

ROLE OF TRANSFORMATIONAL LEADERSHIP, WORK RELATED ATTITUDE AND BUSINESS PERFORMANCE : AN EMPIRICAL EVIDENCWE FROM THAILAND

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Abstract

This study is motivated by the pervasive confusion about the role of transformational leadership on firm performance via job satisfaction and organizational commitment in the context of a real world organizational study. We proposed two theoretical framework to explain how a leader can influence followers to make self-sacrifices, commit to difficult objectives, and achieves much more than was initially expected. Dynamic capabilities approach is implemented to explain the ability of firms which can respond to change that occur in its internal and external environment. Social information processing approach is implemented to understand links between subordinate's cognitions and their behaviors [1].

This approach is a stimulus – response mechanism to explain the reaction of leaders and their subordinates to management actions. Using a field survey and company data of 132 firms in the furniture exporting firms in Thailand, we tested an integrated theoretical model relating CEO transformational leadership, job satisfaction, organizational commitment and business performance. The findings support a direct and positive link between a style of leadership that has been labeled as “transformational” and its consequences. Future empirical research on the integration of motivation and commitment within contexts of transformational leadership and organizational performance is expected to further advance the theoretical and empirical development of the proposed framework.

Keywords: Transformational Leadership, job satisfaction, organizational commitment



Introduction

The pace of change confronting organizations today has resulted in calls for more adaptive flexible leadership. Adaptive leaders work more effectively in rapidly changing environments by helping to make sense of the challenges confronted both leaders and followers and then appropriately responding to those challenges. Adaptive leaders work with their followers to generate creative solutions to complex problems, while also developing them to handle a broader range of leadership responsibilities [2] [3] labeled the type of adaptive leadership described above transformational. Transformational leaders concentrate their efforts on longer term goals; value and emphasize developing a vision and inspiring followers to pursue the vision; change or align systems to accommodate their vision rather than work within existing systems; and coach followers to take on greater responsibility for both their own and others' development [4]. Transformational leadership is the process of influencing major changes in the attitudes and assumptions of organization members and building commitment for the organization's mission or objectives [5]. Effective leaders in this context have been found to create a climate for job satisfaction on organizational commitment. Specifically, they provide visions of successful innovation, intellectual stimulation to enhance creativity, feelings of involvement and a willingness to disagree, and resources that allow for needed autonomy and freedom to innovate [6]. Based on the results of this, it appears that leadership style maybe the imperfectly mobile asset that is linked to firm performance. If an organization has an asset that is imperfectly mobile, then the organization will have a sustained competitive advantage [7].

Although the literature on transformational leadership has grown up rapidly over the past 30 years, only a handful of studies have examined how a leader can influence followers to make self-sacrifices, commit to difficult objectives, and achieve much more than was initially expected. However, these notions have only recently been refined in the literature of organization behavior [8]. We focus on their conceptual standpoint, the influence that transformational leaders have on the behavioral component of followers' motivation through affective and cognitive processes. It follows that by influencing followers' emotional experiences and their affective states, transformational leaders can induce changes in followers' behavior influencing them to exert effort on

tasks that are important for the organization. Our model aim to consider of the relevant antecedents of work related attitude by basing on [8] model to the whole chain of relationships among transformational leadership, job satisfaction, organizational commitment and business performance. This relationship has been under – researched in the literature.

This research suggests a variety of theories including dynamic capabilities approach and social information processing approach to explain these links. Seven hypotheses were then developed for assessing the relationships of this concept.

Based on a review of relevant literature and theories, this research argues that, transformational leadership includes idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration [9]. These 4 components to transformational leadership sometimes referred to as the 4 I's. **1) Idealized Influence (II)** - the leader serves as an ideal role model for followers; the leader "walks the talk," and is admired for this.

2) Inspirational Motivation (IM) - Transformational leaders have the ability to inspire and motivate followers. Combined these first two I's are what constitute the transformational leader's charisma. **3) Individualized Consideration (IC)** - Transformational leaders demonstrate genuine concern for the needs and feelings of followers. This personal attention to each follower is a key element in bringing out their very best efforts. **4) Intellectual Stimulation (IS)** - the leader challenges followers to be innovative and creative. A common misunderstanding is that transformational leaders are "soft," but the truth is that they constantly challenge followers to higher levels of performance.

Transformational leaders influence subordinates by motivating and inspiring them to achieve organizational goals [9]. Transformational leaders also try to help subordinates imagine appealing future outcomes [9] related to the organization. Research has shown that transformational leaders affect organizational outcomes such as organizational citizenship behavior, organizational commitment, job satisfaction, effort, and in-role performance [10]. This review of literature will specifically examine the influence of transformational leadership on the following organizational outcomes: job satisfaction, organizational commitment, and business performance. Therefore the first four hypotheses were proposed (H1a-c through H 4a-c).

Hypothesis 1: The higher the idealized influence is, the more likely that firm will gain greater (a) job satisfaction, (b) organizational commitment, and (c) business performance.

Hypothesis 2: The higher the inspirational motivation is, the more likely that firm will gain greater (a) job satisfaction, (b) organizational commitment, and (c) business performance

Hypothesis 3: The higher the intellectual stimulation is, the more likely that firm will gain greater (a) job satisfaction, (b) organizational commitment, and (c) business performance

Hypothesis 4: The higher the individualized consideration is, the more likely that firm will gain greater (a) job satisfaction, (b) organizational commitment, and (c) business performance

Job satisfaction (JS) and organizational commitment (OC) always was grouped into the same dimension of Work related attitudes or affective reactions. [11] identified several indicators for work-related attitudes. These included task characteristics, job involvement, job satisfaction, career satisfaction, and organizational commitment. [12] suggested that employee's work related attitude reflects job satisfaction and the individual's commitment to the organization. Only job satisfaction and organizational commitment are included in this study.

Job satisfaction remains one of the most studied work-related variables [13]. It is frequently defined as an individual's attitude toward his or her job [14]. While organizational commitment is employee's feeling loyalty to a particular organization. The most-used research definition of job satisfaction is by [15] who defined it as "a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences" (p. 1304). [16], job satisfaction is a degree to which an employee has positive emotions toward to work role, particularly job, and organizational commitment. Likewise, [17] defined job satisfaction as an employee's affective or feeling response to particular job and results towards perceive outcomes. Moreover, [18] defined job satisfaction as an overall feeling of one's occupation or specific character job or



occupation which can be related to specific outcome such as productivity and job performance. Hence, job satisfaction is an important emotional response to job situation and employee's perceived which effect on job performance and work commitment. In the existing literature, higher levels of job satisfaction were linked to positive work outcomes, such as greater support for rehabilitation, satisfaction with life, and compliance with organizational rules and goals [19]. In contrast, low levels of job satisfaction were linked to negative work behaviors, such as low job security, low wages, and lack of expectation for promotion [20].

Organizational commitment refers to the employee's emotional attachment to, identification with, and involvement in a particular organization [21]. This definition refers specifically to affective commitment because it is an emotional attachment our feelings of loyalty to the organization.

The association between job satisfaction and organizational commitment is strong [22], although conflicting data exist on the causal direction of the relationship. [23] suggests that more research is required to unmask the nature of the job satisfaction-organizational commitment relationship. Nonetheless, the strong association between job satisfaction and organizational commitment has been found. More recently researches give more support to the view that job satisfaction is an important antecedent of affective organizational commitment [24]. For instance, [25] find that job satisfaction was positively correlated with professional commitment and negatively correlated with intention to leave the organization. Consistent with [26] meta-analysis's, job satisfaction was most strongly associated with organizational commitment. Also, Job satisfaction was significantly and positively related to organizational commitment, professional commitment and negatively related to job stress [27]. Besides, the higher levels of job satisfaction were more likely to contribute to organization's competitive advantage [20]. As review, the following 3 hypotheses (H5-H7) were proposed.

Hypothesis 5: Job satisfaction positively influences organizational commitment

Hypothesis 6: Job satisfaction positively influences business performance.

Hypothesis 7: Organizational commitment positively influences business performance

Objectives

The main purpose of this research is to empirically test a model of transformation leadership (Idealized influence, Inspirational motivation, Intellectual stimulation, Individualized consideration) on business performance. Therefore, it leads to the related objectives as followL1) To examine the role of transformation leadership (Idealized influence, Inspirational motivation, Intellectual stimulation, Individualized consideration) on job satisfaction, organizational commitment and business performance, (2) To test the influence of job satisfaction on organizational commitment and business performance, and (3) To examine the role of organizational commitment on business performance.

Methodology

A population of 724 Thai furniture exporting firms was investigated in this study, of which 132 were fully completed and usable, effectively a response rate of 20.52. According to [28], the response rate for a mail survey is considered acceptable. Personnel manager in each firm is our key informant. A statistical test was conducted to verify if the sample was representative enough. Following [29], two samples of early respondents and late respondents were compared with t tests on the key variables in terms of firm size, firm age and firm capital. Using t-tests, we found no significant difference at the .05 level in these comparisons. Overall, nonresponse bias does not seem to be a serious concern. A statistical test was used to determine whether the methodological nuisance of common method variance was an issue because all the variables were collected with the same instrument and there is some correlation between the variables. The results indicate that method variance is not a serious concern.

The development of the questionnaire was guided by the literature review, consultation with experts. Most measures used in the survey were adapted from established studies, but some were developed especially for this study. We measured the questionnaire items using a five-point scale anchored by '5 = strongly agree' and '1 = strongly disagree'. As noted earlier, information for different variables was obtained from personnel manager who are most knowledgeable. The measurement items and the results of reliability and validity analyses are reported in table 1. Then, the ordinary least squares (OLS) regression analysis is used to explicitly test and examine the influences of TL on business performance which are shown in table 2.

Results

Results presented in Table 1 include descriptive statistics, scale reliabilities, factor loadings, and zero – order correlations for all variables. All of the reliability estimates for all constructs (Cronbach alpha coefficients) were above 0.70 [30]. Factor analysis conducted were done separately to investigate the underlying relationships of a large number of items and to determine whether they can be reduced to a smaller set of factors. All factor loadings are greater than the 0.40 cutoff and are statistically significant [30]. Variance inflation factors (VIFs) were examined for all of the variables included in the study to assess the potential problems with multicollinearity (VIF, calculated as $1 / 1 - r^2$). The VIFs range from 1.83 – 2.08, well below the rule-of-thumb cutoff of ten suggested by [31]. It was concluded that multicollinearity was not a serious issue here.

Results of hypotheses testing by regression as shown in table 2 and figure 1 separate into two groups; results provide evidence fully supported consist of Hypotheses 1a-c, 2a-c, 5, 6, and Hypotheses 7. Besides, the evidence provides not supported are comprise Hypotheses 3a-c and Hypotheses 4 a-c.

Table 1: Variables in the model, Descriptive Statistics, Cronbach’s alpha, Factor loadings, and Correlations among all variables

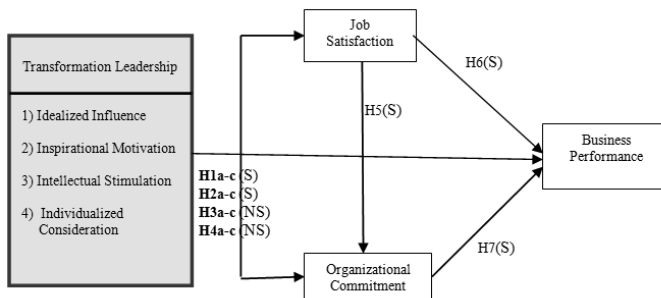
Variables	II	IM	IS	IC	JS	OC	BP
Mean	3.86	3.90	3.87	4.09	3.69	3.66	3.77
S.D	0.57	0.68	0.64	0.61	0.71	0.68	0.61
Cronbach's Alpha	0.746	0.711	0.692	0.782	0.768	0.830	0.801
Factor Loadings	0.605-0.809	0.757-0.842	0.642-0.820	0.699-0.852	0.716-0.842	0.633-0.846	0.546-0.815
II	1.00						
IM	0.62**	1.00					
IS	0.49**	0.66**	1.00				
IC	0.66**	0.61**	0.57**	1.00			
JS	0.72**	0.65**	0.54**	0.52**	1.00		
OC	0.63**	0.44**	0.38**	0.41**	0.65**	1.00	
BP	0.59**	0.51**	0.47**	0.53**	0.68*	0.69**	1.00

Note: n=132; **p < .05, *p < .10

Table 2: Results of regression analysis

Independent Variables	Dependent Variables				
	1 JS	2 OC	3 BP	4 OC	5 BP
II	.682*** (.105)	.705*** (.125)	.417*** (.109)		
IM	.307*** (.088)	.060** (.015)	.089** (.092)		
IS	-.132 (.087)	.078 (.103)	-.122 (.090)		
IC	-.121 (.097)	-.069 (.115)	-.126 (.100)		
JS				.614*** (.066)	.328*** (.067)
OC					.391*** (.069)
FS	-.007 (.043)	.005 (.052)	-.005 (.045)	.052 (.047)	.013 (.037)
FA	-.075 (.043)	-.091 (.052)	-.085 (.045)	-.027 (.051)	.042 (.039)
FC	.061 (.044)	.051 (.053)	.065 (.046)	-.031 (.049)	.053 (.038)
Adjusted R ²	.0594	.378	.410	.408	.558
Maximum VIF	2.089	1.913	1.833	1.999	2.026

Note: n = 132; **p<.05, ***p<.01 Beta coefficients with standard error in parenthesis



S = Supported
NS = Not Supported

Figure 1: The Results of Hypotheses Testing

According to Table 2, the results show that relationship between the first dimension of transformational leadership and its consequence factors indicate that Idealized influence has positive effect on job satisfaction (H1a: $\beta_1 = .682$, $p < 0.01$), organizational commitment (H1b: $\beta_8 = .705$, $p < 0.01$), and business performance (H1c: $\beta_{15} = .417$, $p < 0.01$). **Thus, Hypotheses 1a, 1b and 1c are supported.**

The second dimension of transformational leadership and its consequence factors indicate that Inspirational motivation has a positive effect on job satisfaction (H2a: $\beta_2 = .307$, $p < 0.05$), organizational commitment (H2b: $\beta_9 = .060$, $p < 0.05$), and business performance (H2c: $\beta_{16} = .089$, $p < 0.05$). **Thus, Hypotheses 2a, 2b and 2c are supported.**

Surprisingly, the findings indicate that the two dimensions of TL, intellectual stimulation and individualized consideration has no positive effect on job satisfaction (H3a: $\beta_3 = .132$, $p < 0.05$; H4a: $\beta_4 = -.121$, $p < 0.05$), organizational commitment (H3b: $\beta_{10} = .078$, $p < 0.05$; H4b: $\beta_{11} = -.069$, $p < 0.05$), and business performance (H3c: $\beta_{17} = .122$, $p < 0.05$; H4c: $\beta_{18} = .126$, $p < 0.05$). **Thus, hypotheses H3a-c and H4a-c are not supported.**

In sum, this research empirically shown that transformational leadership has two immense and steady influences on employees' job satisfaction, organizational commitment and business performance, namely, idealized influence and inspirational motivation. Earlier research has not distinguished between how followers perceive the leader's inspirational style and what the leader actually says to be evaluated as visionary. Transformational leadership has a positive influence on personal outcomes. The literature demonstrates that transformational leadership has a positive influence on empowerment, job satisfaction, commitment, trust, self-efficacy beliefs, and motivation.

Moreover, job satisfaction has a positive effect on organizational commitment (H5: $\beta_{22} = .614$, $p < 0.01$). Both job satisfaction and organizational commitment have a positive effect on business performance (H6: $\beta_{26} = .328$, $p < 0.01$; H7: $\beta_{27} = .391$, $p < 0.01$). Consistent with many evidence supporting the integration of job satisfaction, work commitment, and business performance constructs into a single research model came from a variety of research studies. Job satisfaction was founded linking to positive work outcomes, such as greater support for rehabilitation, satisfaction with life, and compliance with organizational rules and goals. Besides, prior research suggested that job satisfaction is positively associated with commitment. Moreover, job satisfaction was also founded positively effect on work role, particularly on job loyalty, and organizational commitment which will lead firm to achieve superior performance. In summary, the evidences indicate that job satisfaction was significantly and positively related to organizational commitment. Thus, the higher levels of job satisfaction of the employees, the more likely that they will contribute to their organization which will lead firm to get competitive advantage. **Therefore, Hypotheses 5, 6 and 7 are strongly supported.**

Conclusion

Results of the study confirmed that transformational leadership is an important factor in firm performance through employee's work related attitude. The results of regression analyses



show that transformational leadership has two immense and steady influences on employees' job satisfaction, organizational commitment and business performance, namely, idealized influence and inspirational motivation. Thus, the model fit with the addition of the job satisfaction and organizational commitment path. In furniture businesses, just as in other organizations, satisfied in work and committed staffs are the organizations' invaluable assets. Knowing this, administrators and management should put an effort to make their staff satisfied. Once satisfied, employees would in return contribute more to the organization, helping it to achieve its objectives. It is the hope of the researchers that the findings would contribute towards developing ways to improve performance through job satisfaction and work commitment. This would definitely benefit the education industry and the nation. Besides, the more investments in transformational leadership, the better are the business performance.

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