

An Empirical Study of Leadership Styles and Employee Job Performance in the Malaysian Private Industry

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Abstract

The purpose of this study is to identify the relationship between leadership styles and employee job performance in the Malaysian private industry. The independent variables of this study are transformational and transactional leadership whereas the dependent variable is employee job performance. The research design of this study employs a quantitative and cross-sectional approach. An online survey questionnaire was used to collect data and yielded 384 responses. The findings of this study revealed that transformational and transactional leadership were significantly related to employee job performance. This research can provide practical implications to the organizations' leaders and managers to exhibit appropriate leadership styles by the employee performance outcomes in the Malaysian private industry.

Keywords: Transformational Leadership, Transactional Leadership, Employee Job Performance, Private industry, Malaysia.

Introduction

As the global business environment has become increasingly competitive, leadership style is getting more critical to driving employee performance and productivity. Lack of employee commitment, high turnover rate, and job stress among employees can affect employee performance and productivity (Asrar-ul-Haq and Kuchinke, 2016). This raises the importance of leadership styles in an organization. The high turnover rate in the private industry in Malaysia has raised the concern of a manager's leadership role in leading his team and inspiring employee potential towards higher job performance. Employee turnover has been proven to be one of the costliest and seemingly intractable human resource challenges confronting several organizations globally (Arokiasamy, 2013). This may lead to low productivity and hinder the organization from achieving its organizational goals. Therefore,

there is a need to find a solution to overcome this situation. Although Malaysia's private industry is one of the leading sectors that contribute to Malaysian economic prosperity, limited studies have been conducted to identify the relationship between leadership styles and employee job performance. Hence, this study attempts to fill the research gap by raising the below questions:

1. Is there any significant relationship between transformational leadership and employee job performance in the Malaysian private industry?
2. Is there any significant relationship between transactional leadership and employee job performance in the Malaysian private industry?

Literature Review and Hypothesis Development

Employee Job Performance

Motowidlo and Kell (2012) defined job performance as the total expected values to an organization of the discrete behavioral episodes that an individual carries out over a standard period. Job performance is one of the most critical indicators in evaluating organizational performance (Wall et al., 2004). Muchinsky (2003) claimed that job performance is a set of employee behaviors that can be measured, monitored and assessed in terms of achievement at the individual level. Hence, it is imperative to focus on the employees' job performance in an organization. Management staffs should involve followers or employees in the organization to establish goals that can achieve in the best way possible. In a study by Wen et al (2019), employees' job performance is deemed a critical element in an organization in making sustainable competitive advantage. Among the leadership styles in an organization that affect employee job performance are transformational and transactional leadership.

Transformational Leadership and Employee Job Performance

Transformational leadership focuses on improving employee's development, process-oriented and commitment based on trust and expectations. A transformational leader's responsibility is to motivate the employees to perform beyond expectation (Hater and Bass, 1988). A transformational leader has been described as a psychoanalyst, and they tend to learn, understand and analyze their followers or employees' mind, attitudes, their thoughts and preference to come to a decision that helps to enhance the employees' performance level (Abbas and Yaqoob, 2009). They transform followers' beliefs, values, and attitudes to achieve performance that exceeds expectations. MacKenzie et al (2001) claimed that transformational leadership is one of the more effective leadership styles for encouraging positive in-role and extra-role behaviors of the employees. Besides, a study by MacKenzie et al (2001) also emphasized that transformational leadership contributes to employees' job performance. Previous research has indicated that transformational leadership has a positive correlation with employees' job performance (Buil et al., 2019; Obasan and Banjo, 2014). Hence, it is hypothesized that:

H1: Transformational leadership has a significant relationship with employee job performance.

Transactional Leadership and Employee Job Performance

Transactional leadership is a style of leadership where the leaders lead the followers with punishment and reward (Robbins and Judge, 2009). The transactional leader's responsibility

is more on role clarification and task completion. Nguyen and Mohamed (2011) mentioned that transactional leaders might result in followers' compliance, but unlikely to generate a commitment to task objectives. Afshari and Gibson (2016) stated that transactional leadership requires clear leader-follower (manager-employee) relationships with clarified mutual outcomes. There is an exchange relationship that exists in the transactional leadership style, wherein the subordinate commits performance to the leader and the leader provides an abstract reward in the form of respect, trust and commitment as a return. An excellent transaction process between leaders and followers leads to satisfactory employee job performance. A previous study by Paracha et al (2012) revealed that transactional leadership is more significantly related to the job performance of the employee compared to transformational leadership. Therefore, it is hypothesized that

H2: Transactional leadership has a significant relationship with employee job performance.

Methodology

Population, Sample and Sampling Procedure

The total population of this study consists of employees working in the Malaysian private industry. According to DOSM (2019), the Malaysian labor force increased by 2% in 2018 at 15.3 million persons as compared to 2017. The sample size of this study is targeted to be at least 384 respondents which was determined by using Krejcie and Morgan's (1970) sampling table. The sampling procedure used in this study is convenient sampling. A convenient sampling technique was chosen because it is effortless to carry out at a low cost. An online survey questionnaire was used in this study which yielded 384 responses.

Measures

The measures of employee job performance (8 items) were adapted from the study of (Salfi, 2011). The items of transformational leadership (8 items) were adapted from the study of Bass and Avolio (1997). Transactional leadership (6 items) was also adapted from the study of (Bass and Avolio, 1997). A 5-point Likert scale was utilized to measure the level of agreement for all the study variables.

Results and Discussion

Profile of the Respondents

Among the 384 respondents, 220 were females, and 164 were males. The majority of the respondents were aged between 31 to 40 years old, which accounted for 64.1% of the respondents. Based on the education level, most of the respondents (256, 66.7%) were bachelor's degree holders. In the category of working experience, 218 of the respondents have 6 to 10 years of working experience in the industry. In terms of roles in the organization, most of the respondents (58.3%) hold an executive position.

Factor Analysis and Reliability Test

Factor analysis was conducted by using Principal Component Analysis (PCA) to evaluate the validity of the study variables. Table I displays the results of factor analysis for the independent variables (i.e. transformational leadership, transactional leadership). Table II shows a single factor for the dependent variable (i.e. employee job performance). All the variables were deemed reliable as it has achieved or surpassed Cronbach's alpha value of 0.70, as suggested by (Tavakol and Dennick, 2011).

Table I

Factor Analysis for the Independent Variables

| Item | Description | Factor Loading | |
|--|--|----------------|--------|
| | | 1 | 2 |
| TM_1 | My manager makes others feel good to be around him/her. | 0.816 | |
| TM_2 | I have complete faith with my manager. | 0.813 | |
| TM_3 | My manager expresses in a few simple words what we could and should do. | 0.676 | |
| TM_5 | My manager enables others to think about old problems in new way. | 0.734 | |
| TM_6 | My manager provides others with new ways of looking at puzzling things. | 0.700 | |
| TM_7 | My manager helps others develop themselves. | 0.745 | |
| TM_8 | My manager gives personal attention to others who seem rejected. | 0.637 | |
| TS_1 | My manager tells me what I should do if I want to be rewarded for my effort. | | 0.674 |
| TS_3 | My manager talks a lot about special commendations and promotions for work. | | 0.782 |
| TS_4 | My manager makes me do more than I expected I could do. | | 0.786 |
| Eigenvalue | | 4.948 | 1.136 |
| Percentage of Variance Explained (%) | | 49.477 | 11.357 |
| Cumulative Percentage (%) | | 49.477 | 60.834 |
| Reliability Coefficient (Cronbach Alpha) | | 0.886 | 0.699 |

Note: KMO = 0.897, Bartlett's test of Sphericity; Approx.Chi-Square = 1695.865, $p < 0.001$.

Table II

Factor Analysis for Employee Job Performance

| Item | Description | Factor loading |
|--|--|----------------|
| EJP_3 | I receive support and guidance from my manager in performing my job. | 0.915 |
| EJP_4 | I feel my performance increases with the support activities carried out by my manager. | 0.925 |
| EJP_5 | I am capable of completing my task within the time frame. | 0.445 |
| Eigenvalue | | 1.891 |
| Percentage of Variance Explained (%) | | 63.045 |
| Cumulative Percentage (%) | | 63.045 |
| Reliability Coefficient (Cronbach Alpha) | | 0.695 |

Note: KMO = 0.534, Bartlett's test of Sphericity; Approx.Chi-Square = 389.810, $p < 0.001$.

Correlation Analysis

A Pearson correlation analysis was conducted to determine the correlations between independent variables (transformational leadership and transactional leadership) and the dependent variable (employee job performance). Table III displays the Pearson correlation analysis of all the variables via SPSS analytical software. The results revealed that there were

positive correlations between the independent variables (transformational leadership and transactional leadership) and the dependent variable (employee job performance).

Table III

Pearson Correlation for the Study Variables

| | Transformational Leadership | Transactional Leadership | Employee Job Performance |
|-----------------------------|-----------------------------|--------------------------|--------------------------|
| Transformational Leadership | 1 | | |
| Transactional Leadership | 0.553** | 1 | |
| Employee Job Performance | 0.732** | 0.496** | 1 |

Note: **Correlation is significant at the 0.01 level (2-tailed).

A positive value of the Pearson correlation coefficient (r) indicates a positive correlation between two variables. The strongest positive correlation appeared between transformational leadership and employee job performance with a value of 0.732 ($p < 0.01$). In contrast, transactional leadership and employee job performance have the weakest positive relationship at 0.496 ($p < 0.01$) compared to other variables.

Multiple Regression Analysis

Table IV shows the multiple linear regression analysis among the independent variable and employee job performance. The findings show that both independent variables could explain 54.8 percent ($R^2 = 0.548$) of the variance of employee job performance. The analysis results reveal that both independent variables have significant positive relationships with employee job performance. Transformational leadership ($\beta = 0.660$, $p < 0.01$) has the strongest relationship with employee job performance, followed by transactional leadership ($\beta = 0.131$, $p < 0.01$). Therefore, hypotheses H1 and H2 are accepted.

Table IV

Multiple Regression Analysis for the Independent Variables and Employee Job Performance

| Independent Variables | Employee Job Performance | | | | H | Result |
|-----------------------------|--------------------------|-------|-------|------------|----|----------|
| | Beta, β | Sig. | B | Std. Error | | |
| Transformational Leadership | 0.660** | 0.000 | 0.658 | 0.041 | H1 | Accepted |
| Transactional Leadership | 0.131** | 0.002 | 0.123 | 0.039 | H2 | Accepted |
| F value | 230.772 | | | | | |
| R Square | 0.548 | | | | | |

**Significant at the 0.01 level.

The findings revealed that there is a significant positive relationship between transformational leadership and employee job performance ($\beta = 0.660$, $p < 0.01$). MacKenzie et al (2001) suggested that managers have to think more carefully about how they can do better in articulating a vision, providing an appropriate model that fosters the acceptance of group goals, and providing individualized support. Buil et al. (2019) pinpoint that transformational leadership behavior helps in increasing employees' job performance. Obasan and Banjo (2014); Hee et al (2018) also echoed that leadership with transformational character is the

best approach that an organization could use to boost employee's performance to achieve targeted goals. Nevertheless, as reported in this study analysis results, transactional leadership was found to be significantly correlated to employee job performance as well ($\beta=0.131$, $p<0.01$). This finding is aligned with the findings of Afshari and Gibson (2016), where the researcher found that transactional leadership was related to positive outcomes in the organization. Afshari and Gibson (2016) claimed that transactional leaders increase the level of trust that employees have towards their leaders. Afshari and Gibson (2016) also mentioned that transactional leadership leads to a better relationship with other people in the organization and subsequent feelings of relatedness to the organization. Likewise, Paracha et al (2012) emphasized that transactional leadership helps in increasing follower's or employee's job performance.

Conclusion

This study provides a coherent view of the relationship between two types of leadership and employee job performance in the private industry in Malaysia. It gives a more precise direction for managers and leaders to focus more on transformational leadership compared to transactional leadership to increase employee job performance. Managers and leaders should pay attention to these results and exhibit suitable leadership styles, such as transformational leadership and transactional leadership to improve their employees' job performance. This research is one of the few studies conducted in the Malaysian private industry.

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