THE INFLUENCE OF TRANSFORMATIONAL AND TRANSACTIONAL LEADERSHIP STYLE TOWARDS EMPLOYEE COMMITMENT IN MALAYSIA ROYAL CUSTOMS ORGANIZATION

Khairunesa Isa

Universiti Tun Hussein Onn Malaysia

nesa@uthm.edu.my

ABSTRACT

The purpose of this study is to investigate the influence of transformational and transactional leadership styles towards employee commitment in Malaysia Royal Customs Organization. All the dimension of transformational and transactional leadership style has been studied to determine the influence towards employee commitment. A total of 100 subordinates were chosen by simple random sampling and participated in this study. Set of questionnaire has been used as a instrument for the purpose of data collection. The Multifactor Leadership Questionnaire (MLQ) was used to measure the leadership style of the directors while An Organizational Commitment Questionnaire (OCQ) was used to measure the level of commitment of the employee. Data collected were further analyzed using the descriptive statistics and the inferential statistics. The findings shows that there is a significant relationship between transformational and transactional leadership styles of leader and the level of employee commitment. Based on each dimensions, the result shows that dimension of individualized consideration have a high positive significant compared to the other dimension like charismatic, intellectual stimulation, contingent reward and management-by-exception with the level of employee commitment and 60% of employee commitment are influenced by transformational leadership style.

Keywords: Transformational and Transactional Leadership Style, Employee Commitment, Demographic Background

1. INTRODUCTION

1.1 Background

Leadership is one of the important elements in an organization which is it serves as a key driver of performance in the organization. Leadership is the most widely studied concept in social sciences (Greenberg & Baron, 2003). Most researcher usually defined leadership based on their individual perspective and the aspect of the phenomenon of most interests them. Cameron and Quinn (2006) asserted that there is a need for leaders to constantly evaluate their strategic position and align the organization's overall mission, goals and objectives with a philosophical purpose for the continued existence of the organization. With that matters, all leaders do need applied a suitable leadership style for the sake to influence employee commitment in the organization. Leadership style can be defined as a mix of consideration and structure that is exhibited in the leader role (Fleishman, 1969). In the simple words, leadership style is the manner and approach of providing direction, implementing plans, and motivating people in the organization. Past researcher (Burn, 1978; Bass, 1989; Yulk, 2002) agree that there are no exactly leadership style can be defined as a effective leadership style but how leaders used their skill to applied the right leadership style according to the situation. Transactional and transformational leadership has been of great interest to many researchers in the current contemporary era. Using either transformational or transactional leadership behavior helps in the success of the organization achievement (Laohavichien et al., 2009) especially in term of in predicting subordinates' satisfaction with their leaders (Bennett, 2009). Burn (1978) identified two types of leadership styles; Transformational and Transactional. Transformational leadership is based on more than compliance of followers that involve shift in the belief, the needs, and the values of followers. Transactional leadership involves an exchange relationship between leaders and followers such that followers receive wages or prestige for complying with a leader's wishes.

1.2 Statement of the problem

Malaysia Royal Custom is one of the public sector agencies which is the mission are to preserving national security and well-being of the people through revenue collection services, facilitation of trade and industrialization and ensuring adherence to the laws through efficient and effective means. Accordingly that mission one of the major strategies used is by focus on improving service delivery in the public sector as a platform to enhance the dividends of good governance to the population. However, the department is still not able to achieve the mission caused of several factors such as public complaints about their services, case of corruption, official misconduct during their duties, lack of commitment to improve administrative efficiency and effectiveness and lack of commitment to decentralize administrative function and power (Adamolekun & Ayeni, 1990). Therefore this study try to examine the influence of leadership on employee commitment in Malaysia Royal Custom. The central focus of the study was on the important role of leaders have to play in creating a conducive work environment, setting mission and goals, allocating and directing resources for optimal performance, all of which collectively influenced employee commitment and performance. Apart from the effects of leadership on employee behavior and attitudes generally, many researchers have long been interested in employee commitment, which largely encompasses motivation and job satisfaction (Locke and Latham, 1990 & Meyer et al., 2004).

1.3 Purpose of Study

The purpose of this study was to identify the influence of transformational (idealized influence, motivational inspiration, intellectual stimulation and individualized consideration) and transactional (contingent reward and management-by-exception) leadership styles towards employee commitment in Malaysia Royal Customs Organization. All the dimension of transformational and transactional leadership style has been studied to determine which the significant factors that influenced employee commitment is.

1.4 Research Question

1. Does transformational leadership style (as symbolized by idealized influence, motivational inspiration, intellectual stimulation and individualized consideration) have effect on employee commitment to the Malaysia Royal Custom?

2. Does transactional leadership style (as symbolized by contingent reward and management-by exception) have effect on employee commitment to the Malaysia Royal Custom?

2. LITERATURE REVIEW

2.1 THE DIMENSION OF TRANSFORMATIONAL AND TRANSACTIONAL LEADERSHIP STYLE

The theory of transformation-transactional leadership can be best explained as a difference in what leaders and subordinates have to offer in a work relationship. Transformational leadership influences both the micro (individual) and macro level of an institution by transforming followers from their "everyday selves" to "better selves", by appealing to their higher order intrinsic needs, bypassing vision of short-term goals, and becoming motivated by organizational goals rather than self-interests (Judge & Piccolo, 2004; Yukl, 1989). The study of Jansen et al., (2009) concluded that the transformational leadership behaviors contribute significantly to exploratory innovation while transactional leadership behaviors facilitate improving and extending existing knowledge and are associated with exploitative innovation. In another study transformational leadership had big influence on employees' performance and innovation than transactional leaders (Boerner et al., 2007) as well as it was more significantly associated with team cohesiveness, work unit efficacy and organizational learning as compared to transactional leadership (Stashevsky and Koslowsky, 2006).

In contrast transactional leadership is a more conventional style in which work is exchanged for resources. A transactional leader influences subordinates by rewards in exchange for their efforts (contingent rewards), follows workers closely and takes corrective actions when required (management by exception – active), or passively manages employees and takes measures when necessary (Bono & Judge, 2004; Judge & Piccolo, 2004). Study of Chen et al., (2005) found that followers were satisfied with the contingent reward dimension of transactional leaders and individualize consideration of transformational leaders. Transactional leadership is based on the notion of a social exchange, as opposed to personal growth and change. Leaders control followers' behaviors by authority and power on the one hand and satisfying followers' needs on the other. The

type of leader believes that the unfair evaluation of staffs opinion and feelings result in job dissatisfaction, and by eliminating any evaluation, they will free the staff to perform to their peak ability. Leaders offer organizational resources in exchange for followers' compliance and responsiveness.

3. EMPLOYEES' COMMITMENT

Employee commitment has typically been viewed as the relative strength of an individual's identification with the involvement in an organization as well as his or her willingness to exert effort and remain in the organization. Commitment as outcome has been related to leadership (Walumbwa, et al., 2005). It is important for the organisation to know what are the factors that contribute and plays important role or have big impact in boosting the commitment of the employees. Leadership styles is essential in order for an organization to successfully implement business strategies, achieving their goals, gain competitive advantage and optimizing human capital that encourage employee commitment. A review of organizational commitment research literature by Meyer and Allen (1991), and corroborated by Dunham, Gruba and Castaneda (1994), identified three types of organizational commitment: *affective, continuance and normative.* Affective commitment is defined as employee emotional attachment to, identification with, and involvement in the organization and its goals. It results from an individual and organizational value congruency. Steers (1977) identified factors which help create intrinsically rewarding situations for employees to be antecedents of affective commitment. Continuance commitment is defined as willingness to remain in an organization because of personal investment in the form of nontransferable investments such as close working relationships with coworkers, years of employment in a particular organization, involvement in the community in which the employer is located, and other benefits that make it too costly for one to leave and seek employment elsewhere while Normative commitment is induced by a feeling of obligation to remain with an organization. This is an almost natural predisposition to be loyal and committed to institutions such as family, marriage, country, religion and employment organization as a result of socialization in a culture that places a premium on loyalty and devotion to institutions. This view of commitment holds that an individual demonstrates commitment behavior solely because she or he believes it is the moral and right thing to do. This feeling of moral obligation is measured by the extent to which a person feels that he or she should be loyal to his or her organization, make personal sacrifice to help it out and not criticize it (Wiener and Verdi, 1980).

4. RESEARCH METHODOLOGY

This study focused on leadership characteristic as defined by transformational and transactional leadership in the MLQ full range by Avolio and Bass (1985) and its influenced with the three-component dimensions of employee commitment questionnaire espoused by Meyer et al., (1993). The population of this study consisted of custom officer in the Headquarters Malaysia Royal Custom. A total of 100 subordinate were chosen by simple random sampling as a respondent. Set of questionnaire were self-administrated to participants after short briefing session to all respondent. The written questionnaire consisted of three main part which is (i) respondent background; (ii) leadership style and (iii) employee commitment.

5. RESEARCH FINDING AND DISCUSSION

About 120 set of questionnaires distributed, 100 were returned representing 80% of the total number distributed. The gender showed 57% are women and the rest is men. The age composition showed that 40% of the sampled respondents were within 21–50 years old. In terms of educational qualification majority respondents had first degree (75.5%), followed by diplomas (4.1%) and certificates.

The main objective of this study was to show the important relationship between leadership style and employees' commitment in the organization. In the other hand, this study try to determined the roles that leaders have to play in creating a conducive work environment, set an organization vision and goals as well as manage interrelationships to enhance subordinate commitment and organizational effectiveness. The results show that transformational leadership factors have relationship with the three-component dimension of employee commitment in Malaysia Royal Customs Organization. The reliability of transformational is Cronbach's Alpha 0.955, transactional is 0.746 while employee commitment is 0.774. Results show that Transformational factors are positively related to total commitment factor. For instance, affective commitment is highly correlated with individualized consideration at r=0.860 and inspirational motivation at r=0.610. This finding is consistent with that of Bycio et al. (1995): that the inspirational aspects of transformational leadership enhance affective commitment, but according to Baharuddin (2004) charismatic dimension is more significant towards employee commitment compared to individualized consideration. Whenever, transactional were found is average correlated with employee commitment at r=0.48.

The regression results showed that all the dimensions of transformational factor have a significant relationship with employee commitment with the R_2 values are .600. It is means that employee' commitment influenced by transformational leadership style about 60% while individualized consideration were found as a significant dimension to influenced employee' commitment with significant value .001.

6. CONCLUSION

This study examined how employees' perceptions of transformational and transactional attributes influence their commitment to the Malaysia Royal Customs using the MLQ factors developed by Avolio and Bass (1991) and the three-component dimension of OCQ developed by Meyer et al., (1993). The study established some correlations between employees' perceptions of leadership factors and their commitment to organizations. The study also used hierarchical regression analysis to determine the level of prediction of organizational outcome variables that could be attributed to transformational and transactional leadership factors. The summary of these findings showed that there are positive correlations noted between transformational and transactional leadership style towards employee commitment at different level of relationship. It's mean that transformational dimension of individualized consideration is highly correlated with employee commitment while each dimension of transactional which is contingent reward (r=0.492) and management-by-exception (r=0.370) were found with average correlated with employee commitment. As a main finding of this research stated that 60% commitment of employee influenced by of leadership style while individual consideration were significant factor that contributed to employee commitment. Agreed with this

findings, Roger (2008) stated that transformational style can influence employee behavior so that the behavior has a positive impact on the organization.

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