THE RELATIONSHIP BETWEEN LEADERSHIP STYLE AND AFFECTIVE COMMITMENT: LEADER-MEMBER EXCHANGE (LMX) AS MEDIATOR

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ABSTRACT

THE RELATIONSHIP BETWEEN LEADERSHIP STYLE AND AFFECTIVE COMMITMENT: LEADER-MEMBER EXCHANGE (LMX) AS MEDIATOR

Joleen Vicky Anak Keron

Leader-member exchange (LMX) plays a crucial role in strengthening the relationship between leaders and followers and also to induce and elevate the level of affective commitment of the employees towards their organization. By having the exchanges between leaders and followers that is desirable and valued by both parties, high quality of exchanges would be shared between leaders and followers. With the followers enjoying the exchanges that they have with their leaders, they will feel the need to reciprocate the relationship by giving their commitment and work effort towards their leaders and organization. Affective commitment is important to be instilled in every employee as with greater affective commitment, employees would be willing to deliver their optimum level of work performance for the benefit of the organization. Transformational leadership style able to encourage and motivate the followers to perform beyond expectation while transactional leadership style focus on the completion of current work task and neglect the developing the potential of the followers. This study was conducted to identify the mediating role of leader-member exchange (LMX) in the relationship between leadership style and affective commitment. This research was carried out by employing survey research method and was able to collect a total of 127 usable questionnaires which signify 84.67% of respond rate. The questionnaires were collected from employees of a construction company in Kuching, Sarawak. The result of this study indicated that transformational leadership style has a stronger relationship with affective commitment as compared to transactional leadership style. Furthermore, the findings of this result also indicated that leader-member exchange (LMX) act as a full mediating effect in the relationship between leadership style and affective commitment. The outcome of this research is with much hope able to guide the human resource practitioner in elevating employees’ level of affective commitment based on leadership style and leader-member exchange (LMX). Additionally, the future researcher could also utilize the recommendations provided in this study for the purpose of expanding this research.
ABSTRAK

HUBUNGAN ANTARA GAYA KEPIMPINAN DAN KOMITMEN AFEKTIF: GAYA PERHUBUNGAN SEBAGAI MEDIATOR.

Joleen Vicky Anak Keron

CHAPTER 1
INTRODUCTION

1.0 Introduction

This chapter described the background of the study, statement of the problem specific to the context of the study, research objectives, research questions and also the research hypothesis. In addition, this chapter also discussed about the conceptual framework for this study, significances of the study, limitation and scope of the study. Apart from that, this chapter also explained the conceptual and operational definition of the key terms in this study. Summary of this chapter was also included at the end of this chapter.

1.1 Background of the Study

In the past years, many studies related to the field of leadership had been conducted by scholars as the area related to leadership had always drawn the attention of various parties including scholars, management and human resource practitioners.

Recent studies regarding leadership had been emphasizing on transformational leadership and transactional leadership style. This is due to the
The fact that charismatic leadership style such as transformational leadership is considered to be more suitable in current business environment whereby changes occurs rapidly. Hence, leaders who are able to inspire and guide their followers to change in accordance with the business environment are highly valued by the organization as flexible workforce able to bring competitive advantage for the organization to ensure survival of the organization. The traditional approach of leadership style such as transactional leadership was considered to be less effective in present business condition. However, according to Bass (1985), most leaders engage in both the transformational and transactional leadership style but in differing amount.

For the purpose of this study, two type of leadership style were the central focus to investigate the relationship between the leadership style and its' effect on followers' affective commitment. The two types of leadership style are namely transformational and transactional.

Transformational leadership is characterized by the ability of the leaders to provide support and participation from their followers through personal qualities rather than through reward or punishment. Besides, transformational leaders are able to influence their followers' commitment and participation towards the organization without the use of rewards or punishment (Bass, 1985). Burns (1978) also state that transformational leadership happens when the leaders engage with the followers in a way that both parties are raised to a higher level of motivation and morality with a mutual purpose.

On the other hand, transactional leadership emphasizes on the exchange and bargains between leaders and followers. Bass and Avolio (1993) state that transactional behaviour consist of contingent reward whereby the leaders and their followers interact based on exchange of resources and management- by- exception in which leaders intervene only when there are problems.
As the two leadership styles within this study have distinctive characteristic, it is interesting to investigate on followers’ preference on the leadership style that would influence their affective commitment within the organization.

Aside from that, according to the leader-member exchange (LMX) theory, leaders and followers develop dyadic relationship and leaders treat individual followers differently which will result in two groups of followers, namely the in-group and out-group (Krishnan, 2004). The in-group members consist of those trusted followers with whom the leaders develop high quality of exchange relationship. On the other hand, the out-group member are the remaining followers whom the leaders have more formal relationship with (Krishnan, 2004).

As Malaysian culture values relationship between human being, it is crucial to investigate the role of leader-member exchange (LMX) in term of influencing relationship between leaders and their followers as well as the role of leader-member exchange (LMX) in influencing employees’ affective commitment.

Affective commitment plays the role as dependent variable within this study. Meyer and Allen (1991) conceptualised commitment as a three-dimensional construct: Affective, normative and continuance commitment. Affective commitment is defined as an emotional attachment to the organisation (Meyer & Allen, 1991). Meyer and Allen (1991) further suggest that employees with affective commitment continue employment with the organisation because they want to do so.

On the other hand, Becker (1992) stated that the three aspects of organisational commitments differ only on the bases of their underlying motives and outcomes. Nyengane (2007) exemplify the difference between affective commitment and continuance commitment by stating that an employee with affective commitment will stay with an organisation and be willing to exert more effort in organisational activities while an employee with continuance
commitment may remain with the organisation and not be willing to exert any more effort than is expected.

A study conducted by Allen and Meyer in 1996 revealed that positive work experience positively correlates with affective commitment. Besides, another study conducted by Meyer and colleagues in 1998 also revealed that high quality exchanges which is characterized by affect, contribution and professional respect, leaders ability to create positive experiences for their followers which in turn could lead to followers’ desire to remain with the organization. Therefore, this study is important to determine whether roles of leaders will be able to influence followers’ affective commitment specifically in the context of Malaysian culture. Affective commitment is more important to be studied as compared to the other two dimension of commitment as employees with affective commitment tend to voluntarily willing to exert more effort to organizational activities.

In conclusion, this research aimed to investigate the types of leadership style that will ensure organizational commitment, specifically affective commitment. The two types of leadership style that were investigated in this research were transformational leadership and transactional leadership. Secondly, this research also aimed to explore the relationship between leader-member exchange and affective commitment within Malaysian culture, specifically within Kuching city area.

1.1.1 Background of Leadership Style in Construction Industry

According to Abdul Razak Ibrahim, Ray, M.H., Zafar Ahmed and Ghaffar Imtiaz (2010), the construction industry is considered to be one of the major productive sector in Malaysia as the output from this industry sector hovered around RM7,248 million, RM7,168 million, and RM7,350 million in year 2004, 2005, and the estimate for 2006, respectively, (Budget Report 2006). He further state that this sector is essential for development of the nation and it needs to be
developed first in order for the nation's economy to prosper. Besides that, the construction industry is among the top three of the major economic sectors while the other two sectors being manufacturing and agriculture. These three major economic sectors contribute to the national output as such: the contribution to gross domestic product (GDP) in 2004 by manufacturing, agriculture and construction sector is 57.1, 8.3, and 2.9 percent, respectively, (Construction Industry Master Plan (CIMP), 2005).

Although the construction industry accounted for less than 3.3 percent of GDP from 1999 to 2004, the industry is still considered as one of the most important industry as it is a strong growth push for its extensive backward and forward linkages with the rest of the economy (Ofori, 1990). This is further supported by Park (1989) and Fadhlin (2004) who state that construction industries generate one of the highest multiplier effects through its extensive backward and forward linkages with the other sectors of the economy.

Abdul Razak Ibrahim et al., (2010) stated that backward linkages, or derived demand, are measures of the demands created by one economic sector for the products of other sectors. In the case of the construction industry, it has widespread impact because much of the raw, semi-processed, and processed materials can be provided by relatively unsophisticated labour-intensive domestic sources and by basic industries such as cement and steel manufacturing (Abdul Razak Ibrahim et al., 2010).

On the other hand, Abdul Razak Ibrahim et al., (2010) suggests that the forward linkages or the consumption encouraged by the production of intermediate goods, are more difficult to establish for construction compared to backward linkages. The forward linkages or consumption of products affects practically all other sectors of the economy and construction sector has been ranked among the top four out of twenty economic sectors in terms of intersectional linkage (Park, 1989; Stanley, 1984). The construction industry facilitates the growth of other industries through its role as an essential building
block of the nation’s socio economics development. The construction industry built and maintained all the important elements of a healthy and functioning economy, example of the elements include: educational institutions, government offices, some tourist attractions, transportation infrastructure (airports, seaports, and roads), housing and commercial property (Abdul Razak Ibrahim et al., 2010).

Besides facilitating the growth of the nation’s socio-economic, the construction activities also generate tremendous spill over opportunities as it contributes to the growth of other industries in its role as a large user of manufactured goods (building materials, iron, steel, etc.) and of specialized tooling and heavy machinery and the financial services sector (Abdul Razak Ibrahim et al., 2010). In addition, the construction industry also plays a significant role in national employment (Ofori, 1990) as it provides job opportunities to approximately 800,000 people. The industry also generates wealth as well as improves the quality of life for Malaysians through the translation of Government’s socio-economic policies into social and economic infrastructures and buildings (Abdul Razak Ibrahim et al., 2010). Construction industry is characterized as one of the most dynamic and complex industrial environments. A key characteristic of the industry’s output is that the finished product is basically non-transportable and need to be assembled at a point of use, usually outside and geographically dispersed from the company (Fellows et al., 2002; Bresnen, 1990). These characteristics hence provide the needs for effective leadership, management and development of human resources. Moreover, this research is important to be conducted within the construction industry as the changing requirements of construction work require the formation and managing of customized teams each time a new project is awarded (Raiden et al., 2004). Therefore, effective management and leadership practices are vital for every construction organizations.

Effective leadership is essential for every construction project and leadership behaviour is an important variable that have significant impact on the success of project management (Gharehbaghi & McManus, 2003). According to
Limsila and Ogunlana (2008), in practice, there are many construction projects that face problems and the roots of the problems can often be traced to the project managers. Limsila and Ogunlana (2008) further suggest that some of the project managers may have insufficient competencies or their traits may not fit with the nature of their work. Furthermore, some of them may practise inappropriate leadership styles in dealing with their subordinates on the construction projects.

Limsila and Ogunlana (2008) state that appropriate leadership approach able to shape subordinates’ performance in a desirable way and thus facilitate construction projects to run smoothly. In addition, adopting suitable leadership approach will create subordinate satisfaction and hence lead to the subordinates putting more effort into their work (Limsila & Ogunlana, 2008).

In the construction industry, not much works have been conducted on leadership (Odusami et al., 2003). Furthermore, Dulaimi and Langford (1999) argue that most studies on leadership in the construction industry concentrate on studying the personal characteristics of project managers. There are limited studies which focus on leadership styles and quality of transformational leadership in construction industry. However, due to the changing environment of the construction industry and increasing realization of people-side of project management, researchers have generated more interest during the last few years (Toor & Ofori, 2007; Limsila & Ogunlana, 2008).

Besides, The Construction Industry Development Board (CIDB) master plan for occupational safety and health (CIDB Master Plan OSHA, 2004) highlighted some of the MCI problems such as low quality, low productivity, poor image and shortage of manpower. The low productivity in the industry is attributed to low technology usage, poor project and site management, unskilled labour, high-input cost and duration estimation, shortage of construction manpower, high-construction wastage, poor maintenance, non-conducive, and accident prone environment (Abdul Razak Ibrahim et al., 2010).
As the construction industry’s human resources are the key challenge that has a significant bearing on the industry in fulfilling construction demand, therefore, one of the challenges that need to be shouldered by the MCI is to train the existing construction industry workforce to overcome shortages of technical, managerial, skilled and unskilled personnel.

1.2 Problem Statement

According to Kleinman, Siegel and Eckstein (2001 as cited in Leow & Khong, 2009), the issue of organizational commitment is becoming gradually more important in today’s highly competitive business environment as organizations are increasingly relying on their human capital as knowledge workforce whom are able to provide them with a sustainable competitive edge (Woolridge, 2000 as cited in Leow & Khong, 2009), by being able to respond, adapt, or change to keep pace with rapid technological and education advancements, workforce diversity and organizational restructuring.

It is believed that an organization’s capabilities of retaining its employees in such competitive business environment will be able to provide them with an advantage as knowledgeable workforce with the required skills are much sought after by other competitors within a similar industry. It is very costly to lose potential and talented employees. Past research have also indicated the importance of retaining committed employees in order to ensure survival of the organization (Messmer 2000; Walker 2001; Das 2002).

Early management studies indicated that, compared to the cost associated with providing training and finding replacement, much could be gained by understanding the strength of the alliance between the employees and their level of commitment towards the organization (Angle & Perry, 1981; Mowday et al., 1982; Sheldon, 1971).
As organizational commitment is important to ensure organizational survival in the present competitive business environment, it is essential to study on factors that will provoke and instil sense of commitment within employees. Swanepoel, Erasmus, Van Wyk & Scheck (2000) revealed that leadership styles that encourage employee commitment is significant in order for an organization to successfully implement business strategies, attain business goals and objectives, gain competitive advantage and optimizing utilization of its’ human capital.

Although there are numerous studies conducted to investigate the relationship between leadership style and organizational commitment, however, most of these studies were conducted in the western countries. This is supported by Lo, Ramayah, Min and Songan (2010) who indicated that there is an evident lack of empirical examination on leadership style and organization commitment in large Malaysian organizations. Apart from that, although there are extensive researches available on the process of leadership and organizational commitment, but these two construct seem to have been examined almost independently. Little research has been done to examine the relationship between leadership and organizational commitment in organizations (Lo, Ramayah, Min, & Songan, 2010).

Fein, Tziner and Vasiliu (2010) state that there is evidence showing that followers’ preference towards the transformational and transactional leadership may be moderated by cultural context. For employees from the individualistic culture, it shows that there are positive relation in the transactional leadership behaviour and desired employees behaviour such as organizational citizenship and satisfaction with their leaders while employees from the collectivism culture has strong positive relationship in the transformational leadership behaviour and desired employees behaviour (Walumba et al., 2007). Hence, this study is important to be conducted to investigate whether this finding can be generalized in the context of Malaysia’s work force.
Lok and Crawford (2004) state that it was expected that higher “initiating structure” leadership style would generate greater commitment and job satisfaction in Asian firms whereas, higher “consideration” leadership style would provide greater commitment and job satisfaction in a western firm. From the aforementioned, transactional leadership is similar to initiating structure or task orientation whereas the transformational style is similar to consideration or relations orientation. Brazier (2005) indicated that low power distance of most Western firms tends to prefer a more transformational leadership style while high power distance and high collectivism of Asian firms encourage a more transactional style.

Furthermore, Lo, Ramayah, Min and Songan (2010) in their research found that past studies conducted on leadership have not found conclusive evidence on Malaysian leadership style. For example, Gill (1998) state that Malaysian managers are more direct, less delegate and are more transactional. However, Govindan (2000) reported that Malaysian leaders lean more towards participative and consultative styles. This findings support those of Abdullah (1992) whereby the use of stronger tactics is not likable in Malaysian context as Malaysians generally are not in favour of overt display of anger and aggressive behaviour.

In addition, studies conducted on the relationship between leadership style and affective commitment has also found contradicting results. For instance, Lee (2005) found that transactional leadership style has positive and significant associations with affective commitment which contradict with the result by Bycio et al, (1995) which indicate that there are no relationship between transactional leadership and organizational commitment. On the other hand, the result found by Lee (2005) which signify that transactional leadership style has positive and significant associations with affective commitment also contradict with findings by Lo, Ramayah, Min and Songan (2010) who revealed that none of the dimension of transactional leadership were found to have significant effect on all the three components of organizational commitment.
Although there is a particular research that study on leadership style and organization commitment in Malaysian setting, however it focuses only on manufacturing industries (Lo, Ramayah & Min, 2009). Therefore, this leads to the need of conduct a similar research in different industries. This research was conducted in the construction industry to study on the leadership style and organization commitment as mediated by leader-member exchange (LMX) in the context of local construction industry.

Another important factor to instil sense of commitment within employees is the quality of relationship between employees and their subordinates. Past researchers had indicated that leader-member exchange (LMX) plays an essential role in determining work outcome such as job performance, organizational commitment and promotions (Ang et al. 2005; Pellegrini & Scandura 2006; Bhal & Ansari 2007). Besides that, leader-member exchange (LMX) is positively related to organizational commitment (Ansari, Daisy, & Aafaqi, 2001; Masterson, Lewis, Goldman, & Taylor, 2000).

Leaders are expected to utilize their personal power to establish relationship with their followers to be able to successfully influence their followers (Jayasingam & Cheng, 2009). As Malaysian culture emphasize on relationship between leaders and followers, therefore it is important to investigate the role of leader-member exchange in term of influencing followers’ affective commitment.

Although studies had been conducted to investigate the relationship between leader-member exchange (LMX) and organizational commitment, however, not many studies had been conducted specifically to investigate the mediating effect of leader-member exchange (LMX) towards the relationship between leadership style and affective commitment in the context of Malaysian organization. Therefore, this study is crucial to fill up the missing gap.
For the purpose of this study, the research was conducted in the construction industry. Abdul Razak et al., (2010) signify that there are a wealth of literature that is available on the problems faced by the construction industry globally discussed however there are very scarce research that has been carried out by academics and practitioners on the problems encountered by the local construction industry.

As leadership is defined as relevant to all sectors of activity, be it corporate, entrepreneurial or institutional (Northouse, 2007), therefore, this research focused on studying the leadership style employed by leaders in the construction industry within Kuching.

As a conclusion, this study is important to be conducted in order to further understand the mediating effect of leader-member exchange (LMX) between the relationship of leadership style and affective commitment specifically in the setting of Malaysian organization.

1.3 Research Questions

This study aims to answer the research questions as below:

1. What is the level of affective commitment in the studied organization?
2. What is the level of affective commitment based on the demographic characteristics in the studied organization?
3. What is the relationship between leadership styles and affective commitment?
4. What is the mediating effect of leader-member exchange (LMX) in the relationship between leadership styles and affective commitment?
1.4 Research Objectives

1.4.1 General Objective

The main objective of this study is to identify the relationship between leadership styles and affective commitment. In addition, this study also intends to identify the relationship between leadership styles and affective commitment mediated by leader-member exchange (LMX).

1.4.2 Specific Objectives

There are eight specific objectives for this study. The specific objectives of this study are:

1. To identify the level of affective commitment in the studied organization
2. To identify the level of affective commitment based on the demographic characteristics in the studied organization
3. To identify the relationship between leadership style and affective commitment.
4. To identify the mediating effect of leader-member exchange (LMX) in the relationship between leadership style and affective commitment.

1.5 Conceptual Framework

*Figure 1.0* shows the conceptual framework for this particular study. The conceptual framework for this research was developed based on the previous work done by few researchers. The independent variables for this conceptual framework are transformational leadership and transactional leadership styles while the dependent variable is affective commitment. On the other hand, this conceptual framework also consists of a mediating variable which is leader-member exchange (LMX). The conceptual framework that shows the direct relationship between leadership styles and affective commitment is based on the previous research done by Lo, Ramayah and Min (2009). Two leadership styles will be studied under this research which are transformational and transactional.