Determinants of Transformational and Transactional Leadership Styles on Organizational Commitment among Top Management of Organizations in Malaysia

Jamilah Othman, Jeffrey Lawrence D'Silva and Kabeer Abdullahi Mohammed
Laboratory of Citizenship and Leadership, Institute for Social Science Studies,
Universiti Putra Malaysia, Serdang, Selangor, Malaysia

Abstract: The purpose of the study was to investigate the determinants of leadership styles and organizational commitment among top management across a range of organizations in Malaysia by utilizing Multifactor Leadership Questionnaire (MLQ) to measure transformational and transactional leadership styles. The research also utilized organizational commitment instrument developed by the researchers to measure organizational commitment. Simple random sampling technique was used to draw up the respondents consisting of 379 administrative employees and their supervisors in selected organizations in Malaysia. The result of correlation analysis revealed that the independent variables were statistically significant at 0.01 level of significance with organizational commitment. Besides, the result of multiple linear regression indicated that individualized consideration, management-by-exception and inspirational motivation were the significant predictors. Organizations need transformational and transactional leaders to be able to achieve their mission and vision. Therefore, organizations that have the capacity to change their top management approach to leadership styles will gain substantial support from their employees thereby increasing organizational commitment and performance among them.

Key words: Leadership styles, transformational, transactional, organizations, motivation, Malaysia

INTRODUCTION

One of the continuing challenges in modern organizations today is getting effective leaders that have the required leadership skills and enthusiasm in engaging their followers to be committed in achieving organizational objectives. The major argument is that the present day working environment has been characterized by many challenges including that of diversified workforce, use of sophisticated technology, work-family conflict and employee turnover intention. Based on these challenges, it is assumed that managers should be able to lead their organizations through building confidence, sacrifice and motivating followers by working hand in hand with them to achieve organizational objectives.

Furthermore, one of the features of 21st century is that there has been an increase in knowledgeable workforce as a result of significant improvement recorded in the educational sector across the globe as more people are now educated. As such, employees are now demanding better values and packages, better rewards and recognition from organizations. On the part of the organizations, the managements are demanding better productivity and performance from their employees to justify the huge investment on them. Based on these two scenarios, managers must acquire leadership skills that are identified by researchers in encouraging employees to be committed to their organizations. Research findings have revealed that effective leadership style encourages organizational commitment, hence reduces employee's intention to leave the organization (Meyer *et al.*, 1993). The determinant of transformational and transactional leadership style on organizational commitment has been widely discussed in the literatures (Mowday *et al.*, 1979; Angle and Perry, 1981; Bass, 1985; Bass and Stogdill, 1990; Riketta, 2002; Brown, 2003). However, in spite of large amount of literature on the topic there is still much to be learned about leadership. A comprehensive search on the topic using key words like transformational, transactional, commitment, leadership styles and Malaysian organizations yielded only a handful of literature which indicated that there is a need for further research into this area. Based on this, there is an urgent need to study this phenomenon holistically to come up with new findings that will go a long way in assisting top management in organizations to adopt appropriate leadership styles that encourage organizational commitment.

Corresponding Author: Jamilah Othman, Laboratory of Citizenship and Leadership, Institute for Social Science Studies,
Universiti Putra Malaysia, Serdang, Selangor, Malaysia

In addition, it is important to note that fostering effective leadership styles and organizational commitment among top management is important giving the range of benefit to be achieved when the working environment is conducive to both the top management and their subordinate. Earlier research revealed that effective leaders encourage their employees to be committed to their job and the ability of top management to communicate a vision and purpose to individual and groups within organizations will help tremendously in gaining their support to accomplish goals effectively (Lok and Crawford, 2001; Sarros and Santora, 2001; Bohn, 2002).

In this regard, researchers have study the phenomenon of transformational and transactional leadership in great detail (Bass, 1985; Bass and Stogdill, 1990; Avolio *et al.*, 1999). According to Avolio *et al.* (2004), transformational leadership is described as a process of positive influence that changes and transforms individuals, organizations and community into the path of growth, innovation and productivity. Research studies have consistently revealed that transformational leadership is positively related to individual, group and organizational commitment. At the individual level, transformational leaders influence their constituencies to make the shift from focus on self-interests to a focus on collective interests. Transformational leaders understand the importance of trust building as a means to creating a strong commitment to mission-driven outcomes. Effective transformational leaders use their charisma and power to inspire and motivate followers to trust and follow their example (Tucker and Russell, 2004; Brown *et al.*, 2006). Furthermore, researchers investigating the propose linkages between leadership styles and organizational commitment have found support for some proposed correlations and not for others. For example, transformational leadership has been found to be positively related to employee service performance, organizational commitment and job satisfaction (Avolio *et al.*, 2004; Walumbwa *et al.*, 2005).

Hence, the aim of this study is to determine the correlation between five transformational leadership behaviours (idealized influence behaviour, idealized influence attributed, inspirational motivation, intellectual stimulation and individualized consideration) two types of transaction leadership behaviours (management-by-exception passive and management-by-exception active) and organizational commitment.

The study also examines the extent to which the five transformational leadership behaviours, two transactional leadership behaviours predict the variances in organizational commitment.

Transformational and transactional leadership styles

Transformational leadership: According to Avolio and Bass (1995) transformational leadership consists of idealized influence (attributed), idealized influence (behaviour), individualized consideration, intellectual stimulation and inspirational motivation.

Idealized influence (behaviour): This is also known as charismatic leadership (Judeh, 2010). Transformational leaders as a result of ethical behaviour become role model employees are willing to emulate the personal qualities of the leader (Avolio and Bass, 1995).

Idealized influence (attributed): It is a transformational leadership dimension which involves articulation and personal risk taking for the survival of the organization (Sarros and Santora, 2001).

Individualized consideration: Refers to leadership behaviour that recognizes individuals as important factor in organization. Individualized consideration involves three multi-factor construct, organizational, team and individual levels (Avolio and Bass, 1995).

Intellectual stimulation: Refers to transformational leadership behaviour that involves encouraging subordinate critical thinking and innovation. It also involves character stimulation and building as well as organizational learning (Judeh, 2010).

Inspirational motivation: This is a transformational leadership dimension that involves raising the consciousness of the subordinate on organization mission and vision. Usually leaders rated high on inspirational motivation communicate the vision and mission of the organization through symbol, followers normally react by doubling their performance (Avolio and Bass, 1995).

Transactional leadership: Transactional leadership is a leadership style that involves appealing to subordinates' self-interest by establishing exchange relationships with them. Transactional leaders are those who sought to motivate followers by appealing to their self-interests. According to Avolio and Bass (1995), transactional leadership involves contingent reward, management-by-exception (active) and management-by-exception (passive). This study concentrates only on the last two dimensions.

Management-by-exception (passive): It is basically an exchanged relationship where leaders implicitly believe and trust their subordinate in doing their tasks to a

satisfactorily level of standard, however they do not inspire their subordinates to achieve beyond what is originally stated (Sarros and Santora, 2001).

Management-by-exception (active): This is a leadership behaviour that involves actively taking action when irregularities happen in organizations. Transactional leaders using active styles are characterized by high energy level and are optimistic on organizational success (Sarros and Santora, 2001)

MATERIALS AND METHODS

This is a survey research which aims to collect data through the use of questionnaires at one point in time from sample selected to represent a larger population. A self-report questionnaire Multifactor Leadership Questionnaire (MLQ) developed by Bass and Avolio (1995) was used to assess the leadership profile of the top management along five factors of transformational and two factors of transactional that measure the independent variables. A self report questionnaire for the dependent variables was used to measure employee's levels of organizational commitment. All items, except for the demographic questions were on a 5 level Likert scale point.

Pre-testing of instrument: The purpose of pre-testing is to identify ambiguities or other inadequacies. In terms of reliability tests, it was done to determine the reliability of the questions using cronbach alpha. In this study, a total of 30-35 employees from selected central agency in Malaysia were requested to participate in the pre-testing of the instrument. The result of the pretesting indicated high cronbach alpha value for the entire construct which ranges from 0.80-0.85 exceeding Nunnally (1978)'s recommended threshold.

Furthermore, both MLQ and organizational commitment scales used in this study was validated from previous researches (Sarros and Santora, 2001; Brown, 2003; Judeh, 2010). All items in the MLQ questionnaires as well as organizational commitment scales represent statements to which the respondents were required to response based on five-point scale, from rarely to frequently.

Population, sampling and data collection: The population in this study involves administrative employees and their supervisors in selected organizations in Malaysia. The research utilized simple random sampling techniques the selection of sample size was based on formula provided by G-Power software. After identifying the target group in this study (only employees involve in administrative position and their supervisors), the researchers met selected human resource managers in the selected organizations for their approval on the need to conduct the study. After securing their approval, the questionnaires were handed over to the respective leaders (supervisors) for distribution to the sample of the population. Respondents were given time to answer the questionnaires without any interruption in order to avoid any leading influence and disruption on their work. Each unit, division or office was given basically 7-14 days to complete the questionnaires. Two follow-ups were made to respective leaders or supervisors as the case may be to ensure timely response. At the end of the exercise 379 questionnaires were appropriately filled and returned to the researchers.

RESULTS AND DISCUSSION

Specifically, the result of correlation analysis from Table 1 revealed all the leadership styles sub-scales are statistically significant at 0.01 level of significance which means they are all correlated with organizational commitment. This result supported other research findings for example Brown (2003), reported similar correlation among transformational sub-scale. Bass and Avolio (1997) also suggest correlation among the transformational and transactional sub-scales with commitment. However, the result of correlation among transformational leadership sub-scale and commitment in this study revealed a higher correlation compared with transactional leadership sub-scale and commitment. In findings of other researchers, like that of Bass and Avolio (1997) which reported an average of $r = 0.28$. This type of correlation is expected because leaders who use transactional behaviour are found to be engaged in the use of negative feedback (Bass, 1985). From the ANOVA in Table 2, the p-value from the model is significant at 0.000. The implication of this result is that a significant

Table 1: Correlation

Commitment	Commitment	Idealized influence (behaviour)	Intellectual stimulation	Idealized influence (attribute)	Inspirational motivation	Individualized consideration	Management-by-exception (passive)	Management-by-exception (active)
Pearson correlation	1	0.439**	0.432**	0.420**	0.438**	0.458**	0.351**	0.354**
Sig. (2-tailed)		0.000	0.000	0.000	0.000	0.000	0.000	0.000
N	379	379	379	379	379	379	379	379

Table 2: ANOVA[a]

Model 1	Sum of squares	df	Mean square	F-test	Sig.
Regression	2935.296	7	419.328	19.059	0.000[b]
Residual	8162.504	371	22.001		
Total	11097.799	378			

Dependent variable: Commitment b. Predictors (Constant), Management-by-exception (Active), Inspirational motivation, Individualized consideration, Management-by-exception (Passive), Idealized influence (Behavior), Idealized influence (Attribute), Intellectual stimulation

Table 3: Coefficients[a]

Model 1	Unstandardized coefficients		Standardized coefficients (β)	t-test	Sig.
	B	SE			
Constant	15.896	1.709	-	9.300	0.000
Idealized influence (attribute)	0.118	0.203	0.049	0.582	0.561
Intellectual stimulation	0.063	0.162	0.035	0.386	0.700
Idealized influence (behavior)	0.132	0.168	0.065	0.786	0.432
Inspirational motivation	0.350	0.172	0.179	2.040	0.042
Individualized consideration	0.367	0.127	0.238	2.892	0.004
Management-by-exception (passive)	-0.028	0.181	0.010	0.156	0.876
Management-by-exception (active)	0.312	0.144	0.132	2.170	0.031

Dependent variable: Commitment

Table 4: Model summary

Model	R	R²	Adjusted R²	SE of the estimate
1	0.514[a]	0.264	0.251	4.691

portion of the changes in commitment is being explained by the Linear Model. Furthermore, based on the coefficient table as in Table 3, it showed the significant predictors of commitment and they are individualized consideration, management-by-exception and inspirational motivation.

The implication of this outcome is that leaders that are rated high on individualized consideration are more effective in accomplishing organizational goals (Avolio and Bass, 1995). Furthermore, Bass and Avolio (1995) argued that it is through individualized consideration process that transformational leadership behaviour is identified, hence the behaviour of individual are transform in that the focus suddenly change from satisfying need to accomplishing organizational tasks. Conversely, according to Bass (1985), management-by-exception (active) that is accompanied by encouraging and clarifying employees on their shortcomings, might contribute significantly to employees to have positive views about their supervisors. From the model summary in Table 4, it is safe to argue that the model is a good descriptor of the relationship between the dependent variable and the predictor variables. The predictor variables were able to explain on 25% of the variation in organizational commitment. However, there is still a need to carry out further studies to find out on other factors that explain the variation in organizational commitment.

The current study discusses the impact of transformational and transactional leadership styles on organizational commitment among top management in Malaysian organizations. From the result of the study, one would generally expect transformational and transactional leadership styles to impact on employee's organizational commitment. In other words, leaders are expected to provide directions in organization. Therefore, their leadership behaviours will go a long way in predicting how the organization performs in general. The study had identified on the importance of individualized consideration, management-by-exception and inspirational motivation as significant predictors of organizational commitment. Even though, this study supports other researches that showed leadership styles are important factors that encourage organizational commitment, it also displayed on the importance to consider other factors that might explain why employees are committed with their organizations and among them are degree of autonomy, job challenges, decentralization and skills (Meyer and Allen, 1997). Besides, there is also a need to concentrate on social demographic factors like age, sex, race, personality and climate as factors that might influence organizational commitment (Brown, 2003).

CONCLUSION

The overall purpose of the current study was to determine the aspect of transformational and transactional leadership styles that affect employee organizational commitment in Malaysian organizations. The result of the study indicated that some elements of both transformational and transactional leadership are positively related to employee organizational commitment among top management in Malaysian organizations. Therefore based on this study, leadership behaviour that involves generating enthusiasm, recognizing

accomplishments, providing direction and encouraging creativity do explain some variation in how employees feel in wanting to stay and continuing working in Malaysia.

RECOMMENDATIONS

Future research will look into the influence of other factors that might have an impact on organizational commitment. In addition, future research can also dwell into the effect of social demographic factors on leadership behaviour as it affects organizational commitment.

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