JUDUL: THE RELATIONSHIP BETWEEN LEADERSHIP STYLE AND EMPLOYEE PERFORMANCE: A CASE OF FEDERAL PUBLIC SECTOR IN SABAH

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THE RELATIONSHIP BETWEEN LEADERSHIP STYLES AND EMPLOYEE PERFORMANCE: A CASE OF FEDERAL PUBLIC SECTOR IN SABAH

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SCHOOL OF BUSINESS AND ECONOMICS UNIVERSITI MALAYSIA SABAH 2012
DECLARATION

I hereby declare that the material in this thesis is my own except for quotations, excerpts, equations, summaries and references, which have been duly acknowledged.

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ABSTRACT

THE RELATIONSHIP BETWEEN LEADERSHIP STYLES AND EMPLOYEE PERFORMANCE: A CASE STUDY OF FEDERAL PUBLIC SECTOR IN SABAH

There are a lot of researchers have done many studies on leadership several decades ago. Generally, the definition of leadership is to organizing a group of people to achieve the organizational goals. Nevertheless, researchers find the perfect match on different perspective of leadership styles. This is important to measure what is the best leadership style in order to increase the employee performance in any organizations. Additionally, we could see there is still a lack of performance from many employees during their hours in the work place. Therefore, with today’s current situation, leadership is the highest priority of management even in government sector. The main objective of this study was to investigate the perceived leadership styles and the employee work performance in the studied organization; Federal Public Sector in Sabah. The other objectives of this study are, to identify whether there is any relationship between leadership styles applied by the supervisor and the effect on staff/employee job performance. In addition, this study also wants to investigate whether the biographical characteristics namely age and lengths of service moderate the relationship between leadership styles and employees performance. This study is conducted among staff in Federal Public Sector in Sabah. Majority of respondents aged between 23 - 40 who’s having a working experience less than 10 years in the organization. About one hundred and fifty (150) respondents have given their commitment to answer all questionnaires distributed by the researcher. Therefore, it is very hopeful that this study reveals perceived leadership styles have a significant positive relationship between employees in Federal Public Sector in Sabah. In addition, leaders could adopt innovative strategies using suitable leadership style in order to achieve work performance at the very best level as well as to gain the long term success.
ABSTRAK

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CHAPTER 1

INTRODUCTION

1.1 Overview
In the era of globalization, rapid and ever-changing economic landscape, capability is the highest priority of management even in government sector. In fact, management capability can be manifest in business and administration through employees and organizational performance. Obviously, it is the result of management leadership and competence in the key management practices that lead to sustainable business performance, efficient service delivery and growth. This fact also includes the government agencies as a catalyst in order to help the private sector to increase national economic parameter in the competitive era especially to achieve the Vision 2020.

The World Competitiveness Yearbook 2008, reported that Malaysia’s global competitiveness level had improved to 19th position in overall performance, out of 55 researched economies. In 2007, Malaysia was ranked 23rd. On top of that, the World Economic Forum report in 2008 states that Malaysia is one of the most efficient economies in the region with flexible labor markets, relatively undistorted goods and services market and the most significant result is, public and private institutions are already operating at their highest level in many aspects including the leadership dimension. However, this achievement level must be increased in order to keep the level of competitiveness among the country especially the public sector. By keeping good track the level of performance, it will imply that today public sector team management has a good leadership style to lead and manage the institutions to the public.

As mention before, federal public sector as well as government agency in Malaysia is one of the important catalyst in order to ensure the national economic sustained and aligns with the competitive advantages. Furthermore, the government policy is stress on the excellent in implementation of Government Transformational Program (GTP), public sector especially the civil servant also have
to change their attitude, increase their skill and knowledge to align with the current global environment. Once again, the leadership styles play a prominent role in order to ensure employee to give their best performance to the government institutions.

Despite the several achievements obtained by the public sector, there are still critics in terms of performance and productivity toward people as a client. In addition, the Vision 2020 and supporting policies such as GTP increasing the needs of service quality practices in public sector organizations. Thus, people in mass or Civil Servant were facing challenges to bring about desired changes in administration and improve its capacity as well as performance. Irrespective the challenges, public sector still need to show their capability to deliver the excellence service, hereby it also as an action in order to respond to government legislation (Robinson, 2003). To achieve excellent service, leadership is the most important factor in order to produce a good result.

1.2 Problem Statement

The influence of leadership style on job performance, satisfaction, stress, and turnover intention has been well established (Chen and Silverthorne, 2005). While leadership style has an impact on organizations, departments, and teams, as well as work climate and atmosphere, leaders who want the best results should not rely on a single leadership style (Goleman, 2000).

In general, the workload and organizational size were the main problems many of government department or agency in Sabah. In addition, the JPA "lean and clean" HR policy such as decreasing of staff influences the organizational and employee performance as a whole. Other than that, these scenarios were affecting their Key Performance Indicators (KPIs). Additionally, every government institutions and employees has his/her own KPIs to achieve as determined by the stakeholder. On the other hand, the employee performance, includes performing the duties,
meeting the task deadline, team output, and gain the departmental goal, is very
crucial, and it always link to the leadership in organization. In other word, when it
comes to explaining how and why certain organization have carved out competitive
advantages, attention increasingly focuses on the leadership style, which is the key
factor to determine the level of organization and employee performance.

In short, this study aims at addressing key questions by examining
transformational, transactional, laissez-faire and participative leadership styles in
managing the federal government organization in Sabah with good governance. It
is important to investigate the effect of the four leadership styles
(transformational, transactional, laissez-faire and participative), on the
employee’s performance, moderated by the biographical characteristic
(age and length of service). In other way, the research questions about this
study are follows:

1. Does leadership style influence employees’ performance?
2. How does a leader-employee relation affect employee performance?
3. How the biographic characteristics namely age and length of service
moderate the relationship between the leadership styles towards employee
performance.

1.3 Objectives of the study
The objectives of the study are:

1. To examine the relationship between leadership styles and employees
   performance in public sector.

2. To investigate whether the biographical characteristics namely age and
   lengths of service moderate the relationship between leadership styles and
   employees performance.
1.4 Scope of the study
The scope of this study is to investigate whether there is a relationship between leadership styles on the performance among employees in federal public sector. The federal public sector has been chosen because; many of the government agencies have a multilevel structure whereby there is possibility the delivery system to the public might be distorted, weak and inefficient. In multilevel structure, the different is anticipated leadership styles from several of public sector organization.

1.5 Significance of the study
This study is significant as a reference to all staff in the organization, in order to understand how important the leadership styles on the employees' performance as well as organization performance. It is expected that the findings of the study would benefit organizations to gain high performance in their organization.

Furthermore, the study would also be useful to leaders and managers in organizations by using the relevant leadership styles in the right situations effectively. This would help reduce social accidents, wastage and internal conflicts in the working environment. As a result, it will increase the employee performance in the organization as a whole.

This research also useful to future researchers, students and academicians digesting the impact and importance of the different leadership styles on employee performance.

1.6 Definitions of terms
1.6.1 Leadership Styles
In general, there are many definitions of leadership pointed out (Stodgil, 1974). Mostly researchers stated that leadership is an influence relationship between leaders and followers to complete task in order to achieve a defined goal or goals (Bennis & Nanus 1985; Burns 1978). Hamidifar (2009) stated that the influence
meant the relationship among people is occurring in multidirectional between superior and subordinates.

This leadership concept is similar with House (1971) who suggested that leadership is behavior that gives a principle and direction to the team by voicing the vision those appeals to ideology, motive and the sensitivity among the followers. On the other hand, Hersey and Blanchard (1988) also describe leadership as a model of behaviors' that leaders shows during execute their task. Besides, Kotter (1995) and Yammarino et. al (1994) state that leadership is the skill to persuade people to complete tasks within the timeframe using motivational approach rather than using their position. In other hand, leadership also related to political environment in organization by using the informal influence (Gadot, 2007). When people act out of obedience to authority, it is difficult to decide whether they are acting on their own free will or out of fear of punishment by their superior (Ibid).

According to Gadot (2007) stated that Avolio and Bass (1991) expanded Bass's (1985) original model to The Full Range of Leadership Model. This model includes A leadership style of laissez-faire or no leadership; Transactional leadership, which is focus on passive and active aspects; and Transformational leadership, which is based on personal relationships, intellectual challenge, inspirational motivation and behavioral charisma. Gadot (2007) added, these three categories create a hierarchical sequence of leadership styles based on the degree of the movement that leader expresses in his actions and according to the extent of its effectiveness. In sum, leadership style were monitored in firms, differentiated by their ownership structure, activities and business functions, where there are different hierarchical structures and where leadership roles are defined differently (Mitrovic et. al, 2011).
1.6.2 Transformational leadership

Paracha et al. (2012) stated that Transformational leadership could create meaningful and good change in the followers. Fatima, Ahmad and Usman (2011) believe that transformational leadership is almost the choice among leaders because of its character is always dynamic. There are four characteristics in terms of transformational leadership: idealised influence or charisma, inspirational motivation, individual consideration and intellectual stimulation (Bass, 1985; Bass and Avolio, 1994; Den Hartog et al., 1997). According to Bass and Avolio (1993), the transformational culture improves both organization and the employee's performance. Paracha et al. (2012) cited that, the transformational leadership situation was related to high task performance, higher collective support acuity, greater efficacy beliefs, lower harmful effect, and lower threat assessment compared to the transactional conditions.

Rowold (2010) stated that, the followers get into their leader's vision and perform more than the expected performance. Burns (1978) conceptualized that transformational leadership is emphasizing on motivation, encouragement and empowerment to the follower to complete their job and obtain the organizational vision and goals. In sum, transformational leaders will inspire the follower to get high standards of task accomplishment and performance in order to ensure the organization will sustain in competitive era.

1.6.3 Transactional Leadership

Awamleh, Evans and Mahate (2005) stated that transactional leadership fundamental is about the exchange process, which are involved rewards and sanctions. The reward can be salary, benefit and promotion to the next level of position. Besides the rewards, there is a penalties if performance below the par such as terminations, demotion or pay cuts. In other words, transactional leaders tend to show their authority on task completion and compliance and rely on
organizational rewards and punishment to determine employee performance (Hertog & Van Muijen, 1997).

According to Jung (2000-2001) defined that transactional leadership as leader aptitude towards identification of followers needs and aspirations and clearly demonstrate the ways to fulfill these needs in exchange for performance of followers. In addition, Bass (2000) reported that effective leaders accommodate the interests of their subordinates in order to ensure that the employees can do their job or task up to the level. That is mean, transactional leadership encourage followers to execute their job accordingly to the leader’s expectation and get their need such as reward and promotion (Paracha, 2012).

By understanding the transactional leadership basic concepts, obviously this leadership style has a significant impact on employee performance (Paracha, 2012). In this matter, this leadership style are depend on having appropriate usage of contingent reward to be effectively executed as well as an essential response of followers performance (Bass et. al, 2003). Lo, Ramayah & Min (2009) stated that, facilitating the followers to be familiar with job obligation and recognized objectives to achieve estimated degree of performance is an important aspect of transactional leadership style. In short, transactional leaders put precise, work-related goals and the rewards that can be expected because of performing successfully (Rowold, 2011).

1.6.4 Laissez-faire Leadership
Hamidifar (2009) defined Laissez-faire leadership is a free style sort of leadership style. There are several characteristics such as no exchange relationship between leaders and followers, decision made by the subordinates but the leaders not accountable for the decisions, no information shared, late action and authority useless (Hamidifar, 2009). In addition, Ronald (2004) pointed that the basic of this leadership style is twofold as follow: First, the employees know they can do the job
given competently without any close supervision. Second, the leader tends to use power to remain their position.

According to Frischer (2006), *Laissez-faire* Leadership is just ordinary style and it cannot come across the speed of quality standard and the stress of improvement and effectiveness. Furthermore, the leaders who hold this style are tending to hand over the task and power, this action is not because to empower the followers, otherwise it is because to escape from the responsibility (Frischer, 2006). This form of leadership is obviously are negative to the performance in terms of productivity, attitude of change and encouragement of participation in organizing the organization. Frischer (2006) give more clear about the characteristics of *Laissez-faire* leadership style which is, the leader tend to give the team members a widely freedom in execution task, provide the team with resources, avoiding from participating, and usually no evaluative comments.

On the other hand, this leadership style also obviously shows the leader tends to relinquish the responsibilities and escape from making decision to the organization (Robbins, 2007; Luthans, 2005). Ronald (2004) stated that this leadership style set up the work standards and utter them in one-way and top-down direction with minimal information. As a result, there is also minimal participation, communication and resources provide to perform the job given (Ronald, 2004). Ronald (2004) further explanation, the exchange of information about job, the policies and procedures is occurring among the employees. In this matter, it will affect the organizational processes whereby the processes will be out of direction. This is because there is no clear direction and the leader just comes back if there are crisis happen. In short, *Laissez-Fair* is free leadership style, no teamwork among the unit and the leaders give a freedom to the team member to decide whatever they want for the sake of the organization (Mondy & Premeaux, 1995).
1.6.5 Participative Leadership

Participative leadership consults with subordinates about decisions. This leadership style was formed by House's (1971) Path Goal Theory, which is the leadership style such as directive, supportive, participative, achievement-oriented is depends on the situation that will give a job satisfaction of employees. Leader behavior includes asking for opinions and suggestions, and encouraging participation in decision-making. However, leader still estimates to what extent the followers involve in making the organization decision. Fundamentally, this leadership style occur when there are sharing information both leaders and followers (House, 1971).

By having their on information based on the position and location, leaders will allow followers to give feedback and suggestion for the sake of the organization. Various studies in organizational behavior found that by allowing subordinates participation in decision-making it will increase the followers motivation (Mehta et al., 2003). In other word, this leadership styles also known as a style that empowers the employees. As a result, the employees will feel appreciated, meaningful to the organization and having a sense of belonging to their organization due to their participation in organizing the organization process (Jurgens, 2011). This feeling will bring the employee to deliver a high quality of personal outcomes to the organization. On the other hand, this leadership style has the empowerment and consultative elements; whereby these elements will support the distribution of organizational and managerial values to employees (Dolatabadi and Safa, 2010).

1.6.6 Employee Performance

According to Jing & Avery (2008), they recommend that the evaluation or measurement of the performance must include financial and non-financial in order to ensure the research is valid. Furthermore, Jing and Avery (2008) believe, if there is a good progress in employee and customer satisfaction, it will bring also the positive indicator in organizational performance. In addition, other approaches used
by Thompson and Strickland (1993) state that, the financial indicators such as the profitability, return on investment, and annual earnings must be used in order to measure performance.

The present study on performance recommends that there are two categories of work performance. First category is in-role and extra-role which is suggested by several researchers such as Brief and Motowidlo (1986; Williams and Anderson, 1991; Wolfe Morrison, 1994). Briefly, In-role performance can be describes as an employee's accomplishment to execute the necessities of his/her task, the second form of performance is extra-role performance whereas refers as an achievement out of the formal standard and are at the employee's judgment. On the other hands, some of the researchers tend to put performance in behavior angle (Campbell et. al, 1993). According to Sonnentag and Frese (2002), there are several approaches to determine performance outcomes. In this matter, Borman and Motowildlo (1993) were subdivide the performance into two categories which are task and contextual. Briefly, task performance is an achievement within the job accomplishment given to the employees, and contextual performance referred as the employee contribution out of him/her job description.

1.7 Organization of the study

Chapter One – Introduction and Background

The purpose of this chapter is to present an overview of the research and the problem statement, objectives and significance of the study, definitions of terms and finally the organization of the study.

Chapter Two – Literature Review

This chapter is review about previous research that has been executed to the topic
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