

Perceived Transformational Leadership Style as Determinant of Subordinates' Trust. Perspective of Malaysian Local Authorities.

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Abstract:

The purpose of this study is to examine the influence of transformational leadership style on subordinates' trust using 300 questionnaires responded by the employees (support staff group) of local authorities (LAs) located in the central region of peninsular Malaysia. The measurement scale employed in this study has met the acceptable levels of validity and reliability tests of the study. However, performing confirmatory factor analysis based on structural equation modeling (SEM) has remained some items of single component of transformational leadership style. Thus, transformational leadership are measured

based on single construct as a first order model analysis. Regression result of SEM analysis indicated that trust was influenced by the transformational leadership style. Further, this study provided the discussions and implications from the findings.

Keywords: Transformational leadership style, Trust, Local Authority, Structural Equation Modeling

1. INTRODUCTION

Leadership is probably known as a person who has power and establishes the direction of a nation and in principle could affect the organizational management (Bono & Judge, 2003, 2005; Yukl, 1989). In an

organizational context, leadership plays important role to bring the organizational competitiveness (Bass & Avolio, 1994; Bryman, 1992). In attaining the organization objectives, leaders express the values and motivations, the wants and needs, and the aspiration and expectation of both leaders and followers based on his/her interaction style (Howell & Avolio, 1993; Hartog, Muijen & Koopman, 1997). Basically, interactions in the traditional leadership approach focus on the degree of job targets achievement by the subordinates as targeted by their leaders (Bass, 1985; Howell & Avolio, 1993). Differently, interactions in the contemporary leadership approach emphasize more on the relationship strength with subordinates, such as developing subordinates' trust, mutual decision-making, democratic style, and personal concerns (Avolio, Bass & Jung, 1999; Bycio, Hackett & Allen, 1995). It is understood that contemporary and traditional based interaction styles have related to different behaviors which is divided in two major forms; transactional leadership and transformational leadership (Avolio et al., 1999; Hartog et al., 1997; Howell & Avolio, 1993).

Previous studies in the area of human resource management had emphasized the internal properties of the organizational leadership (Spreitzer, 1995; Bryman, 1992; Yukl, 2002). It is found that, previous studies had given much attention on transactional leadership and transformational leadership as a famous features of the organizational leadership (Bass, 1999; Hartog et al., 1997). Basically,

transactional leadership is based on fair negotiations in the context of demands and rewards that drive to the state of mutual agreement between leaders and their subordinates (Felfe & Schyns, 2002). Both leaders and subordinates act as partners who mutually deal for a good work and good incomes. It is sort of exchange process which the followers who meet the leaders' wishes will be rewarded (Bass, 1985; Burns, 1978; Jabnoun & AL-Rasasi, 2005). Transactional leaders are supposed to do job based on task roles and requirements as well as showing their responsibilities and expectations to achieve organizational and job goals.

However, in today's competitive business environment, many organizations perceive the appropriateness of transformational leadership as alternative of transactional leadership to be practiced in realizing their strategies and goals (Bass, 1994, 1999, Howell & Avolio, 1993). Transformational leadership refers to the leaders who are able to develop their followers' full potentials, higher needs, good value systems, moralities and motivation which may instill followers to unite, change goals and beliefs (Bass, 1994, 1999; Bycio et al., 1995), and sacrifice their personal-interests in order to succeed organizational interests.

Lately, some leadership researches indicate the leaders who properly practice transformational style in leading their followers would promote their followers' trust (Azman et al., 2010). Transformational leadership is basically based on the facets of intellectual stimulation, individualized

consideration, individualized influenced attributed, and individualized influence behavior and inspirational motivation (Bass & Avolio, 2004). Intellectual stimulation relates to intelligence, rationality, logic and careful problem solving in organizations (Dionne, Yammarino, Atwater & Spangler, 2003). Leaders' behaviors are based on stimulating followers to re-evaluating traditional ways of doing things, taking reasonable actions and encourage creativity (i.e., interesting and challenging tasks) (Bass & Avolio, 2004; Yammarino & Dubinsky, 1994).

Individualized consideration leader is a leader who actively respond to the followers' concerns and improvement needs. This make the leaders disclose followers' potentials by performing coaching and mentoring activities, perform frequent feedback and match the followers' needs to the organizational strategy and goals (Bass & Avolio, 1994; Avolio, Zhu, Koh & Bhatia, 2004; Kark & Shamir, 2002). Individualized influenced attributed shows the capabilities of the leaders to obviously set up and freely sharing the vision and goal challenges to followers (Bass & Avolio, 1994). This behavior encourages leaders to motivate followers to attain the targeted goals confidently (Bass & Avolio, 1994; Shamir, House & Arthur, 1993). Meanwhile, individualized influence behavior refers to a leader who demonstrate a role model in giving strong supports to followers to succeed their job and motivating followers to perform beyond their personal interests (Bass & Avolio, 1993, 1994).

Trust is theoretically defined as “the belief that a partner’s word or promise is reliable and a party will fulfill his/her obligations in the relationship” (Schurr and Ozanne, 1985). Trust is an essential element in relational exchange because relationships characterized by trust are mainly valued that parties will show the willingness to commit themselves to such relationships (Hrebiniak, 1974). From an individual unit of analysis, trust is often viewed as a psychological state of employees, where a person who has a confidence and belief of their organization will strongly invoke his/her trust in organization. This may lead to better job performance (Mayer, Davis & Schoorman, 1995). Within a transformational leadership framework, the leader who effectively implement transformational processes, such as intellectual stimulation, individualized consideration, individualized influenced attributed, and individualized influence behavior in managing organization functions may lead to an increased trust among the employees to their organization (Bartram & Casimir, 2007)

Surprisingly, a careful observation about such relationship reveals that the effect of the transformational leadership practices on employees' trust occurred in LAs should be proven especially in line with the seriousness of Malaysian government to transform the public service through government transformation program roadmap (GTP Roadmap , 2010). The nature of this relationship is interesting, but little is known about the impact of transformational leadership on employees' trust in the context

of Malaysian public sector organization mainly LA.

The purpose of this study is to investigate the effect of transformational leadership on trust that occurs in Malaysian local authorities (LAs). The paper is arranged in seven main headings; discuss the context of this study, review the related literature and develop research hypothesis, elaborate the methods for this study, provide the results of data analysis, discussion and implications of this study, limitations of this study, and finally, a conclusion is stated.

2. LITERATURE REVIEW

The influence of the transformational leadership style on trust have been recognized by many studies in various perspective. For example, some studies related to transformational leadership style were performed utilizing distinct samples and perspective, such as 41 employees in foundation organization in Portugal (Rua & Araujo, 2013), 710 nurses in Taiwan's health organizations (Rose Su & Jui, 2014) and 395 hotel employees in Taiwan (Chiang & Wang, 2012) revealed that followers were led by transformational approach based on intellectual stimulation, individualized consideration, individualized influenced attributed and individualized influence behavior, and inspirational motivation had been a main predictor of trust. Hence, it is hypothesized that:

H1: There is a significant influence of transformational leadership on trust.

Research literature in the field of leadership style is parallel with the notion of leadership theories developed by Burns (1978) and Bass (1985). According to Burns (1978), followers' moralities may improve when both leaders and followers understand each other. Meanwhile, Bass's (1985) emphasized that interaction between leaders and followers in operating the organizations can instill followers' trust as well as lead them to sacrifice their self-interests and focusing on the organization interests. The suitability of these theories to the leadership research framework shows that followers' moralities and their priorities toward organizational interests can be realized if leaders build followers' abilities, stimulate followers' intellectuals, determine and sharing targeted goals and emphasize followers' think for the organization interest (Avolio et al., 2004; Bartram & Casimir, 2007). There will be the creation of followers' trust in the organization and they will perform their job effectively and efficiently when transformational processes are properly implemented. (Kirkman, Rosen, Tesluk & Gibson, 2004; Lashley, 1999).

The above discussion could be used as a foundation to develop a conceptual framework for this study as shown in Figure 1.



Figure 1: Conceptual Framework

3. MATERIALS AND METHODS

This study performed a cross-sectional research design to combine leadership and trust literature, the detail interview, the pilot study and the actual survey as important step to gain the data. Those methods may yield reliable and unbiased data (Cresswell, 1998; Sekaran, 2000). This study was conducted at Malaysian local authorities (LAs) located in the central region. Initially, this study performed interviews on four experienced supporting staff of ten selected LAs. From the interviews, the researchers would gain the knowledge of how transformational leadership facets practiced in the organization as well as how the employees responded based on trust. The information from the interviews was also referred to revamp the content of instrument for a pilot study. Therefore, part of the pilot study was conducted by discussing the survey instrument with four experienced supporting staff in LAs. Their feedbacks are important in validating the content and format of instrument for the actual survey. The items were translated from English to Malay to ensure the high level of validity and reliability of the questionnaire provided in this study (Johanim, 2010).

The survey questionnaire has 3 sections. Section one is about respondent profile. Section two is about transformational leadership with 20 items that were modified from the multi factor leadership questionnaires (Bass & Avolio, 1995). Third section is about trust that was measured using 12 items that were adopted from Cook and Wall (1980). All items used in the questionnaires were measured using a 5-item scale ranging from “strongly disagree” (1) to “strongly agree” (5).

Employee from the support staff group in LAs was selected as the targeted population of this study. A total of 528 questionnaires were distributed randomly to the employees. Of the total number, 375 responded, yielding a response rate of 71 percent. However, only 300 were usable. The survey questionnaires were answered by respondents according to their consent and on a voluntary basis. The number of respondents are above the minimum sample of 30 respondents as required by probability sampling technique. Thus, the data collected was possible for analysis by using inferential statistics (Leedy & Ormrod, 2005; Sekaran & Bougie, 2010).

4. THE RESULTS

Table 1 shows the respondent profile of this study. The majority respondents were males (52 percent), respondents' ages between 25

to 33 years old (51.3 percent), Malay (96.7 percent), SPM holders (54.3 percent), from municipal council employees (42.7 percent), and working experienced 6 - 10 years (33.7 percent).

Table 1: Participants' Characteristics (N=300)

DEMOGRAPHIC	CHARACTERISTICS	FREQUENCY	PERCENTAGE
Gender	Male	156	52.0
	Female	144	48.0
Age	Less than 25 years	29	9.7
	Between 25 and 35 years	154	51.3
	Between 36 and 45 years	62	20.7
	46 years and above	55	18.3
Race	Malay	290	96.7
	Chinese	1	0.3
	Indian	7	2.3
	Others	2	0.7
Religion	Islam	293	97.7
	Buddhist	0	0.0
	Hindu	6	2.0
	Christian	1	0.3
Highest Academic Qualification	Primary School Certificate	4	1.3
	SRP/PMR	6	2.0
	SPM	163	54.3
	STPM	25	8.3
	Diploma	71	23.7
	Others	31	10.3
Employer	City Hall/ City Council	120	40.0
	Municipal Council	128	42.7
	District Council	43	14.3
	Putrajaya Corporation	9	3.0
Department Served	Management Services	125	41.7
	Finance	18	6.0
	Enforcement	114	38.0
	Technical	23	7.7
	Others	20	6.7

Length of Service	5 years and below	67	22.3
	6 - 10 years	101	33.7
	11 - 15 years	58	19.3
	16 - 20 years	28	9.3
	21 years and above	46	15.3

Note:
 SPM/MCE/Senior Cambridge: Sijil Pelajaran Malaysia/Malaysia Certificate Education
 STPM/HSC: Sijil Tinggi Pelajaran Malaysia/High School Certificate

The results of validity and reliability analyses for measurement scales are presented in Table 2. The exploratory factor analysis (EFA) using varimax with Kaiser Normalization rotation was done for these two variables with 32 items, which related to: transformational leadership (20 items) and trust (12 items). The EFA with varimax with Kaiser Normalization rotation was done for all variables. The Kaiser-Mayer-Olkin Test (KMO), which is a measure of sampling adequacy of factor analysis was conducted for each variable and yielded acceptable result. Specifically, the results of these statistical analyses showed that all

variables exceeded the minimum standard of Kaiser-Meyer-Olkin's value of 0.6, were significant ($p < 0.000$) in Bartlett's test of sphericity (BTS). Meanwhile all variables had eigenvalues (EG) more than 1 with variance explained values exceeded 0.60. The items for each research variable exceeded factor loadings of 0.40 (Hair, Anderson, Tatham & Blacks, 2010), and all research variables exceeded the acceptable standard of reliability analysis (RA) of 0.70 (Nunally & Bernstein, 1994). These statistical results confirmed the validity and reliability of measurement scales used for this study as shown in Table 2.

Table 2: Validity and Reliability Analyses for Measurement Scales

Meas ure	Ite ms	FL	KM O	BTS	EG	VE	RA
TL	20	0.72 to 0.86	0.97	5363.8	12.7	63.5	0.97
TRU ST	12	0.68 to 0.84	0.91	1626.6	6.4	70.8	0.91

Since this study used Structural Equation Modelling (SEM) method, using AMOS 20 to examine the relationship between the variable, conducting confirmatory factor analysis (CFA) is essential to ensure the selected items are really suitable and accurate to achieve the goodness of model fit thereby able to measure the constructs (Hair et al., 2010). CFA was done based on measurement model as depicted in Figure 2 and 3 (see appendices). In Figure 2, all the items of transformational leadership and trust were not able to yield for a goodness of model fit since the indicators mainly RMSEA, CNI and TLI values (0.086, 0.851 and 0.861) were beyond the acceptable level. According to Hair et al. (2010), the acceptable level of RMSEA must be less than 0.080, while both CNI and TLI are exceeded 0.950. Therefore, some items of transformational leadership construct and trust were deleted (based on high value of errors indicated by Modification Indices) to get a good fitness of model as presented in Figure 3. The RMSEA, CNI and TLI have met the acceptable values; 0.470, 0.982 and 0.978 respectively.

Table 3 shows the results of disattenuated correlation analysis generated from the SEM method and descriptive statistics from Statistical Package in Social Science (SPSS). The means for the variables are from 3.47 to 3.80, indicating that the level of transformational leadership practices and trust are ranging at high moderate level. The correlation coefficients for the relationship between the independent variable (transformational leadership) and dependent variable (trust) is 0.492 that indicate strong relationship and proven discriminant validity.

In testing a direct effect model as depicted in hypothesized structural model (see Figure 4 in appendix), transformational leadership positively and significantly influences trust of the employees ($\beta = 0.492, p < 0.001$), therefore H1 was supported. This result demonstrates that the ability of leaders to properly implement transformational processes via intellectual stimulation, individualized consideration, individualized influenced attributed and individualized influence behavior has directly increased employees' trust in the studied organizations.

Table 3: Disattenuated Correlation and Descriptive Statistics

Variable	Mean	STD	Transformational Leadership	Trust
			1	0.492***
Transformational Leadership (TL)	3.47	1.42	1	
Trust	3.80	0.94	0.492***	1

Note: Correlation Value is significant at *** $p < 0.001$
 Reliability estimation are shown diagonally (value 1)
 STD=Standard Deviation

5. DISCUSSION AND RECOMMENDATIONS

This study confirms the influence of transformational leadership on employees' trust. In the LAs, leaders have properly performed transformational processes in terms of individualized consideration, inspirational motivation, intellectual stimulation individualized influenced attributed and individualized influence behavior to achieve the organizational strategy and goals. The majority of the employees perceive that such leadership practices had increased their chances to mutually participate decision making and being empowered to manage the organizational functions. They also perceived that the leaders were more flexible in guiding them to be successful in their job compared to transactional leadership style as famously practiced in the public sector organizations before. Moreover, the civil service transformation program as seriously emphasized in the agenda of GTP Roadmap had given a big impact to realize the implementation of transformational leadership style among the leaders in public sector organizations such as LAs. All this, led the employees to trust their organization.

The implications of this study can be discussed into three aspects: theoretical contribution, robustness of research methodology, and contribution to practitioners. For the theoretical contribution, this study revealed that transformational leadership practices play important role to affect employees trust in

organization. This outcome is consistent with studies by Azman et al. (2010), and the model of trust as developed by Mayers et al. (1995). In total, the findings of this study have supported and broadened leadership research literature mostly published in the Western and Eastern organizational settings. Thus, the notion of transformational leadership style had been effectively applied within the leadership management models of the studied organization. Taking into account on the robustness of research methodology, the data gathered using leadership management literature, the in-depth interviews, pilot study and survey questionnaires have met the acceptable standard of validity and reliability analyses, this may yield to the accurate and reliable findings.

In terms of practical contributions, the findings of this study can be benefited as a guideline by the management to improve the effectiveness of leadership styles in their organizations. Thus, it is possible for the management to consider some suggestions: firstly, leadership styles will be attractive if they are always trained with current knowledge, appropriate skills and high moral values. This training program can improve leaders' treatments in tackling the employees' rights and demands who are multi socio-economy backgrounds. Secondly, participative leadership approach is more significant when the subordinates are invited to involve in decision making, this will motivate employees to feel that their ideas and suggestions are appreciated. Subsequently, it may encourage them to

display their creativity and innovation in doing job. Lastly, close and frequent interaction between subordinates and leaders will increase trust among them as well as positive subsequent personal outcomes (e.g., satisfaction, commitment, performance and ethics).

6. CONCLUSION

This study confirms that transformational leadership significantly influence trust among the employees in LAs. This result has supported and added leadership research literature mostly published in the Western and Eastern organizational settings. Therefore, current research and practices within public sector organizations in Malaysia need to consider transformational leadership as a critical aspect of the organizational leadership style, where increasing trust in efficiently and effectively managing organizational functions may strongly motivate positive subsequent attitudinal and behavioral outcomes (e.g., competency, performance, satisfaction, commitment, and positive moral values). Thus, these positive outcomes may lead employees to sustain and support LA competitiveness in a challenging environment.

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APPENDICES

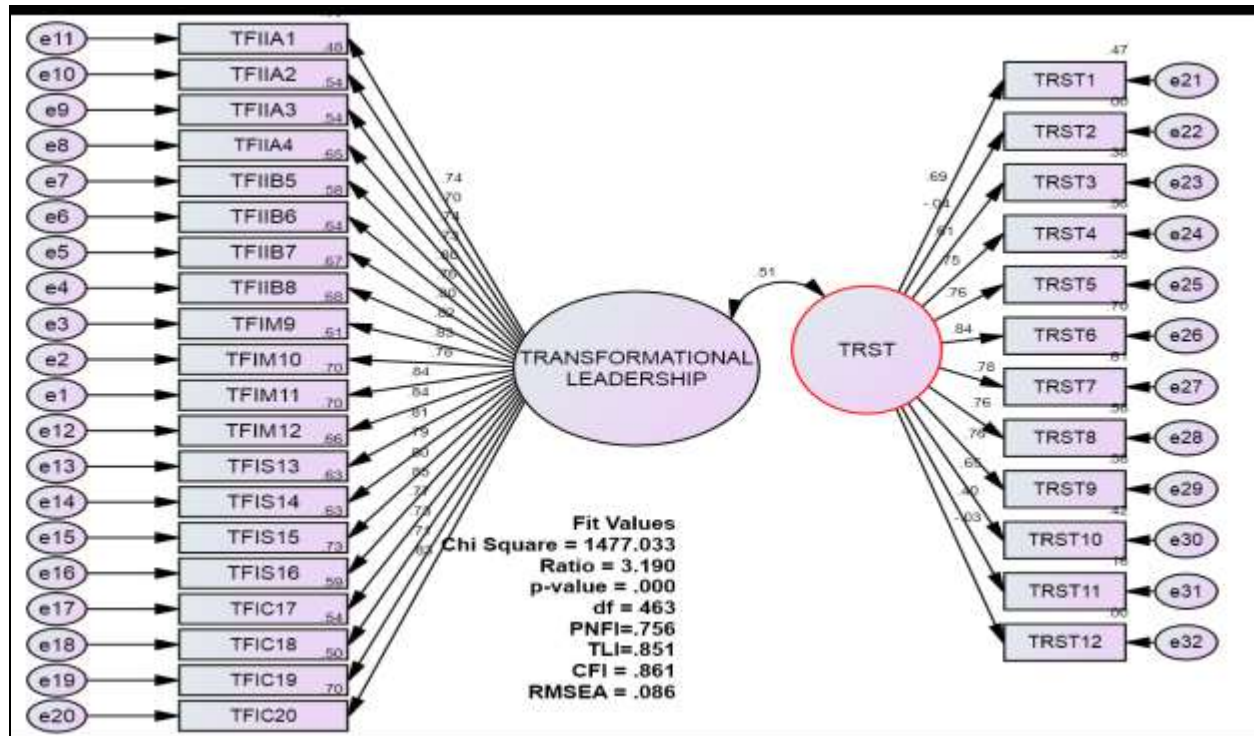


Figure 2: CFA and Measurement Model of Variables

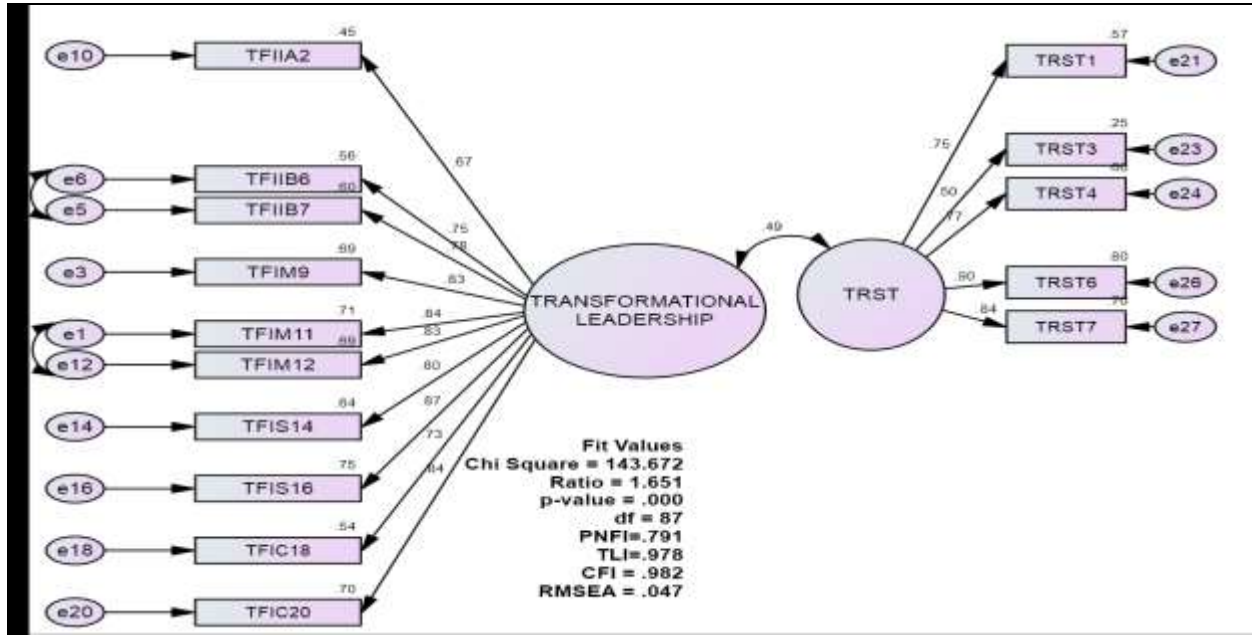


Figure 3: CFA and Measurement Model of Variables (Re-specified)

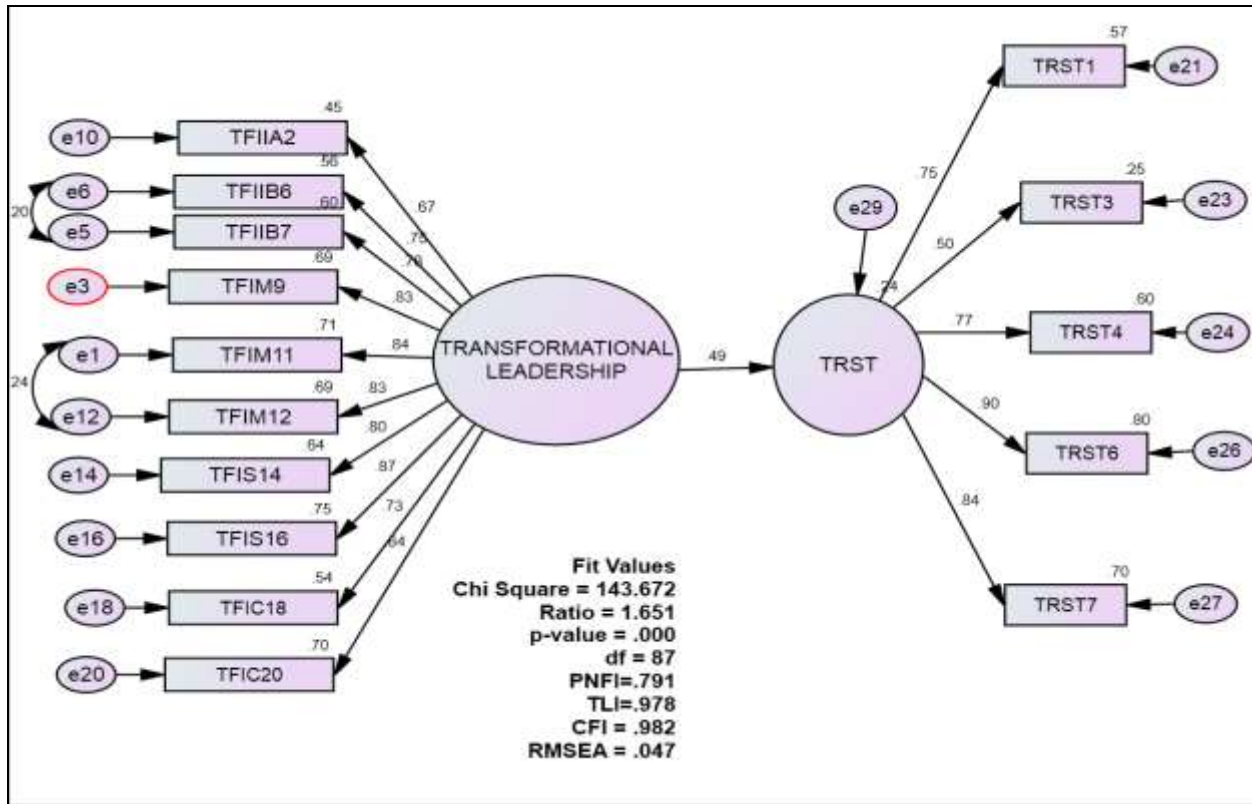


Figure 4: Hypothesized Structural Model