

The Role of Leadership and Leaders' Behavioral Characteristic on Employees: A Study of Petronas Berhad

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ABSTRACT

Petronas Chemical Group is one of the largest and most popular companies in Southern Asia primarily involved in marketing, manufacturing, and selling diversified ranges of chemical products. The main purpose of this research paper is to determine the role of leaderships and leaders' behavioral characteristic on employees of Petronas Chemical Group. This study focuses on types of leadership its leaders assert in the working environment to sustain the development of their employees' performance. This study may strengthen the understanding of the role of leadership or leadership style that will chip in employee job performance.

Keywords: Job Performance, Leaders' Behavioral Characteristic, Leadership Style, Petronas

INTRODUCTION

Petronas Chemical Group is one of the largest chemical producers in South East Asia. It has been a leading chemical producer in Malaysia for many years. It operates several world-class production sites jointly strengthen all facets of their production chain. Their primary activities are manufacturing, marketing and selling a variety of chemical products such as olefins, polymers and other basic chemicals including several derivative products. The company was established as part of the Petronas group to maximize the value of Malaysia's natural gas resources.

Petronas was initially founded started in 1974 and fully owned by the Malaysian government under Minister of Finance (MOF). It gained perfect rights over the entire oil and gas resources in Malaysia. It was also assigned with the responsibilities of progressing, developing, expanding and adding value to the resources. Among the Global 500 of the largest corporation around the globe, Petronas was successfully ranked at 158th position. Since the establishment, the company has grown to be a world-class oil and gas service with business interests dispersed over 31 countries.

It has 103 wholly-owned subsidiaries, 19 partly-owned companies, and 57 associated companies which had been comprised in Petronas Group in the end of March 2005. The company has contributed to a considerable source of the government income as some of its budget comes from Petronas' dividend.

The company is headquartered at Petronas Towers which was officially opened on Malaysia's 42nd National Day, 1999 on the occasion of the company's 24th Anniversary.

With its 103 subsidiaries and about 40 venture companies within which Petronas has a minimum of 50% of the shares. Thus far, at least three of Petronas' subsidiaries have been listed in Bursa Malaysia and it is considering to list more of its subsidiaries. The aspect of leadership in the company is the reason behind Petronas success. The major contributing person in the rise of the Petronas as the top 10 most successful company in 2010 is Tan Sri Wan Zulkiflee Bin Wan Ariffin.

Tan Sri Wan Zulkiflee is a Malaysian businessperson, born in 1960. He was a student in University of Adelaide, in which he earned his Bachelor of Engineering Degree in Chemical Engineering. He also two management programs, INSEAD Senior Management Development Program in 2000, and Advanced Management Program at Harvard Business School in 2004. In November 2005, he was awarded an Honorary Fellowship by the institution of Chemical Engineers, United Kingdom. In 1983, he started to join Petronas as a process engineer mostly involved within the development of multiple gas processing plants. In the following years, he held several positions in Petronas Group including Executive Assistant to the presidents, heads, general managers of International Projects Management Division of OGP Technical Services and he also became General Manager of Business Development Unit. From 2003 to 2007 he was the Managing Director and Chief Executive Officer of a public listed subsidiary, Petronas Gas Berhad. In 2006 to 2010 he served as Vice President of Gas Business. In 2012, he was appointed as Chief Operating Officer of Petronas in addition to the Executive Vice President and Chief Executive Officer of Downstream Business.

Other influences include Datuk Ahmad Nizam Salleh. He was also one of the leaders of Petronas Company Berhad. He was born in Terengganu in 1956. He earned his Bachelor Degree in Business Administration from Ohio University. He also attended management programs such as Advanced Management Program (AMP) at Wharton School University of Pennsylvania. In 1981 to 1987, he occupied several positions including analyst, planner and project coordinator in corporate planning and finance sectors in Petronas' Corporate Head Office. In 1988 to 2002, he holds senior positions, including Head of petroleum Group and Head of Group Treasury. In 2007, he was promoted as Vice President, Corporate Services Division of Petronas. In August 2018, he has been appointed as the Chairman of Petronas.

It is common sense that recent fast-paced economic environment and the advent of the internet has made us easier to communicate with countries around the world. According to Friedman (2007), this in turn changes the business environment of each country, and tightens market competition year after year. To ensure business success, the owners need to offer better quality products at a lower cost, with strategies best suited for organizations to adapt to current business trends as well as flexibility over the rapid business changes. Despite the amazing speed, and the adverse consequences, the rewards are huge for those who properly and consistently lead the team to achieve the best and most amazing results. How leaders remain to stay ahead when things change rapidly? This study aims to determine the best leadership Petronas shall be applied in their organization affecting their employees' performance.

Effective leadership is the most central feature of organizations to maintain the business amidst the challenges of rapid economic growth. According to Cabeza-Erikson et al., (2008), leaders are those carrying out organizational operations and good leaders highly will set optimistic goals and objectives while leading the company's operations toward goals through their effective strategies. In addition, good leaders can influence their

employees and motivate them by fostering positive organizational cultures and several employee benefits, such as annual bonus, workers' compensation, and leave benefits.

According to Winston and Patterson (2006), leaders are one person or more who choose, equip, train, and influence one or more followers of different aptitudes, abilities, and skills and focus their followers on the mission and goals of the organization and highly motivated to willingly use their minds and strengths to achieve the mission and objectives of the organization. Those with strong leadership and skills highly will assess their employees' trust and admiration, will be paragons for their employees to achieve good results, and inadvertently change their values, beliefs, behaviors and attitudes, for imitating is the sincerest form of flattery (Grint, 2007). This is line with Northouse (2009) stating that leaders with strong leadership have the power to influence others to achieve the goals and objectives of the organization. Lesmana and Nasution (2020) found along with competence, and motivation, leadership partially have significant and positive effect to lecturer performance.

To lead organizations, leaders could adopt a variety of leadership styles or behaviors to motivate employees towards a better future. The most common leadership style is democratic leadership. As every worker have the right to air their opinions, democratic leaders consistently make decisions based on the opinions or inputs of each team member although they could make the final decision.

Democratic leadership is one of the most effective leadership styles. As it enables lower-level employees to exercise the authority, they need to wisely exercise in positions they may hold in the future. It also reflects how decisions are made at company board meetings. For example, in company board meetings, democratic leaders might provide the teams with some decision-making options. They open up discussions for each choice and consider feedback and thoughts or they will use the voting system to make the best choice.

Another style of leadership is autocratic leadership. It is uncommonly considered as effective as democratic leadership. Yet it is the opposite of democratic leadership. Autocratic leaders might make decisions unmindful of the opinions or inputs of anyone reporting to them. Workers are not consulted before receiving any instructions and are expected to adhere to any decisions made at the designated time without their consent. Unfortunately, this kind of leadership is allegedly ineffective. Most organizations today cannot maintain a hegemonic culture without losing their employees. It is best to make sure the leadership is more open to other opinions and perspectives.

Thirdly, it is strategic leadership. Leaders with this typically effective style posit between company's key operations and its growth opportunities. Leaders receive a certain load of executive interest yet at the same time ensure that the current working conditions remain stable for others. This type of leadership is desirable in many companies due to strategic thinkers could address several employees with distinctive characteristics at once. However, strategic leaders can set dangerous precedents as how many people they can support at the same time, and what is the best direction for the company is if everyone gets in their way at all times.

Leadership styles, however, do not include all factors which influence innovation in organizations, e.g., hospitals. Cummings, Midodzi, Wong, and Estabrooks (2010) argued leadership style simply cannot be linked with the death of the patient. On the contrary,

researchers note that while organizations have consistent organizational culture, patient deaths could be declined. Cummings et al., (2010) argued that regardless of style, leaders with relational and transformational leaderships have better quality outcomes than those with autocracy. Transformational leadership is where leaders constantly "change" and improve upon company conventions. Workers may have a set of basic tasks and goals they must complete on a weekly or even a daily basis, however the leaders continually push them out of their comfort zone. When starting a job with this type of leaders, all employees may have a list of goals to achieve, and a deadline for achieving them. While the goals may seem simple at first, the leaders may take time or give them increasingly challenging goals as they grow with the company. This is a highly popular form of leadership among growth-minded companies as it motivates employees to see what they are capable of. Nonetheless, transformational leaders can be at risk of forgetting everyone's individual learning curve when they improperly guide them through new responsibilities.

Excellent leadership mostly lead employees to achieve better job performance and to get a better future for the organization. Below is exemplary insight into leadership and contributions of Petronas' last two CEOs, Tan Sri Shamsul Azhar Abbas and Datuk Wan Zulkiflee Wan Ariffin.

1. Tan Sri Shamsul Azhar Abbas

Tan Sri Shamsul Azhar Abbas was the successor of previous Petronas CEO, Tan Sri Marican in 2010. He was fearlessly defending professionalism and independence in strategic decision management. In 2014, he was in the Malaysia's Edge weekly publication, stating that his fight for Petronas' independence and guarding the national oil company's interest against numerous political pressures. He started to open project tendering when offering oil and gas employment contracts for lower Petronas' costs. Besides, he refused to get into political arena to avoid unqualified businessmen and greedy contractors. During the interview, he conveyed the challenge to do an honest day's job, as he needed to spend a lot of time away from your true function which running the Petronas. This concludes that Tan Sri Shamsul is a brave and natural person ensuring that Petronas is independent of political conflict of interest (Edge weekly: petronas, 2014).

He irritated the government and the member of UMNO. He disregarded the sentiment of being a fellow Malay, which is used by some quarters as justification for unconditional assistance based on clanships. The long-ingrained support to business collaborations by handouts or spoon-feeding created the entitled mentality prevalent in many bumiputera(indigenous people)-owned and government supported businesses. Hence, we can assume that he had such a strict personality that he never let outsiders to take the opportunity as CEOs of the Petronas.

2. Datuk Wan Zulkiflee Wan Ariffin

Datuk Wan Zulkiflee Wan Ariffin has been with Petronas since 1983 and has been earmarked as the successor of Petronas top position since 2010. He is highly confident person and advanced thinker about the company future. He believes in longer-term management aspects for developing advancement of technology and quantum change of Petronas' culture belief. He also believes that Petronas Berhad will be the high-performance company with the fastest development of technology.

Datuk Wan Zulkiflee Wan Ariffin is also a person with high determination. He sacrificed his time to reshape and restructure Petronas by focusing on six strategies. He did this to achieve the vision of the former Chief Executive Officer (CEO), Tan Sri Shamsul. He, as a person with several experiences with bottom and high level of workers, believed he could achieve the vision.

He was a brilliant and smart person as he came out with strategies to change the Petronas Berhad, one of which is short-term measure to cope with the current changing in environment of oil price fall. He found a way to maximize the cash generated and at the same time he found a way to reduce the cost, such as operating costs. He managed to create strategies to face anything worst possibly happen in future.

In addition, he was a highly-committed person, cared for the employees and loved the company. He wanted the company to be more successful in the future. He focused on the interaction and relationship among all employees including himself. He believed that this will create better working environment for better relationship, loyalty and passion. This will give positive impact upon their works and the company.

RESEARCH METHOD

Research method refers to the way of obtaining the relevant information needed to conduct this research and to achieve the objective of this research. Business Dictionary provides the definition of “research methodology” as the process to obtain information and data for the purpose of making business decisions. It includes interviews, surveys, and references from other sources. In this case, there is only one method used to achieve the objective of this research that is primer method. Due to the outspread of Covid-19 pandemic demanding physical distancing making other methods, such as interviews and surveys, impossible to conduct, this study collected the primary data through online references.

We used this method to obtain details needed in this research via intermediary medias as references. They are websites and books of leaderships. This method provided conveniences in completing the research as it comprised information from different perspectives. This research is highly open to further analysis to strengthen the research topic. The materials used for this research was mainly from Petronas website and the speeches of the managers.

RESULTS AND DISCUSSION

In our research, we found that leaderships of higher managers have a positive correlation to employee performance. This is proven when senior Vice President Datuk Raiha Azni Abd Rahman said in an interview that Petronas motivated their employees by providing flexible working arrangements, newly designed workplace, unpaid study leave, extended maternity leave, returnee programs (upon resignation), and improved medical benefits which increased employees’ work performance. Petronas led their employees to excel in their work excellently. They used both transformational and transactional leadership behavior to make the employees work accordingly. This resulted in its acknowledgement as the most attractive employer in 2018 and 2019 according to Randstad Employer Brand research.

The positive correlation between employers and employees was enlightened by the action taken and applied by the employers. Effective and competitive leadership practices are key to the strength of organizations in today's business challenges. The importance of having competitive leadership is identical to the success of today's organization. Moreover, efficient and effective leadership will produce quality, productive employees, and followers which will definitely influence the performance of the organization. As supported by previous studies, this indicates that leadership style is positively related to motivation. However, there are some limitations to this study. The investigation result was solely based on online references rather than quantitative measures, for some extend, the results were not in numerical measures to be concluded in certain values.

CONCLUSION

Based on the data and discussion elaborated in the previous sections, this study found that transformational and transactional leadership were positively correlated with employees' potential assessments and leadership. Considering these results, we recommend that Petronas management offer better team management at Petronas stations for greater leadership training expertise. By relying on and authenticating the work experience, it leverages teamwork for diversity and collaboration and cross-collaboration. In addition to utilizing factors, Petronas will also strengthen the effectiveness of interpersonal front liners and improve the quality of interactions through effective communication.

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