

## The Influence of Leadership Styles on Organizational Performance of Logistics Companies

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**Abstract:** Empirical studies have highlighted that one of the organizational success factor is leadership. This suggests that leadership plays a key role for organizational performance. The purpose of this study was to examine the relationship between leadership styles and organizational performance. Further, the study determined the influence of leadership styles on organizational performance. Finally, the study examined the most important leadership style that influences organizational performance. Data in the study was collected from a sample of 150 managerial staff in Malaysian logistics companies. The obtained data were analyzed using SPSS Version 17. Descriptive and inferential statistics were employed to answer the objectives and hypotheses of the study. The study found that all of the leadership styles were related to organizational performance and contributed significantly to organizational performance. The study also revealed that transformational leadership style emerged as the most significant influence to organizational performance. The findings of the study provided empirical evidence that transformational leadership style has significantly enhanced the organizational performance in Malaysian logistic companies.

**Key words:** Leadership styles, organizational performance, transformational leadership, samples, companies, Malaysia

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### INTRODUCTION

The environment of current organization has become very competitive and highly complex. Malaysia as a developing country is challenging mature countries in a number of business regardless of industry. According to Dean (2004), China has emerged as the world's maker of consumer electronics and is rapidly moving into biotechnology, computer manufacturing and semiconductor.

Engardio (2005) highlighted that the beginning of hyper competitor multinationals in India is reflected with the innovation in industries as diverse as precision manufacturing, health care and pharmaceuticals. This implies that in today's global and dynamic competitive environment, the role of organization's leaders and managers are becoming more crucial. This is particularly according to Wheelwright and Clark (1992) is due to global competition, fragmented and demanding markets and diverse and rapidly changing technologies. Empirical studies have strongly put an emphasis that leadership is one of the most important factors for organizational performance and success. This suggests that leadership plays key role in influencing organization performance particularly in Malaysian logistic companies. Research on organizational behavioral aspects has been a focus of

studies by scholars for the past few decades. The widely research done by scholars on this topic is due to its positive organizational outcomes in both tangible and intangible aspects, especially on organizational performance. This includes performance both on employee satisfaction and customer satisfactions resulting to improvements in a firm's economic returns, market share and profitability (Anderson *et al.*, 1994). Further, changes in business environment and globalization have forced most organizations to reevaluate their competitive strategy to gain competitive advantage in the global market (Ma, 2004).

One way of viewing organization or firm performance and its strategy is from the perspective of Resource Based View (RBV) Theory an idea which was popularized by Hamel and Prahalad (1994). RBV defines or conceptualizes firm or organization as an accumulation or a bundle of resources. This notion suggests that the organization accumulated resources and the way they are aligned and combined will help in creating a different in organizations as compared to others which contribute a competitive advantage and resulting to high performance of organization.

Various definitions have been offered on organization's resources by scholars tending to include everything in internal organizations. Barney (1986)



classifies resources as all assets, capabilities (individual, group and corporate), organizational processes, organization attributes, information, knowledge, management systems and any organizational related resources and aspects including human capital (leadership and its followers). Further organization can gain sustainable competitive advantage by continuously developing existing and creating new resources and capabilities to face with rapidly changing market condition (Barney, 1991). Narver and Slater (1990) contend that the ability of organizations to compete in global market and gain the competitive advantage will determine organizational performance. This challenge certainly requires effective and good leadership (Hartog and Koopman, 2002).

Previous research in management practices emphasizes the critical role of leadership in driving overall organization vision and mission and to face with challenges and turbulent times. Based on the above scenario, the question is that if resources are defined as anything internal to organization what ones more strategically important for organizational performance? While much of the argument in the literature in terms of factors that influence to organizational performance and the important resources for organizational competitiveness and performance, this study highlights at one factor that is leadership.

### **Literature review**

**Leadership styles:** Leadership has been discussed based on various perspectives. Senior and Fleming (2006) classified leadership styles in the following categories:

- Concern for task which is also referred as result oriented
- Concern for people or person centered or employee oriented
- Directive leadership or authoritarian leadership or autocratic leadership
- Participative leadership or democratic leadership
- Transactional leadership
- Transformational leadership

Despite of various leadership styles according to Senior and Fleming (2006), the last two leadership styles had received much attention. Continuously, most scholars are in agreement that there is no single leadership style that indicates the most appropriate style to all situations. McCrimon (2007) views leadership based on four paradigms: classical, transactional, transformational and organic leadership. Classical thinking of leadership style refers to how the decisions are made and based on

behavioral perspective. It consists of three major leadership styles: authoritarian leadership, participative or democratic leadership and delegative or laissez faire leadership (Lewin, 1939).

Cherry (2010) stated that currently, these leadership styles are very influential in organization context and has attracted a great deal of attention among researchers. The second paradigm is transactional leadership which is based on reciprocal relationship between leaders and the followers. It also refers on the management of the whole internal and external environment to influence followers, recognizing their needs and wants as well as clarifying how it is possible to meet this complexity through negotiated rewards and agreements system. Transactional leaders organize the subordinates' tasks so that their job carried out efficiently. Bass (1985) suggested transactional leadership as the core component of effective leadership behavior that could influence organizational performance.

The third paradigm is transformational leadership characterized by charisma (idealized influence), inspirational motivation, intellectual stimulation and individualized consideration. Transformational leaders integrate creative insight, persistence and sensitive to the followers. The role of transformational leader is to develop and inspire the subordinate to be more responsible and committed to the challenging goals. This visionary leader inspires and activates employees to perform beyond normal procedure and depends on the vision presented by the leader. The fourth paradigm is organic leadership which is based on teamwork without formal distinction between leaders and followers. Members of the team are working together in whatever roles of authority and power they may not based on position of power (Rok, 2009). Rollinson (2008) concludes that leadership can be looked based on two perspectives or approaches: descriptive approach and functional approach.

Descriptive approach refers to theories that describe leadership in terms of either what a person is or his or her distinctive style of behavior. In other words, it focuses on whether a leader has appropriate style of behavior to be adopted to undertake responsibilities. Functional approach to leadership refers to theories that explain leadership in terms of the functions performed by the leader with respect to the followers.

A number of theories have emerged each representing different perspective of leadership. Among new emerging theories are like spiritual leadership and authentic leadership. Literatures have highlighted that the theories and research in leadership have a long pedigree in the social and organizational sciences (Rollinson, 2008). Accordingly leadership has been addressed based on the following approaches or perspectives: leadership based on traits, behaviors and situational characteristics. Failure of trait theory to predict the success of individual in



leadership has led to the development of theories that relate to behavior with leadership success. The behavioral theory includes the three categories of behavioral leadership styles postulated by Lewin (1939) which according to literature was heavily influenced by human relation theory.

On the notion that there is no single leadership style that indicates the most appropriate style to all situations researchers have explored various perspective of leadership approaches in their study. This study however attempts to highlight the relationship of classical leadership styles (authoritarian, participative, delegative) and transformational leadership style (which consists aspects of charisma or idealized influence, inspirational motivation, intellectual stimulation and individualized consideration) and organizational performance. Classical leadership styles which according to Cherry (2010) are very influential in organization context and has attracted a great deal of attention among researchers could be appropriate to be applied in Malaysian logistics companies as these companies are highly in need of leaders who can influence the members to achieve superior performance. The question is whether classical leadership styles appropriate enough to transform and make great changes in the logistics companies. Thus, this study also proposes the link between transformations leadership style and organizational performance. This is because according to Bass (1985) transformational leaders are able to create great change in both followers and the organization. This leadership style has also attracted a great deal of attention among researchers (Rollinson, 2008).

**Organizational performance:** Various measures of organizational outcomes have been suggested by researchers and scholars. One of the widely researched constructs is organizational performance. Organizational performance has been focused on two areas of research stream mainly on economic perspective and the organizational perspective. The economic perspective emphasizes the importance of external market factors such as the firms' competitive business position and anything related to financial aspects.

The organizational or non economic perspective builds on behavioral and sociological paradigms and their fit with the environment which includes quality of services (such as employee satisfaction and customer satisfaction) quality of product and competitiveness (Tvorik and McGiven, 1997). Although, several attempts by researchers have been made to provide a clear definition of organizational performance, however there is no conclusive definition in terms of some aspects of terminology, analysis level and conceptual basis for assessment (Ford and Schellenberg, 1982). Different authors have proposed different ways to measure

organizational performance (Wong and Wong, 2007; Lin and Kuo, 2007; Prajogo *et al.*, 2007). Venkatraman and Ramanujam (1986) suggested that organizational performance is an indicator that can measure how well organizations achieve their objectives. Further, Venkatraman and Ramanujam (1986) have identified ten different types of performance measurements and narrowed it down to three main dimensions: financial performance, business performance and organizational effectiveness. Lee and Lee (2007) suggest four categories of organizational performance measures: financial measures, intellectual capital, tangible and intangible benefits and balanced scorecard. Huselid *et al.* (1997) and Lin and Kuo (2007) proposed organizational performance measures based on humanistic performance factors which consist of employee retention and motivation and market performance which includes profit margin, sales and customer satisfaction. Meanwhile Marsick and Watkins (2003) include both financial performance and knowledge performance in their organizational performance measures. Accordingly, both organizational and economic factors serve as important indicators for organizational performance and quality of product.

Among the above organizational performance measures, non financial performance, in terms of customer satisfaction and employee satisfaction have recently drawn much more attention among researchers than ever before. Naumann and Giel (1995) stated that employee satisfaction and customer satisfaction are among a firm's key performance measures and important factors of business effectiveness. Naumann and Giel (1995) argue that employee satisfaction appears as organization's key performance indicator that could lead to behaviors and according to Spector (1997) will affect better organization's functioning. Ted (1996) contends that employee satisfaction is equally important as customer satisfaction and according to Ishikawa (1985) a firm whose members are not happy does not deserve to exist. The attainment of customer satisfaction level is fundamental for business health, growth and economic viability (Feigenbaum, 1991).

Fornell *et al.* (1996) stated that customer satisfaction is a new type of market-based performance measures for organizations. It provides important measures of present and past organizational performance and future financial health and growth. Fornell *et al.* (1996) conclude that an organization can exist due the organization has customers and therefore no customer means no business. The preceding discussions indicate that organizational performance has been researched based on several perspectives. This study however conceptualizes organizational performance based on two non-financial aspects mainly customer satisfaction and employee satisfaction.



### Leadership styles and organizational performance:

Leadership has been frequently repeated issue for academicians and practitioners and widely researched by scholars. Numerous studies have found that leadership has a positive effect on organization performance despite a significant impact and influence on individual and organizations. Bass (1985) stated that leadership style and behaviors of individual may contribute to important subordinates' outcomes such as performance, satisfaction and perception towards leaders' effectiveness. Although, literatures have revealed the significant influence of leadership styles on organizational performance, in recent years the focus of the leadership studies have been shifted and accompanied by the acceptance of the distinction between classical, transactional and transformational leadership.

According to Hartog and Koopman (2002), transactional and transformational leadership styles have been found to be related to employee satisfaction and performance, organizational effectiveness, employee turnover and customer satisfaction.

Hamel and Prahalad (1994) argue that companies may face difficulties to proportionate their internal resources and capabilities. Further, organizational dedication is the critical success factor in generating the internal capabilities and resources and organizational performance. Creating such organizational intent or vision to achieve organizational performance require strong leadership (Hartog and Koopman, 2002). This is without exception in Malaysian logistics companies. It can be implied that Malaysian logistics companies in particular also must continually exceed customers' expectations and discover the basis of its competitive position. Additionally, leaders in Malaysian logistics companies must have a clear vision of the current and future directions, strategic vision and a sense of what resources and competencies are highly required, knowledge that needed by the company and a vision of how to get where the company suppose to go. Further, the Third Malaysian Industrial Master Plan highlights the need to provide leadership in overall development of the logistic industry. Rok (2009) suggests that leadership and company's vision become the catalyst that harnesses the power of market place and organizational performance. Thus, leading and managing such a diverse workforce and challenging environment are among the critical factors in determining a high performance of Malaysian logistic companies.

Bass (1985) stressed that transformational leadership is the core component of successful leadership behavior to influence organizational performance. Past studies found a positive and significant relationship between transformational leadership style and followers'

commitment, satisfaction and organizational performance (Goodwin *et al.*, 2001). Although, many studies have been addressed on leadership styles and their outcomes, the results have not been conclusive. The mixed findings of previous studies could be due to different nature and background of the study. Preferences on the leadership styles in the Arab world, for example were influenced by Arab culture and the influence of Islamic and tribalistic values and beliefs (Yousef, 2000). Yousef (2000) suggests that Arab culture nurtures consultative and participative leadership styles. Likert and Likert (1976) argue that the participative style is more productive in any culture and environment. Toor and Ofori (2006) conclude that there is no best leadership style in all situations and it is difficult to determine the best leadership style.

Hartog and Koopman (2002) for example highlighted that transformational leadership is more effective than transactional leadership.

Preceding discussions indicate that previous studies on the link between leadership and organizational performance have been inconclusive. Thus, conflicting research findings may be experienced by Malaysian companies. Further less research has been done in Malaysia in this area, especially in logistics industry whereby Sim and Yap (1997) has suggested the need to have more research on various perspectives of organizational outcomes such as organizational performance. This study hypothesized that leadership styles will be positively related to organizational performance. The proposed conceptual framework or model of this study is shown in Fig. 1.

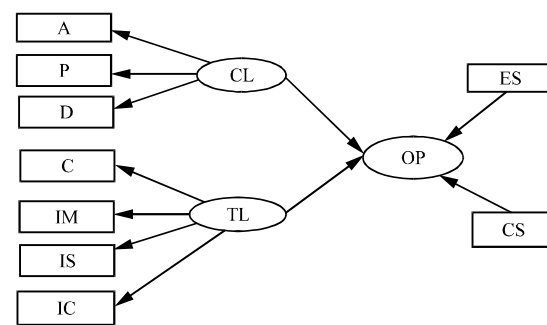


Fig. 1: Model of the relationship between leadership styles and organizational performance (CL = Classical Leadership; A = Autocratic; P = Participative; D = Delegative; TL = Transformational Leadership; C = Charisma; IM = Inspirational Motivation; IS = Intellectual Stimulation; IC = Individual Consideration; OP = Organizational Performance; ES = Employee Satisfaction; CS = Customer Satisfaction)



**Purpose and hypotheses of study:** The main purpose of this study was to empirically examine the relationship between leadership styles and organizational performance. Consequently, the study examined the influence of leadership styles on organizational performance. It also determined the most important leadership style that influences organizational performance. Based on the preceding discussions, the following hypotheses are proposed in this study:

- H<sub>1a</sub>: There is a positive and significant relationship between autocratic style leadership and organizational performance
- H<sub>1b</sub>: There is a positive and significant relationship between participative leadership style and organizational performance
- H<sub>1c</sub>: There is a positive and significant relationship between delegative leadership style and organizational performance
- H<sub>2a</sub>: There is a positive and significant relationship between transformational leadership aspect of charisma and organizational performance
- H<sub>2b</sub>: There is a positive and significant relationship between transformational leadership aspect of inspirational motivation and organizational performance
- H<sub>2c</sub>: There is a positive and significant relationship between transformational leadership aspect of intellectual stimulation and organizational performance
- H<sub>2d</sub>: There is a positive and significant relationship between transformational leadership aspect of individual consideration and organizational performance
- H<sub>3</sub>: Classical leadership style of autocratic, participative and delegative will influence significantly on organizational performance
- H<sub>4</sub>: Transformational leadership style aspect of charisma, inspirational motivation, intellectual stimulation and individual consideration) will influence significantly on organizational performance
- H<sub>5</sub>: Transformational leadership style will have more impact than classical leadership style on organizational performance

## MATERIALS AND METHODS

**Sample and procedure:** Participants in the study were managerial staff in Malaysian logistics companies. Total 200 self administered questionnaires were distributed to the staff of the selected logistics companies obtained from

the Federation of Malaysian Manufacturers (FMM). The 150 useable questionnaires were used in the statistical analysis representing a response rate of 75% from the sample. The selection of the respondents was based on the random sampling. Details of participants profile is shown in Table 1.

**Measurement:** The independent variable of the study was leadership styles. Leadership styles consists of 31 items and were measured based on seven dimensions: three classical leadership styles (autocratic, participative, delegative or laissez faire) and four transformational leadership aspects (charisma, inspirational motivation, intellectual stimulation and individual consideration) developed by the researcher and adapted from Clark (1998). Respondents were asked to response the questionnaires on a range from 1 = strongly disagree to 7 = strongly agree.

The reliability coefficient for all components of leadership styles is shown in Table 2. Organizational performance was the dependent variable of this study. Organizational performance which consists of seven items was measured based on non-financial aspects: employee satisfaction and customer satisfaction. The questionnaire was developed by the author and adapted from Rosenzweig *et al.* (2003) and King and Zeithaml (2001). The response options for employee satisfaction and customer satisfaction items were based on a 7 point

Table 1: Background characteristics of the subjects

Factors	Mean	n	Percentage
Age (years)	35	-	-
Experience in organization (years)	15	-	-
Experience in current position (years)	6	-	-
<b>Gender</b>			
Male	-	105	70
Female	-	45	30
<b>Marital status</b>			
Single	-	30	20
Married	-	120	80
<b>Position</b>			
Senior level management	-	60	40
Middle level of management	-	40	60

Table 2: Number of items, mean, standard deviation and Cronbach's alpha values

Variables	No. of items	Mean±SD	α-values
<b>Classical leadership style</b>			
Autocratic	5	4.70±1.31	0.87
Participative	5	5.10±1.33	0.82
Delegative (laissez faire)	5	5.11±1.10	0.95
<b>Transformational leadership style</b>			
Charisma (idealized influence)	4	5.25±1.19	0.81
inspirational motivation	4	5.20±1.29	0.86
intellectual stimulation	4	5.41±1.17	0.89
individual consideration	4	5.30±0.98	0.87
Organizational performance	7	5.11±1.12	0.95



Likert-scale ranging from 1 = strongly disagree to 7 = strongly agree. The reliability coefficient for overall organizational performance components was 0.95 as shown in Table 2.

## RESULTS

Table 1 shows the characteristics of the respondents. In terms of age, the average age of the respondents was 35 years while the mean age of their experience in organization was 15 years and experience with the current job was 6 years. Regarding gender, 70% of respondents were male while female were 30%. Majority of the respondents (80%) were married while 20% were not married. In terms of position, 40% of the respondents were from senior level of management and 60% were middle level of management as shown in Table 1.

### The relationship between leadership styles and organizational performance ( $H_{1a}$ - $H_{1c}$ and $H_{2a}$ - $H_{2d}$ ):

Table 2 shows the mean, standard deviation, variables and number of items in the study. It also depicts the reliability coefficients of the variables ranges from 0.81-0.95 which concurs with Nunnally (1978)'s minimum acceptable level of 0.70. Meanwhile, Table 3 shows the correlation analysis of the study variables. As shown in Table 3, all of the independent variables are positively correlated with Organizational Performance (OP). This correlation analysis also revealed that all dimensions of classical leadership style (autocratic, participative and delegative) and transformational leadership style (which consists aspects of charisma, inspirational motivation, intellectual stimulation and individual consideration) are correlated to each other and are positively related with OP. Thus, all of the hypotheses ( $H_{1a}$ - $H_{1c}$  and  $H_{2a}$ - $H_{2d}$ ) were accepted. The study concludes that all of the three components of classical leadership styles and four aspects of transformational leadership style are significantly enhanced the organizational performance of Malaysian logistics companies. Examining the relationship of each variable, the analysis reveals that the strength of the relationship ranges from low to moderate, positive and significant relationship. As can be seen in Table 3, there

is no issue of collinearity problem in this data as the correlations between the independent variables are not high. This implies that a multiple regression analysis can be carried out to answer the  $H_3$ - $H_5$  of the study.

### The influence of classical leadership styles on organizational performance ( $H_3$ ):

Table 4 shows the results of regression analysis to answer the hypotheses  $H_3$ - $H_5$  of the study. In order to answer the hypothesis  $H_3$  of the study all of the classical leadership components were regressed with organizational performance.

As can be seen on Table 4, the  $R^2$  value was 0.23 indicating that 23% of variance in organizational performance was explained by three classical leadership styles of autocratic, participative and delegative. Examining each of the classical leadership style as shown in Table 4, only two of the classical leadership styles had a positive and significant effect on organizational performance (participative,  $\beta = 0.50$  and delegative,  $\beta = 0.27$ ). However, autocratic leadership style ( $\beta = 0.05$ ) indicates of no significant effect on organizational performance. This result revealed that the data did not provide full support for hypothesis  $H_3$ .

Among the three classical leadership styles, participative leadership style ( $\beta = 0.50$ ) emerged as the most important style that contributes to organizational performance. This finding also suggests that although autocratic, participative and delegative styles of leadership have contributed 23% variance in organizational performance, however the data did not provide full support for the hypothesis  $H_3$  of the study. This is because autocratic style has no significant impact on organizational performance. Thus, the  $H_3$  of the study was partially accepted.

### The influence of transformational leadership style on organizational performance ( $H_4$ ):

Hypothesis  $H_4$  of the study was to examine the influence of four transformational leadership aspects (charisma, inspirational motivation, intellectual stimulation and individual consideration) on organizational performance. In order to answer the hypothesis  $H_4$  of the study, the same procedure was employed as to answer hypothesis

Table 3: Correlation coefficients of the main variables

Variables	1	2	3	4	5	6	7	8
Autocratic	0.87							
Participative	0.25*	0.82						
Delegative (laissez faire)	0.43*	0.45*	0.95					
Charisma (idealized influence)	0.49*	0.23*	0.56*	0.81				
Inspirational motivation	0.54*	0.46*	0.26*	0.38*	0.86			
Intellectual stimulation	0.49*	0.53*	0.61*	0.49*	0.38*	0.89		
Individual consideration	0.41*	0.62*	0.37*	0.42*	0.48*	0.46*	0.87	
Organizational performance	0.53*	0.35*	0.42*	0.34*	0.20*	0.45*	0.38*	0.95

\*p = 0.05 (Alpha reliability values are shown on the diagonal)



Table 4: Influence of classical leadership styles and transformational leadership styles on organizational performance

Dimensions	Organizational performance				
	Std $\beta$	t-test	R <sup>2</sup>	f	p-values
Classical styles	-	-	0.23	102.820	0.000*
Autocratic	0.05	2.55	-	-	0.092
Participative	0.50	3.04	-	-	0.002*
Delegative (laissez faire)	0.27	1.23	-	-	0.000*
Transformational styles	-	-	0.50	98.280	0.000*
Charisma(idealized influence)	0.49	3.36	-	-	0.000*
inspirational motivation	0.21	1.49	-	-	0.000*
intellectual stimulation	0.44	1.96	-	-	0.000*
individual consideration	0.38	1.60	-	-	0.000*

\*p = 0.05

H<sub>3</sub>. Accordingly, all of the transformational leadership aspects were regressed with organizational performance. From Table 4, when all of the four aspects of transformational leadership style were regressed with organizational performance, the R<sup>2</sup> value was found to be 0.50. This shows that 50% of the variance in organizational performance was explained by the four transformational leadership aspects. The  $\beta$ -values as indicated in Table 4 shows that all of the transformational leadership aspects (charisma,  $\beta$  = 0.49; inspirational motivation,  $\beta$  = 0.21; intellectual stimulation,  $\beta$  = 0.44 and individual consideration,  $\beta$  = 0.38) had a positive and significant effect on organizational performance. This data provides support for the hypothesis H<sub>4</sub> of the study. Therefore, the H<sub>4</sub> of the study was accepted and was fully supported.

Among all of the four transformation leadership aspects, charisma was perceived by respondents as the most significant influence on organizational performance with  $\beta$ -value of 0.49. This shows that charismatic aspect of leadership emerged as the most important factor to enhance to improve organizational performance.

**Transformational leadership will have more impact than classical leadership styles on organizational performance (H<sub>5</sub>):** Table 4 shows the regression analysis of classical leadership styles and aspects of transformational leadership style on organizational performance. Table 4 showed that the variance explained in organizational performance by classical leadership styles was 23% while the variance explained by transformational aspects of leadership style in organizational performance was 50%. The result indicates that the amount of variance explained by transformational aspects of leadership style on organizational performance is higher than by classical leadership styles. Therefore, this data supports the hypothesis H<sub>5</sub> of the study that transformational leadership style had more effect than classical leadership styles on organizational performance. Thus, the H<sub>5</sub> of the study was accepted.

## DISCUSSION

The purpose of this study was to determine the relationship between classical and transformational leadership styles and organizational performance. Further, it examined the influence of each classical leadership style and each aspect of transformational leadership style on organizational performance. The study also examined the different effects of classical and transformational leadership styles on organizational performance.

The results found that based on the correlation matrix all of the classical leadership styles and transformational leadership aspects were positively related to organizational performance. Meanwhile, the multiple regression analysis revealed that two of the classical leadership styles (participative and delegative styles) and all of the transformational leadership aspects had a positive and significant influence on organizational performance. This implies that all of mentioned leadership styles played important roles in enhancing organizational performance.

The results also revealed that among classical leadership styles, participative leadership style emerged as the most important factor for organizational performance while charisma (from transformational leadership style) was found to be the most important factor that influences organizational performance. This result is consistent with previous studies by Adler (2002), Anderson *et al.* (1995) and Rategan (1992). Participative leadership style was perceived as the most important among other classical leadership styles in influencing organizational performance may be due to its characteristics that encourage involvement of members in organization decision making. According to Rollinso (2008), participative characteristics of leadership portray of leaders in organization who are willing to delegate much more responsibility to the group.

Accordingly this will lead to higher quality decision, a much stronger teamwork, high commitment to implementing decisions and increase members' satisfaction. This is contrary to autocratic leadership whereby leaders will make all the decisions with high degree of control over the members or followers.

As for charisma component of transformational leadership style, previous studies have highlighted it as a very pertinent and crucial element for organizational performance. According to Rollinson (2008), the charisma idea is extremely popular in management circle due to the word has a certain cachet that gives it an almost heroic ring. This may very relevant in Malaysian logistics companies as they are entrusted to undertake various business activities under the Economic Transformation



Program (ETP) and Malaysian Third Industrial Master Plan (IMP3). Thus, the leading and managing of such a high volume of businesses in a very vibrant economy require superior leadership.

Finding of this study implies that leaders, top management and managers who have charisma are both exceptional and exemplary. Charisma idea is getting popular because being charismatic it relates with how many managers and leaders like to think of themselves (Rollinson, 2008). This suggests that Malaysian logistic companies need a charismatic leadership in order to achieve a high organizational performance. Moreover, these industries are facing challenges in getting access of better technology, high level of bureaucracy and lack of competent human capital (Salleh and Ndubisi, 2006). Therefore, leadership behavior plays key roles on organizational performance, change and effectiveness (Adler, 2002).

Wisner and Lewis (1997) stressed that a visionary leadership is a critical driver for any organizations' activities and in gaining sustainable competitive advantage (Hammer, 2004; Hoffman and Mehra, 1999).

## CONCLUSION

It can be said that the findings of this study validates the result of previous researches and generalizes it to other group of employees. This study also revealed that on overall transformational leadership style had a more significant effect than classical leadership styles on organizational performance. This finding is parallel and in support of Bass (1997)'s assertion that organization leaders require key transformational leadership characteristics such as charisma and visionary, inspirational motivation, intellectual stimulation of followers and an ability to take their emotional needs into account (individual consideration). The results also imply that leaders in Malaysian logistics companies need to have vision, able to communicate the vision and have the capability to inspire their followers towards changes in organization. Finding of this research highlights that transformational leadership style appeared as key component of internal resources in securing competitive advantage and achieving organizational performance in Malaysian logistics companies. Kallock and Artman (1986) suggest that a logistics champion can make a positive difference and those who have a logistics champion on board will reap powerful benefits in terms of growth, competitive advantage and true logistics excellence. This scenario is in tandem with the entrusted responsibilities under the Third Malaysian Industrial Master Plan (IMP3) which require superior leadership in

the overall development of the logistic industry besides coordination and implementation of policies and programmes (Yong, 2007).

Previous literature in strategy and organizational management have extensively emphasized on the role of human capital, particularly the role of leadership in companies' effort of gaining competitiveness. RBV theory that has been suggested in this study plays key contribution towards this direction and in the context of gaining competitive advantage in Malaysian logistic industry. This theory emphasizes on the strategic role of human capital (in particular of having superior leadership) that contributes to the companies' competitiveness which ultimately influence organizational performance.

Findings of this research are useful for both practical and theoretical purposes. Previous studies were regularly conducted in western setting. The findings revealed in this study demonstrate that Western management and organizational theories could be valid in a non-Western setting and the findings found in a certain society might be evident in a different society. It would be interesting to test the sensitivity of the findings by using other measures on both the independent and dependent variables. Findings of this study also can be validated by using different samples and approaches in a variety of settings.

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