



Faculty of Cognitive Sciences and Human Development

**A PERCEPTION OF THE RELATIONSHIP BETWEEN
TRANSFORMATIONAL AND TRANSACTIONAL LEADERSHIP
STYLE AND JOB SATISFACTION: THE MEDIATING ROLE
OF EMPOWERMENT**

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TRANSACTIONAL LEADERSHIP STYLE AND JOB SATISFACTION: THE
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FOONG PUI KEI

This project is submitted in partial fulfilment of the requirements for a
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Statement of Originality

The work described in this Final Year Project, entitled
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is to the best of the author’s knowledge that of the author except
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Conceptual Framework for A Perception of The Relationship Between
Transformational and Transactional Leadership Styles and Job
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ABSTRAK

PERSEPSI TERHADAP HUBUNGAN ANTARA GAYA PEMIMPIN TRANSFORMASI DAN TRANSAKSIONAL DAN KEPUASAN KERJA: PERANAN PENGANTARAAN ADALAH PEMBERIAN KUASA

Foong Pui Kei

Kajian ini bertujuan untuk mengenalpasti perhubungan di antara persepsi terhadap hubungan antara gaya pemimpin transformasi dan transaksional dan kepuasan kerja. Dalam kajian ini, pemberian kuasa sebagai peranan pengantaraan dalam hubungan antara gaya pemimpin (gaya pemimpin transformasi dan transaksional) dan kepuasan kerja. Responden sasaran dalam kajian ini adalah pekerja bukan pengurusan daripada salah satu sebuah organisasi separa-konduktor di Ipoh, Perak. Sebanyak 118 borang soal selidik berjaya dikumpul semula selepas mengedarkan 200 borang soal selidik. Melalui Analisis Regresi Sepwise yang digunakan untuk mengkaji model mediator, ditunjukkan bahawa kemasukan pemberian kuasa ke dalam analisis telah meningkatkan kesan gaya pemimpin terhadap kepuasan kerja pekerja. Jadi, dapatan kajian ini menunjukkan pemberian kuasa bertindak sebagai mediator dalam hubungan antara gaya pemimpin dan kepuasan kerja pekerja. Selain daripada itu, implikasi kajian terhadap teori, kaedah kajian dan cadangan untuk kajian masa depan juga turut dibincangkan.

ABSTRACT

A PERCEPTION OF THE RELATIONSHIP BETWEEN TRANSFORMATIONAL AND TRANSACTIONAL LEADERSHIP STYLES AND JOB SATISFACTION: THE MEDIATING ROLE OF EMPOWERMENT

Foong Pui Kei

The purpose of this research was to determine a perception of the relationship between the transformational and transactional leadership styles and job satisfaction. In this research, empowerment acts as mediator in relationship between leadership styles (i.e. transformational and transactional leadership style) and job satisfaction. Target respondents of this research were non management employees from one of the semiconductor company in Ipoh, Perak. There were only 118 sets of survey questionnaires that collected back after distributing 200 sets of survey questionnaires. Through Stepwise Regression Analysis that used to test mediating model, it shows that the inclusion of empowerment into analysis had increased the effect of leadership styles toward employees' job satisfaction. Hence, the findings of this research showed that empowerment act as mediator in the relationship between leadership styles and job satisfaction. Besides, the implication of this research to leadership theories, methodology and directions for future research were also discussed.

CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter includes eight sections. The first section describes the background of the study. The second section recognizes the problem statement. The third section states the research objectives and it consists of five objectives. The fourth section is the research conceptual framework. The fifth section discusses about the research hypothesis and it consists of five hypotheses. The sixth section defines the significant definition of term used in conceptual framework. The seventh section explains the importance of the study. The eighth section states the limitation of the study. The last section is the conclusion.

1.1 Background of the study

Today's changing work environment call for greater understanding of leadership style and its effects job satisfaction. Leadership is defined as the person who influences a group towards the attainment of the group's goals (Yukl, 1989). Rich (1997) recognized that leaders are responsible for many duties that have a major effect on employees' job satisfaction, such as performance evaluations, guidance and assistance with job responsibilities and training. When companies are compelled to meet demands within the organization, they need to seek out new approaches in leadership effectiveness. The research and theories of two distinct leadership styles have emerged and they are transactional and transformational leadership (Bommer, 1996).

Transactional leader is defined as the leader or manager that functions in a caretaker role and focused on day to day operations. They survey the needs of their followers and set goals for them based on what can be expected from the followers. Antonakis and House (2002) stated that a transactional leader clarifies role and task requirements and provides followers with positive and negative rewards contingent on successful performance.

Transformational leader motivates followers to perform to their full potential over time by influencing a change in perceptions and by providing a sense of direction. This type of leadership is to coach staff rather than tell them what to do, winning hearts and minds instead of controlling them. They use charisma, inspiration, individualized consideration and intellectual stimulation to produce greater effort, effectiveness and satisfaction in followers (Bass and Avolio, 1990).

Both transactional and transformational leadership has been frequently linked to organizational improvement, job satisfaction and commitment. In order to achieve the goals and objectives of an organization, the best way is to study every possible factor that influences the leadership style. Thus, this study aims to

identify the relationship between the perceived leadership style of a leader and job satisfaction of employee in a private organization.

1.2 Problem Statement

Previous studies of leadership focused on the difference of leadership styles and their characteristics include their charisma or idealized influence, inspirational motivation, intellectual stimulation and individualized consideration for transformational leadership and contingent rewards, management by exception and laissez-faire for transactional leadership (Bass, 1998). Leadership consists of knowledge and skills that influence and direct others' activities in the organization (Khalili, 1994). Therefore, a person's leadership style is the behavioral patterns which leader uses while directing others to do the job and it will influence employees' job satisfaction for a long period of time.

Most studies demonstrate the direct relationship of that both transactional and transformational leadership styles may influence employees' job satisfaction. If the leaders are able to practice these two leadership styles, there will be an increase in job satisfaction. However, leaders often are not aware of the way that they treat their subordinates and this will cause them to have low level of job satisfaction.

However, a careful observation of such relationship has found out that transformational leadership indirectly affected performance via empowerment (Bartram and Casimir, 2007). Empowerment is a process of growth or becoming a motivational process in which a person's self-efficacy is increased, enabling him to complete work more effectively. It is not a series of tasks or the end result (Conger and Kanungo, 1988). Empowerment in the workplace has been studied from several different perspectives. The practice of empowering employees is often a major component of management and organization. Employees respond positively to empowerment when they have strong needs to grow, deepen and test

their work abilities (Bowen and Lawler, 1992). Some researchers found out that empowerment should be separated into its behavioral and psychological components because different dimensions of empowerment can predicted different job outcomes. However, some companies not emphasized on employees empowerment, they prefer to give instruction and employees follow the instruction.

However, recent work on shared or distributed leadership emphasizes the importance of leaders empowering followers and accepting mutual influence to facilitate performance (Gronn, 2000). The empowerment of employees is vital for organizational effectiveness (Bartram & Casimir, 2006). Besides, researchers such as Argyris (1998) argued that empowerment is a tricky concept because many employees do not seek empowerment due to the responsibility that goes with it. Furthermore, researcher is encouraged to further explore this issue in order to find evidence to support these study hypotheses.

1.3 Objectives of the Study

This study has five objectives and they are:

- I. To identify the relationship between leadership styles and job satisfaction.
- II. To identify the relationship between transformational leadership style and job satisfaction.
- III. To identify the relationship between transactional leadership style and job satisfaction.
- IV. To identify the mediating effect of empowerment in the relationship between transformational leadership style and job satisfaction.
- V. To identify the mediating effect on empowerment in the relationship between transactional leadership style and job satisfaction.

1.4 Conceptual Framework

Figure 1.1 shows the conceptual framework of this study which highlights that the independent variables (i.e. transformational and transactional leadership styles) are indirectly influenced by empowerment on the dependent variables (i.e. job satisfaction). Furthermore, the framework also demonstrates that the transformational and transactional leadership styles have a direct relationship with job satisfaction.

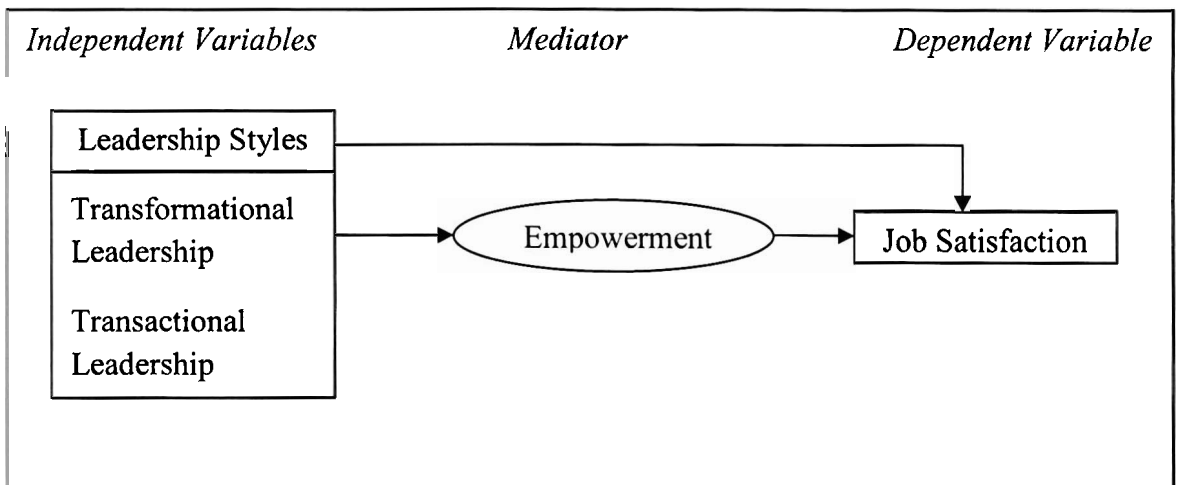


Figure 1.1: Conceptual Framework for A Perception of The Relationship Between Transformational and Transactional Leadership Styles and Job Satisfaction: The Mediating Role of Empowerment

1.5 Research Hypotheses

There are five hypotheses of this study:

- Ha1: There is a positive relationship between leadership styles and job satisfaction.
- Ha2: There is a positive relationship between transformational leadership and job satisfaction.
- Ha3: There is a positive relationship between transactional leadership and job satisfaction.

Ha4: Empowerment will positively mediate the relationship between transformational leadership and job satisfaction.

Ha5: Empowerment will positively mediate the relationship between transactional leadership and job satisfaction.

1.6 Definition of Terms

1.6.1 Leadership style

(a) Conceptual Definition

Leadership style depends on the readiness of the followers to perform in a given position (Hersey and Blanchard, 1988).

(b) Operational Definition

In this study, the practice of leadership types by managers or supervisors with the purpose of motivating, influencing and controlling the attitudes and behaviors of employees to achieve the goals of the organization effectively. There are two types of leadership styles in this study which are Transformational and Transactional leadership styles.

1.6.2 Transformational Leadership

(a) Conceptual Definition

Transformational leader focuses directly on increasing followers' confidence and elevating followers' need level on Maslow's hierarchy to induce extra effort and to generate performance beyond expectations by followers (Bass, 1985).

(b) Operational Definition

In this study, managers or supervisors whose leadership style is by giving support, motivation, advice, inspirations, and guidelines to their employees to give commitment to the organization in order to achieve the employee's goals.

1.6.3 Transactional Leadership

(a) Conceptual Definition

The process which “pursues a cost-benefit, economic exchange to meet subordinates’ current material and psychic needs in return for contracted services” (Bass, 1985).

(b) Operational Definition

Managers or supervisors who encourage and motivate employees to perform by establishing goals and task requirements in order to gain rewards. The leader is result oriented and may intervene to identify problems before it happens or only when problems occur.

1.6.4 Empowerment

(a) Conceptual Definition

Empowerment is about sharing with front-line employee’s four organizational ingredients: information about the organization’s performance, knowledge that enables employees to understand and contribute to organizational performance, power to make decisions that influence organizational direction and performance and rewards based on the organization’s performance (Bowen and Lawler, 1992).

(b) Operational Definition

Employees have an adequate involvement and autonomy in making decision of their work. By having the capability and independence to decide on their own, they will feel that presence is worthwhile in the organization and it will increase job satisfaction.

1.6.5 Job Satisfaction

(a) Conceptual Definition

Job satisfaction is a delightful feeling that result from perception that one's job fulfills or allow for the fulfillment of important job value (Noe et al., 2000).

(b) Operational Definition

It refers to an individual's overall satisfaction with the job. The happier are the people are with their job, the more satisfied will they be. It includes satisfaction towards their supervisors, work responsibility, job security and their peers.

1.7 Significance of the Study

1.7.1 Significance to Theory

The existing theories such as Path- Goal Theory, Transformational Leadership Theory and Transactional Leadership Theory focus on the elements, characteristics and the importance of leadership styles. This study showed that empowerment does act as a mediating variable in the relationship between transformational and transactional leadership style and job satisfaction. Besides, it may enrich the existing theories to support the effect of indirect variables for future guideline.

1.7.2 Significance to Research Methodology

The study was meant to help in supporting previous studies regarding the role of empowerment in mediating the relationship between leadership styles (i.e. transformational and transactional leadership styles) and job satisfaction. The data will be collected and gathered via leadership styles and job satisfaction through survey questionnaire. By using quantitative methods, it will produce the increased validity and reliability.

1.7.3 Significance to Human Resource Practitioners

This study can be used as a guideline by management to upgrade the effectiveness of leadership styles in organizations. If leaders continuously trained with up to date knowledge, relevant skills and good moral values, leaders' treatment in handling the needs and demands of employees will be improved. Besides, when employees are allowed to involve themselves in making decision, they will be motivated as they will perceive that their contribution is appreciated. Finally, interaction between followers and leaders will increase positive employees' job satisfaction if organization implements appropriate leadership styles.

1.8 Limitations of the Study

The survey questionnaires for this study will be collected from a selected organization which is the private sector. Therefore, this study only focuses on one of the specific organization.

Besides, this study only focuses on two types of leadership style which are transformational and transactional leadership. It does not include other types of leadership styles. However, there might be other types of leadership styles from other perspectives that will have strong relationship with employee job satisfaction than only transformational and transactional leadership styles.

The reliability and validity of the study depends on the respondents' sincerity and cooperativeness in answering the questionnaires. It is a one-shot case study with a convenience population and there is a possibility of bias due to the limited (Campbell and Stanley, 1966).

1.9 Conclusion

This chapter has discussed about the background of study, problem statement, research objectives, the development of conceptual framework, research hypothesis, definition of terms as well as the significant and limitation of the study. The objective of this study is to study the outcome of the interaction between empowerment in relation with leadership styles (i.e. transformational and transactional leadership) and job satisfaction. The next chapter will discuss the importance of concept, empirical and theoretical evidence based on literature findings.