job satisfication among the employees who will become committed and loyal to the organisation. Further causal research to confirm that the relationship between transformational leadership and organizational outcomes is necessary in the Miri entrepreneur's context.

The implication of this study is that transformational leadership elements should be incorporated into training programmes for Miri entrepreneurs. The ultimate aim of this programme is to prepare them to cope with the ever-increasing challenges. An appropriate of leadership style will improve productivity, ensuring satisfaction and greater commitment of the workforce. As John (2001) asserted that living in an ever-changing world, as manager and leaders, it is essential to develop capacity to embrace change. He further explains that it is the leaders and managers' responsibilities to help others grow in their capacity to overcome personal resistance and build resilience by employing soft leadership style, not command and control.

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