

**THE IMPACT AND INFLUENCE OF LEADERSHIP STYLE ON  
EMPLOYEE LOYALTY AND PERFORMANCE IN COMMERCIAL BANKS  
IN KLANG VALLEY**

**BY,**

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**Thesis Submitted to**

**Othman Yeop Abdullah Graduate School of Business,**

**Universiti Utara Malaysia,**

**in Partial Fulfillment of the Requirement for the Master of Science**

**(Management)**

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## ABSTRAK

Tesis ini cuba untuk membentangkan gambaran mengenai keberkesanan dan pengaruh gaya kepimpinan dan beberapa faktor lain yang berkaitan dalam memberi kesan terhadap prestasi dan kesetiaan pekerja-pekerja di dalam industri perbankan. Skop kajian dalam tesis ini adalah meluas dan cuba untuk menanangi semua isu yang melibatkan prestasi pekerja, kesetiaan pekerja, gaya kepimpinan transformasi dan kepimpinan transaksi. Oleh itu, kajian ini hanya memberi tumpuan kepada faktor-faktor yang paling berpengaruh, seperti gaya kepimpinan, kesetiaan pekerja dan pembolehubah yang mampu memberi kesan terhadap prestasi pekerja di dalam industri perbankan. Populasi kajian terdiri daripada lima ibu pejabat bank komersial di sekitar Bandaraya Kuala Lumpur. Kajian ini mengkaji data yang diperolehi daripada 118 responden terdiri daripada pengurus, eksekutif dan kerani daripada beberapa bank komersial di dalam Bandaraya Kuala Lumpur. Untuk menentukan sama ada rumusan yang dibuat boleh diterima atau tidak, analisis *Pearson Coefficient correlation* telah dijalankan. Ujian *Sobel* juga telah digunakan bertujuan untuk mengenal pasti sekiranya pengantara digunakan mempunyai kesan pengantara diantara pembolehubah bebas dan pembolehubah bergantung. Hasil daripada kajian yang dilakukan mendapati ia menyokong sebahagian besar daripada kajian yang dilakukan sebelum ini berkaitan dengan gaya kepimpinan transformasi dan kepimpinan transaksi kerana ia telah mendapati bahawa kedua-dua gaya kepimpinan mempunyai hubungan yang ketara (positif) terhadap prestasi pekerja dalam industri perbankan. Kajian ini juga membuat kesimpulan bahawa kesetiaan pekerja mempunyai kesan pengantaraan antara kepimpinan transformasi dan prestasi pekerja serta antara kepimpinan transaksi dan prestasi pekerja. Faktor-faktor demografi tidak mempunyai kaitan yang kuat dengan kesetiaan dan prestasi pekerja di dalam syarikat berdasarkan keputusan yang diperolehi daripada soalan-soalan di dalam kajian ini.

## **ABSTRACT**

This thesis attempts to present a snapshot of leadership's style impact and influence and other related effecting reasons towards the employee's performance and loyalty in banking industry. The scope of this research is broad and attempts to address all issues involved in the employee's performance, transformational and transactional leadership style and loyalty. Therefore, this research is just focusing on those most influential factors, such as leadership style, employee's loyalty and variables that affects employee performance in banking industry in Malaysia. The study population comprised five headquarter offices of commercial banks around Kuala Lumpur City. It analysis and describes data collected from 118 respondents comprises of manager, executive and clerical staff of several commercials banks within Klang Valley area. To determine whether the hypothesis were accepted or rejected, Pearson Coefficient correlation analysis was conducted. Sobel test was also used in order to determine whether the mediator applied have mediating effect between independent variable and dependent variable in this thesis. The result of this research did support most of the researches done on transformational leadership and transactional leadership since it has been found that both leadership styles have significant (positive) relationship towards employee performance in banking industry. This thesis also concluded that employee loyalty do have mediation effect between transformational leadership and employee performance as well as between transactional leadership and employee performance. Demographic characters do not have strong influence on employee loyalty and performance within the organization based on the output received from the respondents of the distributed survey.

**Keyword:** transformational leadership style, transactional leadership style, employee performance, employee loyalty.

## **ACKNOWLEDGEMENT**

In the name of Allah, the Most Merciful and Most Compassionate. I would like to take this opportunity to sincerely appreciate the involvement of individuals who give me their support and efforts in completing this research effectively with great success.

First of all, I would like to express gratitude to my supervisor, Dr. Amer B. Hj Darus (UUM College of Business) for his guidance, feedback and suggestion throughout this research. I appreciate for all his contribution and advice in completion of this research.

I would also like to dedicate my sincere gratitude to my beloved wife, for her undivided support and encouragement to motive me to complete this research.

I would like to express my deepest gratitude towards the respondents. I am very grateful to them for spending their precious time to complete my questionnaire.

Last but not least I would like to extend my greatest appreciation to my friends and colleagues who had patiently helped me in completing this research.

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## LIST OF ABBREVIATIONS

Bank Negara Malaysia	(BNM)
National Union Bank Employees	(NUBE)
Cash Deposit Machines	(CDM)
International Monetary Fund	(IMF)
Risk-weighted capital adequacy ratio	(RWCR)
Independent variable	(IV)
Dependent variable	(DV)
Multifactor Leadership Questionnaire	(MLQ)

# **CHAPTER 1 INTRODUCTION**

## **1.0 Introduction**

In this first chapter, the study context of the overall research outline is explained together with the research problems. In the research, the core idea of the study is described in the problem statement in order to stimulate unblemished research objectives to be acquired and answered the research questions. Besides, the hypotheses that will be tested are clarified by the researcher and the benefits outcome in conducting this research is explained.

## **1.1 Background of the Study**

Good performance and loyalty towards a company are considered to be some of the preferred value of employers around the world. Since every business owner and big corporation main target are to maximize profits and minimise cost. They aim to hire workers or staff that can give their best performance at work place and stay loyal to the company. Big corporation such as banks in Malaysia are currently facing some issue on this matter with their young talents. Referring to research done by MSC Malaysia for Jobstreet.com (2013), about 84 percent of young employees tend to quit their jobs more easily and 49 percent of them intend to switch job within 1-2 years. Most of the respondent of the survey highlighted that dissatisfaction and de-motivation at workplace as the factors of job-hopping.

Turnover or employee loyalty issue is now becoming a culture in working environment especially in many Asian countries. Turnover for employee is defined as a



percent of a corporation's staff who no longer serves his job description by leaving the corporation within a specific time. The action can be carried out by an employee who voluntarily resigns from his post or due to disciplinary action taken against the employee by the management (Ahmad, 2010). According to Wong (2010) most of the employees have their own expectation towards the company and if the expectation is not met, they will look for other opportunity. Referring to a research done in Malaysia by Hewitt Associates (2008/2009), they found that the trend in turnover rate is going up from 9.3 percent in 2009 to 10.1 percent in the following year. The uppermost industry that has been affected by it was financial service (18.3percent) and high tech/IT industry (20percent). This behaviour has been watched and studied by human resources department from various top company in Malaysia and has been verified as one of the major contributed to the company's long term plan, mission and revenue as well.

Referring to news on employee turnover, a survey was conducted in Malaysia by Tower Watson, a global professional services company in October 2013, this turnover culture in the financial service industry has increased drastically from 7.4percent in 2012 to 13.3percent in 2013. That is almost a 100 percent increment, looking at the trend and survey results, young executives are the most contributor in the percent. There are many factors that said to the contributor to this behaviour and one of the key reasons was employees in the financial industry felt that the Malaysia economy will not be seriously affected by the uncertain global economy (Sambhay Rakhyan, 2013). Due to that, employer in financial institution also taking advantage by this perception and try to recruit executives from their competitors who possessed experienced and skills set by offering more salaries and faster growth opportunities in hoping that these group can help them to fast track their transformation and catching up to the market leaders in the

industry. This survey also shows the overall salary raise in the Malaysia financial industry was recorded at 5 percent and is expected to grow to 5.6 percent in 2014. Asset management within the financial industry players will continue to practice high salary increments at 5.3 percent in 2013 and projected to grow to 6 percent in this year.

Due to the high demand for experience workers and competition among the financial industry players in Malaysia, it has opened the opportunity for the turnover trend to increase and loyalty towards the company decrease. These scenarios have heavily affected the profitability, operations, productivity and quality of services of the organizations. Therefore, in order to avoid these undesired scenarios occur within their organization, management need to identify all factors that contribute to the employees decision of leaving the company and join their competitor. If the employee's expectation in term of job satisfaction and working environment are different than what they heard or not met due to several reasons, it may contribute to their decision of leaving the organizations after a certain period of time (Wong, 2010). In fact, some employees may take this situation positively and consider it as an opportunity for them to have career advancement with other organizations.

### **1.1.1 Banking Industry in Malaysia**

Banking industry in Malaysia started when the first commercial bank established in Penang in 1859. It was a branch of a British exchange bank called The Chartered Mercantile Bank of India, London and China (Mercantile Bank). The next bank established was the Chartered Bank branch in Penang in 1875. Later, the Kwong Yik (Selangor) banking corporation was incorporated in Kuala Lumpur and became the first domestic bank. It was followed by the establishment of Singapore-incorporated bank

branch in Malacca and Muar in 1917. After that, business man and trader started to incorporated local banks around the late 1920s and 1930s. In order to protect the country's currency value and to issue it to be used by public, the currency board was established in 1907. In order to monitor the country economic situation and potential for development to become develop country, a suggestion to create a central bank was made and led to the establishment of Bank Negara Malaysia under the central bank of Malaya ordinance, 1958 on January 1959. Having experienced a full evolution period for more than 50 years, the banking industry had gone through a phase of consolidation. To allow financial institutions to become one-stop centres, commercial banks have merged with their finance company.

According to BNM data, there are 5 categories of banking institutions in this country; they are Commercial banks, Islamic banks, International Islamic banks, Investment banks and other financial institutions such as insurance company and Takaful operators. Below in table 1.1, is the list of Commercial banks registered with BNM as in 2013.

Table 1.1  
*List of licensed Commercial banks in Malaysia*

No.	Name	Ownership
1	Affin Bank Berhad	L
2	Alliance Bank Malaysia Berhad	L
3	AmBank (M) Berhad	L
4	BNP Paribas Malaysia Berhad	F
5	Bangkok Bank Berhad	F
6	Bank of America Malaysia Berhad	F
7	Bank of China (Malaysia) Berhad	F
8	Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad	F
9	CIMB Bank Berhad	L
10	Citibank Berhad	F
11	Deutsche Bank (Malaysia) Berhad	F
12	HSBC Bank Malaysia Berhad	F
13	Hong Leong Bank Berhad	L
14	India International Bank (Malaysia) Berhad	F
15	Industrial and Commercial Bank of China (Malaysia) Berhad	F
16	J.P. Morgan Chase Bank Berhad	F
17	Malayan Banking Berhad	L
18	Mizuho Bank (Malaysia) Berhad	F
19	National Bank of Abu Dhabi Malaysia Berhad	F
20	OCBC Bank (Malaysia) Berhad	F
21	Public Bank Berhad	L
22	RHB Bank Berhad	L
23	Standard Chartered Bank Malaysia Berhad	F
24	Sumitomo Mitsui Banking Corporation Malaysia Berhad	F
25	The Bank of Nova Scotia Berhad	F
26	The Royal Bank of Scotland Berhad	F
27	United Overseas Bank (Malaysia) Bhd.	F

Source: Bank Negara Malaysia website, last updated November 2013.

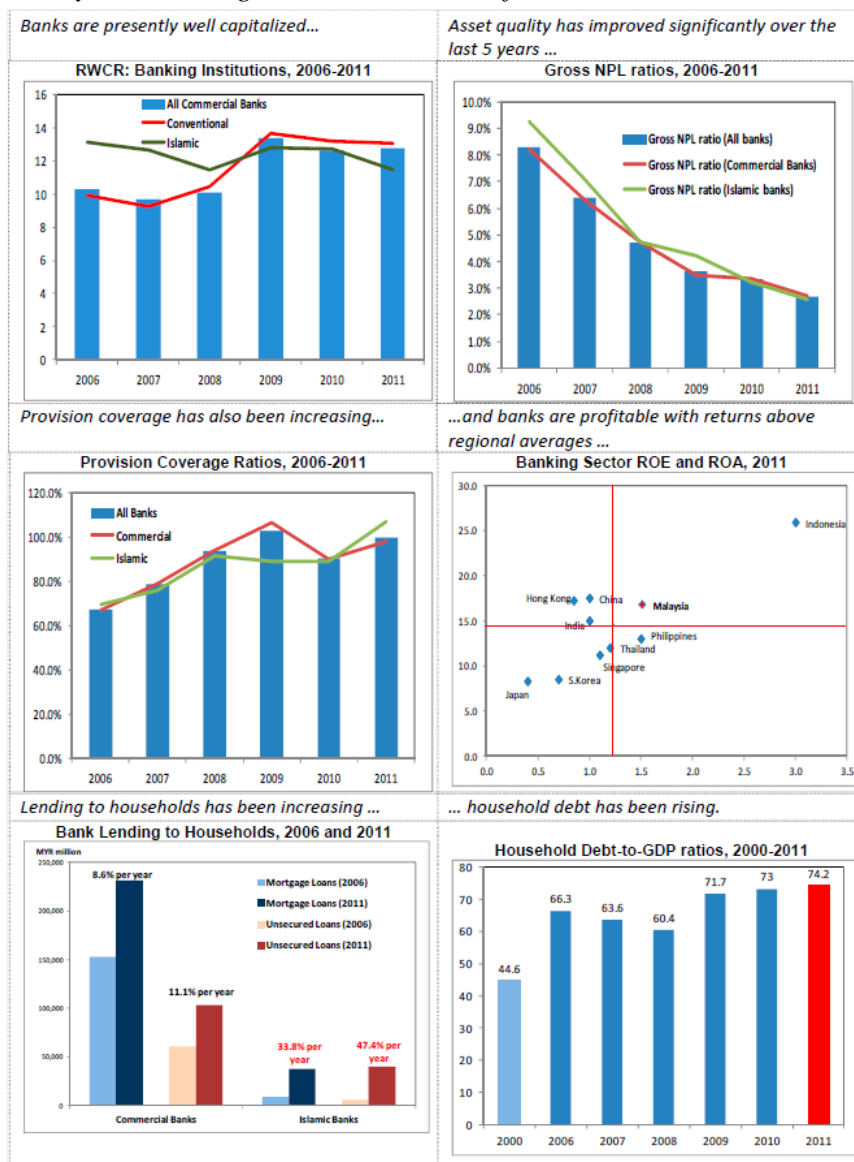
For the local banks to compete and be at the same level as foreign banks, Bank Negara Malaysia (BNM) has kick off merger programs. A merger happen when more than one organization combines their assets and liabilities together to form a corporation based on the contract whether to use the existing name or create new brand representing the combined corporations (Fauzias, 2003). The main reason of a merger is to build a local bank that has the required strength and size to compete with overseas banks.

According to (Ismail and Rahim, 2009) concluded that merger activity of banks in Malaysia leads to better utilization of resources and subsequently the local banks' capacity increase as well. It had been claimed that Malaysia had many small banks before the mergers activity take place and it's comparative to Malaysia economy. Due to the merger activity being carried out, the locals' banks have been reorganized. Relocating bank branches to any markets area that have potential market were well covered.

Looking at the employee performance in banking industry trend, the Malaysia's banks performance has shown positive results. For over the last decade, Malaysia local bank has already expanded the market target to other country mainly in South East Asia countries notably. The six largest banking groups already have their branch overseas and will continue to grow. According to International Monetary Fund (IMF, 2013) report, overseas assets represent 19 percent of banks' total assets and 30 percent of total operating income. Monitored indicators shows strong signal, although rising loan-to-deposit ratios need to be watched. Due to the banks' rapid expansion into more overseas potential markets, the banks' risk management and supervisory monitor will need to keep up with the challenges.

The commercial and Islamic banking institutions has well been capitalised and its asset quality is improved considerably due to the profitability increase. According to the stress test done, it indicates the Malaysia's banking industry is currently able to cope with worlds economic and market shock. The banking sector risk-weighted capital adequacy ratio (RWCR) shows positive increment to 15.1 percent in 2011 (IMF, 2013). Looking also at the average of cost-to-income ratio, it recorded at 43.6 percent for local banking industry players which are lower than our peers' 48 percent. The banking industry performance can be seen in the Figure 1.1 below.

Figure 1.1  
*Malaysia: Banking Soundness and Performance Indicators.*



Sources: GSFR, BNM, and Bankscope.

Since banking industry involved in providing financial services to the customers, the quality of the employee will determine the success of the organization. From previous studies done by researchers, it have been concluded that in order an organization to increase its performance, the main ingredient are to have good recruitment and selection exercise in the organization, each people selected must be the suitable person for that particular position. It can be achieved through well planned and structured enrolment process. The process must be able to recognize the selected characteristic needed by the employee in order to perform well and accomplish the objectives and missions of the bank (Sparrow and Hiltop, 1994) as cited in Fong, Ting, Ng, Shua, and Teh, 2011, p. 15.

Furthermore, the significance of the employees to be consider as business partner already being acknowledge by many business leaders. So, they understand the importance of managing their workers' satisfaction for development. It has been also identified that managing workers in doable by measuring their performance. To obtain good performance review, and get promoted once they achieved the required performance level, it will motivate the employee to work hard and subsequently will increase the performance of the company.

In conclusion, it is safe to say that human resource selection for employee is important to an organization. The better skilled, experienced and knowledgeable the employee on his job description, the better chances the organization have to excel in their business. An employee that has been trained and recruited through effective analysis will be able to face and overcome challenges well and provide great services to

the customers. By doing so, the organization will gain benefits from it and eventually becomes successful in their business.

An article in the Star, 2011 quoted that the Branch Secretary of National Union Bank Employees (NUBE) stated that financial industry worker in Malaysia do not have options other than working late in order to clear pending items of the day before going back to their houses. It has been identified that working in a branch outlet in daily basis can be a factor for an employee experienced job-related stress and eventually resign from the job.

The target of this research is to identify whether transformational and transactional leadership style practised by the managers plays a significant role in employee decisions to stay loyal to the bank and increase their work performance, in order to achieve the bank aspirations and objectives. We will also study different type of loyalty factors that can be used by the management to reduce their turnover rate and retaining their top employees for the benefits of the bank.

## **1.2 Problem Statement**

As mentioned earlier, the researcher established that working in bank is very hectic and challenging. Without employees, an organization cannot functions and ultimately failed to achieve its objectives and missions. Like in most industry that involve is servicing customers, employees in banking industry required to work hard to achieve the bank's mission, objective and goals (Rahman, 2012). Each year, top management will set a certain target or mission that need to be achieved by everyone working in the bank and it mostly depend on the sales volume of their products and



services. For example, as stated previously, working hour in a bank branch outlet is from 8.45 am to 5.45 pm. Nevertheless, in many situations, employees are required to stay back after office hour to balance the accounts and also assist the loading and unloading of ATMs and Cash Deposit Machines (CDM) during public holidays. The working environment of employees involve demanding workload and tight time frame that need to be comply in order to maintain the quality of the service, may affect the employee intentions to stay loyal to the banks for a long time.

However, this situations of high workload, job-related stress and tiredness due to the long working hour can be worsen or lessen by the leadership style practiced by their managers (Yi, 2012). If the employees like their manager leadership style, they may not feel the stress and tiredness of working extra hours since they will do it willingly in order to support the manager. On the other hand, managers who do not understand their employees need and expectation, will practise leadership style that are not suitable with the majority of his staff and will add to the stress experienced by the workers. Eventually, this will lead to employees' dissatisfaction, uncomfortably working environment and ultimately their intention to depart from the bank. There are many type of leadership style that has been discovered or mentioned in previous research related to employee satisfaction and expectations. Employers need to understand that they should retain their experienced employee especially staff that liaise with customer on a daily basis. These staffs acquired skills and knowledge on understanding the customers' needs and behaviour. A regular customer will have their favourite staff to liaise with depending on the compatibility between them. If the employee decides to leave the organizations, it will likely to cause discomfort to the customers and disturbance of service.

Once an employee resigns from his position, it means that the knowledge or intellectual asset of the organization is being separated directly. In order to replace such intellectual asset with the newly hired or substitute employee, more budget in term of monetary and productivity as well as time needed to nurture and train the new employee. Subsequently it will have impact the bank's operation cost and the end profit. In order to avoid these undesired situation to occurs, many top management in banks start to deploy several preservation programs to meet their employees' expectations.

Although the bank keep on improving their salary package, benefits and allowance to the workers, the turnover culture will not stop and still increase in time. The employees will always have opportunities to look for better benefits offered by other bank, especially workers from smaller bank that will not be able to offer the best salary package and benefits in the market compare to market leaders. Therefore, in order to minimize the turnover culture among the workers, employers need to offer something that money cannot buy such as good working environment with minimum stress and suitable leadership style to have close staff – manager relationship.

Referring to research done by Hay Group (2001) as cited in Rahman, 2012, p. 4, it concluded that since the economy recession's attacks in the 1990s, employee would not want to work with a single company for the rest of their life if their personal satisfaction are not met and willing to be unemployment rather than working in the undesired working environment or low reputation organization.

Big corporation such as banks that involve in providing service to the public as their customer really relied on their staff skills and knowledge in the banks' products

and system to extend the banks' services to the customers. Therefore, retaining their best employee is very important. As corporation that have more than a thousand employees in the country, they need to know that the company's policy contribute significant and important roles towards retaining the employees. The ideal policy is the one that can meet or exceed their staff's expectations and contentment as well as achieving the company objective and missions parallel. In order to achieve it, leadership style applied by the management plays an important role in creating the preferred policy by the top management and also their staff.

Satisfied and loyal customer is what the organization needs in order to be competitive in the market. It can be achieved through developing workers who are loyal to the corporation (Reichheld, 1996). Once the employee is committed and loyal to the company, they are believed to willingly give more time, energy and ideas to the bank compare to those who are not committed. In other words, employees with willingness to work towards the company goals are more likely to perform better even after normal working hours. It has been found that the reason employee that has been working for more than two years with the same organization stay because of few factors such as salary and benefits, job satisfaction, working environment and customers (Reichheld, 2006) as cited in Yin, Meng and Yin, 2012, p. 38.

As an employer, understanding the needs of employee able to nurture employee to become loyal to the company (Vince, 2005) as cited in Yin, Meng and Yin, 2012, p. 12. To have employee that committed to the company and its long-term objective of excellence in service delivery can be determined by the managerial leadership style (Zeithaml et. al, (1990); Young, 1991).

There are many profound definitions of leadership enlisted by other researchers and world leaders. The fundamental explanation of leadership is “an activity of which a person perform social influence by providing aid and support to others to commonly achieve predetermined objectives”

To become a leader, the person may or may not have any formal authority over others. Previous studies of leadership have shown theories involving situational interaction, behaviour, vision, traits, function, charisma and intelligence, among others. A person can become a leader among friends and colleagues if he or she has the traits of a great leader. These personas can be learnt and practice in order to develop self-awareness and confidence to leads someone else to achieve common goal together.

Based on previous discussions and arguments between researchers, effective leadership has been concluded to have a desired influence on the organizations performance (Maritz, 1995; Bass, 1997; Charlton, 2000). It is confirmed that there exist a link between high performance and leadership in the America by applying charismatic/transformational leadership model (Behling and McFillen, 1996). This leadership style likely to uplift the subordinates’ motivation, inspiration and confidence resulting in increment of efforts, commitment and willingness towards their job. As a result, for the last half of the century, many leadership theories were discussed among the researchers claiming their theories have impact in the effectiveness in corporations where they have been employed applied it in the performance of an employee.

### **1.3 Research Questions**

This research attempted to provide answer for following questions:

- 1) Does the transformational leadership style related to employees' performance?
- 2) Does the transactional leadership style related to employees' performance?
- 3) Does the transformational leadership style related to employees' loyalty toward the company?
- 4) Does the transactional leadership style to employees' loyalty toward the company?
- 5) Does the employee loyalty have mediating effect on transformational leadership and employee performance?
- 6) Does the employee loyalty have mediating effect on transactional leadership and employee performance?

### **1.4 Research Objectives**

Based on the problem statement above, the general aim of this study is to investigate and evaluate the employees' perceptions of leadership and its impact towards their performance and loyalty. Specifically, this study attempted the following:

- i. To determine whether the transformational leadership style related to employees' performance.
- ii. To determine whether the transactional leadership style related to employees' performance.
- iii. To verify whether the transformational leadership style related to employees' loyalty toward the company.
- iv. To identify whether the transactional leadership style related to employees' loyalty toward the company.

- v. To find out if the employee loyalty mediates transformational leadership and employee performance.
- vi. To determine if the employee loyalty mediates transactional leadership and employee performance.

## **1.5 Scope of Study**

The study attempts to determine and understand the effects magnitude of leadership style towards the banking industry employees' performance and intention to stay loyal with the organization despite of better rewards offered by other banks. According to (Robbins and Judge, 2010) as cited in Jankingthong and and Rurkkhum, 2012, p.117, transformational leadership has been found to be able to go further than transaction leadership in increasing employee for valued outcome and inspire them to surpass their self-interests. Therefore, the researcher hopes to identify which leadership style are more preferred by the employees in order to nature high commitment and loyalty to their roles and responsibility within the bank. The scope of the report is more focussed on employees' performance, leadership style and loyalty in commercial banks within Klang Valley area. Since working in a bank has a tremendous amount of job-related stress and demands certain amount of commitment, will effective leadership style able to minimize the stress and increase the employees' willingness to work extra hours and meet tight timeline in order to maintain the service quality in the bank and increase their commitment towards the bank itself.

## **1.6 Significant of Study**

This research project is significant in term of identifying and comparing two different leadership styles that may have effects on work performance among the commercial banks' employee and the relationship of employees' loyalty and their performance. From the discovery, it will help the managements to understand better their employees' expectation and needs in term of leadership style practised. By identifying the suitable leadership style for their employees, managers will be able to minimize the communication gap and barrier between the employees and themselves in order to execute tasks given efficiently. Therefore, banks can minimize the turnover culture, increase employees' productivity and focus on their operation and services improvement towards the customer. An article in Star newspaper (2009) as cited in Rahman, 2012, p.14, stated that average turnover rate in Malaysia is 18 percent and mostly was contributed by the banking industry.

## **1.7 Limitations of This Research**

There are some limitations discovered during the conduct of this research, these limitation identified limitation can be used for improvement of future research related to this area. The first limitation is that this study was carried out in a small geographic area within Klang valley. Due to the respondent unavailability in all of the commercials banks registered with BNM, data from five selected major headquarter banks in Kuala Lumpur were used in this thesis. Therefore, this thesis does not have the ability to represent all banking workers that work at the banks' branches and other bank headquarters in Malaysia. Furthermore, the branches' operating model is different compare to employees working at the headquarters. This research only focused on

leadership style primarily on transformational and transactional leadership styles and its connection to employees' loyalty and how it will affect their working performance within the bank. However, other study can be carry out to identify more factors that lead to employees' intention to resign from his current post and eventually will effects the employee performance and bank performance and profits as well.

Secondly, time frame to gather data and analyse it are also considered to be one of the limitation for this thesis. Since majority of the banks' employee are busy with their work commitment and meeting their supervisor expectations, most of the respondents fail to comply with the timeline given to complete the questionnaire therefore delaying the result analysis of the paper. Additionally, researcher does not have mail address of all respondents, thus the questionnaires were sent to them via email.

## **1.8 Organization of the Thesis**

In a whole, this dissertation consists of five major chapters. Those chapters have been structured as below:

In chapter one, the introduction part of this dissertation are highlighted. It covers overview of background of the research on leadership style that may effects employee performance and loyalty in an organization. Next is problem statement, followed by research questions and objectives of the research. After that, the scope of study, significant of study, limitation of the study and organization of the thesis follow accordingly.



Chapter two contains the review of research question and review of literature related to the thesis and considered as secondary source of information. The data and information are used as foundation to design the theoretical framework and thus developing the hypothesis of the research.

Chapter three covers the research design and methodology used to proceed further with the research. The instrument used as primary data are the survey method and it explained on how the research being carried out by using research design, sampling design, collection method and so on. It also consists of sampling design that covers procedure, method and method of identifying an appropriate sample to determine the overall population's characteristic. Other than that, Statistical Package for Social Sciences (SPSS) system is used to run several test for the research.

Chapter four shows all the result and outcome received by respondents that completed the questionnaires. In order to test the research's hypothesis, SPSS system is extensively used to provide the tables and charts that include inferential analyses and descriptive analyses.

The final chapter, chapter five is summarises the success of the research when the objectives set are use as comparison. Future works of the studies were also suggested and it summarizes the crucial findings of the research.

## **1.9 Chapter Summary**

As a whole, this chapter elucidate preliminary understanding of the research will be structured in order to meet the research objectives and identify the issue from the researches background. Chapter one comprises the research questions, objectives, scope and significant of study as well as limitations identified in this research. It also provides information on the banking industry in Malaysia as well as its performance in previous years. Hopefully the reader will gain a brief picture of the study. On the next chapter, literature review will be provided to contribute enhanced comprehension of hypothesis developed for the study.

## **CHAPTER 2 LITERATURE REVIEW**

### **2.0 Introduction**

In order to gather information including the secondary data research related to this study, the researcher has carried out a series of research. The literature review from previous researches will be shared in this chapter. The literature reviews on dependent variable (employee performance) of the research will be shared first, followed by the independent variables (leadership styles) and lastly mediator of the research, the employee loyalty.

### **2.1 Job Performance**

Job performance has been considered as one of the most discussed dependent variables that attract many researchers before for a long period of time. It has been identified by Borman and Motowidlo (1993) as cited in Jankingthong and Rurkkhum, 2012, p.117, that it can be categorized into two different types; task performance and contextual performance. Task performance refers to the effectiveness of an employee to perform present activities that contribute towards an organization's technical core (Werner, 2000). On the other hand, contextual performance related to performance that helps shape the social and psychological environment of the organization but it is not formally necessary as part of the job (Borman and Motowidlo, 1993). Further studies have been done on contextual performance and it consists of two different components: interpersonal facilitation and job dedication. Interpersonal facilitation refer to behaviours that support co-workers' performance such as considerate, helpful acts, and cooperative. Meanwhile, job dedication is defines as behaviour that contributes to

company benefits such as self-disciplined, display of encourage acts like taking initiatives, working hard and following rules in order to achieve the organization's objectives (Van Scotter and Motowidlo, 1996) as cited in Jankingthong and Rurkkhum, 2012, p.117.

According to Sonnentag and Frese (2002) as cited in Daryoush, Silong, Omar, and Othman, 2013, p.101, argued that task skills, task habits, and task knowledge are able to risen the probability of executing behavioural elements of job performance, such as achieving aims. On the other hand, contextual performance can be affected by contextual knowledge and skills by augmenting behaviours that assist and sustenance organizational and social context or by growing values and psychological climate (Reio Jr, 1997) as cited in Daryoush, Silong, Omar, and Othman, 2013, p.101.

## **2.2 Employee's Performance**

It has been established earlier the importance of employee performance to an organization's success. For an organization be successful, it needs employees that willingly to go the extra miles in term of their job scope and target to go beyond from what has been asked by their managements (Chien, 2004). Furthermore, employees' performance also plays an important role in undertaking flexible changes needed by the organization to maintain relevant in an ever more competitive environment.

Nowadays, due to the modern challenges faced by most of the companies, they have to give more focus in increasing their employees' performance (Bunhner, 2007) as cited in Fong, Ting, Ng, Shua, and Teh, 2011, p.22. Therefore, in order to facilitate the desired advance economics, the company will have to provide more attention on the

organizational development to create employees that have the desired understanding by the industry. One of the ways is by having the employee to be responsible in creating their own job description and responsibilities towards the successful of the company. Thus, the workers will have full understanding in the required skills, values and nature of their job description. Other than that, the company policies will need to align with the daily practices in order to identify the baseline of the employees' performance (Gruman and Saks. 2010).

There several reasons that can decrease the employees' performance, such as restructuring, downsizing and merger of a corporation (Tavakolia, 2010) as cited in Fong, Ting, Ng, Shua, and Teh, 2011, p.23. Other than that, other factors that might also have radical influence towards an employee's work life are the changes of work location, time, quality the quantity of the task and job description (Vecchio and Appelbaum, 1995) as cited in Fong, Ting, Ng, Shua, and Teh, 2011, p.23. Besides, according to (Hale, 1998) as cited in Ramlall, 2004, p.52, stated that motivation also have impact towards the employee's performance, lower motivation can decrease their performance and other activities within the company. In this manner, leaders play important role in improving their staff motivations. It can be achieve by applying the right leadership style to the right employee. Statistic showed that 86 percent of business owner having problem in hiring quality employees and 58 percent of the company were not able to retain their high performance employees (Chiang and Jang, 2008) as cited in Fong, Ting, Ng, Shua, and Teh, 2011, p.23.

There are several ways a business owner can do to overcome these issues, one of them is by making sure that their employee can have good understanding on the

individual's performance review through the implemented appraisal system by the company. It will be a good platform for the employer to show the desired performance to the employee to achieve the company goals. Thus, by using the appropriate appraisal system, the company may see the cost versus benefits of the staff's performance and determine the well worth benefits for the efforts (Krattenmaker, 2009).

### **2.3 Leadership**

Before looking into leadership style practiced in Malaysia's financial industry, researcher must first understand the larger perception of leadership and management. It would be better if these two concepts were discussed separately. In the earlier research done on leadership, the researchers focus their study on the important of good leadership, the quality of a leader, or the effectiveness of the leadership style (Adlam, 2003). According to him, leadership is not a direct concept that can be easily justified or concluded. There are many other dependable factors that need to be considered in studying leadership theories and concept. This is true since there are many leadership theories has been employed in order to justify the term leadership and its effectiveness. According to Stogdill (1974) as cited in Hasbullah, 2008, p.29, mentioned that the term itself is considered as new addition to the language and applied around 200 years ago.

Leadership is concepts that enable the doer to demand for compliance, cooperation and respect from others. In other words, the follower must obey their leader who has power over them (Anderson, Ford and Hamilton, 1998). Furthermore, if we were to look at earlier study on leadership, they are based on leader's role to identify the missions and making sure it is accomplished efficiently. Leadership concepts not only cover or define a person traits, activities and authority over other person, it also plays a

significant role in a person interaction patterns, occupation as an administrator and other's perception towards the leader as legitimacy of influence (Yukl, 2006).

There are also exists some researchers that move away from the more conventional viewpoint. For example Sergiovanni (1999), stated that leadership can be translated as a personal thing that comprises of three main organ of a person which are the heart, hand and the head. As a leader, one must have vast experienced regarding a certain area that has been accumulated in certain amount of time. This experience is the head that function as a tool to help the leader to make decision on present situation or challenges. The heart is filled with a person's value, beliefs and vision. Others will depend on the hand of leadership for guidance as it is the action and decision taken by the leaders. Therefore, he concluded that leadership is the ability of a person to lead and others guided by one's values, beliefs, vision, personality, and knowledge in addition of being able to use one's previous experiences in making the precise action and decisions to tackle at hand challenges. It may not being agreed by all that leadership is a person that able to display his intelligence, convey his ideas and values to others thus started much needed transformation within an organization.

Stogdill (1974) as cited in Hasbullah, 2008, p.30, stated that only leader that has the leadership behaviour will be able to lead other peoples to achieve common aims together. The interactions of two or more people that belong to the same group need always revolve around the arrangement of the situations and the member's hopes and opinions (Bass, 1990). Below in Table 2.1, are several other definitions of leaderships.

Table 2.1  
*Leadership Definitions*

No	Definitions
1.	When an individu directing a group of people to do activities towards a common goal, it is define as Leadership behaviour (Hemphill and Coons, 1957)
2	Leadership is “when a group of people recognized the other group member has the authority to determine behaviour pattern of the group and defined as the power relationship.” (Janda, 1960)
3	Leadership is “to exercise interpersonal influence in certain situation by directing thru communication, in order to attain a specific goal or goals.” (Tannenbaum, Weschler and Massarik, 1961, p. 24)
4	Leadership “occurs in interaction between individuals in which one presents information and in such a manner that the other turn into convinced that his outcome will be better if he practice the suggested or desired manner” (Jacobs, 1970, p.232)
5	Leadership is “the structure of expectation and interaction being setup and maintained” (Stogdill, 1974)
6	Leadership is “applied once the mechanical compliance is lower than the influential increment that aligns with the routine directives of the organization.” (Katz and Kahn, 1978, p.528)
7	Leadership is “an organized group were influenced by the activities towards aim achievement” (Roach and Behling, 1984)
8	Leadership is “to influencing employees to work toward the achievement of objectives through a process”. (Lussier,1990)
9	Leadership is “the ability to achieve a common goal by influencing a group.” (Robbins,1993)
10	When a leader directs an individual or groups towards focus targets in a certain situation by using communication is define as interpersonal process of leadership. (Gerber, Nel and Van Dyk, 1996)
11	Leadership as the actions of a person when being directed and coordinated with activities of a group toward the completion of a mutual aim (Rowden, 2000)

Source: As cited in Hasbullah (2008)

## 2.4 Leadership Styles

As a leader in organizations, it is their responsibility to perform specific obligations to ensure the smoothness operation of the organization to improve performance of the organization. The behaviour and method of each of these leaders perform their roles and manages the organization’s affairs is defined as their leadership style. In other word, leadership style is referring to the leaders’ course of action in



leading others. Certain leaders are more focused on the works that need to be completed rather than on the person working with him/her. There are also leader that give more attentions to the people working for him compared to the job that need to be done. Either the leader emphasis on the job or the human relationships is the one that normally measured as the core of their leadership style.

There are a lot of ways for the leader to express their leadership. Some of the ways that may be select by the leaders are determining goals and objectives, instituting constitutions, offering leadership and basically managing others as well as motivating personnel (Daresh, 2002). On the other hand, Nathan (2002) described that a very important element of a leader's role is to provide leadership. Depending on the leadership style chosen by the leader in order to perform the obligation mentioned above, will decide whether they manage to perform their responsibility well to accomplish the current assignments and completed the organization long term goal. In doing so, will they be able to also achieve and maintain the healthy interactions with their employee (Mazzarella and Smith 1989).

## **2.5 Transformational Leadership**

Looking back at the history of research on leadership, the transformational leadership style was introduced by James MacGregor Burns (1978). He has been acknowledged as the leadership experts and presidential biographer. This type of leadership can be seen once the motivation and morality of both leaders and followers has been raise to a superior height. Their vision and personality will not only give strength to the followers but also better inspiration, perception and anticipation to perform well for the organization's benefits. Unlike the transactional leadership style,

transformational leaders are more preferred based on their personality that shows better honourable exemplar in achieving the common goals.

Bass (1985) was interested in Burns theory and after further studies on this theory; he further explained this theory by stating that transformational leadership style effectiveness can be measured by the leaders' influence on the group that being led by him/her. He also concluded there are 4 factors that exist in transformational leadership (Bass and Avolio, 1994) as cited in Wah, 2010, p.15, as below:

**i. Idealized Influence**

When the followers' trust, motivation and respect has been inspired and moulded around the leaders' manners, it is referred as idealized influence. As the leader always taking into consideration their followers need above their own benefits or interests at all time without sacrificing the ethical factors, it is also comprises in those behaviours (Bass and Avolio, 1994). This type of leaders that constantly show high benchmark of morality and ethical behaviour will slowly attract their followers to emulate their behaviour and eventually improve their eminence of performance at the office (Northouse, 2009). There are many existing studies that recognize this influence to give impact directly towards each worker performance (Bass, 1990; Bass and Avolio, 1994; Densten, 2002).

## **ii. Inspirational Motivation**

This term can be merged together with the above mentioned term to produce the charismatic-inspirational leadership (Bass and Riggio, 2006). To better understand the term inspirational motivation, one must understand that some leaders intend to share a persuasive vision or aims with the group that they lead. The followers are also being motivated to go ahead and acquire the goals while their enthusiasm has been constantly enhanced by encouraging them to believe that all problems will definitely have an answer (Bass and Avolio, 1994). Some researchers have concluded that the level of motivation have parallel relationship to the level of performance, the higher motivation level, the better performance displayed (Shamir, House and Arthur, 1993). Inspirational motivation will always encourage the followers to give more efforts and performance past the required expectation, even without the presence of the leader, thus making the followers to be more matured and able to overcome at hand issues by themselves.

## **iii. Intellectual Stimulation**

Intellectual stimulation is defined as transformational leader action to encourage their followers' to challenge their imagination and innovativeness to discover fresh approaches and problem solving method by not binding their mind to the normal rules (Bass and Avolio, 1994). By practicing intellectual stimulations, leaders are able to attract their followers' attention by supporting originality and innovative way of thinking. One of the ways being thought by the leader is to look at issues in a different viewpoint in order to challenges the mind to come out with method of problem solving that have not being tested yet (Bass and Avolio, 1994). Only transformational leaders

may have the capabilities to increase their followers' innovativeness thru intellectual stimulation and inspiration (Keller, 1992; Mumford, Scott, Gaddis and Strange, 2002). Dionne, Yammarino, Atwater and Spangler (2004) as cited in Wah, 2010, p.16, also proposed that by applying intellectual stimulation, the group performance will be directly affected since the followers has been trained to be dependable and overcome the issues by themselves. In the end, the followers' abilities and solutions are being developed concurrently.

#### **iv. Individualized Consideration**

Individual consideration is an action taken by the leaders to give personal attention to each of their followers. The transformational leader will assume the role of a coach or mentor intentionally to acknowledge and develop each and everyone in his group (Bass and Riggio, 2006). In order to accomplish this action, a leader must build a one-to-one relationship with each team member by treating their follower as individuals in order to have a good connection to fulfil their needs and expectations (Bass and Avolio, 1994). This shows the leader interest in developing their followers' capabilities. Due to the individualized consideration among others initiatives offered by transformational leadership style, the benefits can be experienced by the followers (Behling and McFillen, 1996). Other statement by Dionne (2004) discussed that due to the closeness relationship between the leaders and the followers, the empowerment of both entities will happen will enhanced the interaction among group member.

## **2.6 Theory related to Transformational Leadership**

Transformational leadership can be refer to leaders that encourage and motive their followers to perform more than expected and have good relationship with their

peers and superior. However, this leadership style often been questioned and attacked for its potential to be abused. Therefore, a new leadership style has been introduced, which is the authentic leadership. Authentic leadership reflects by the leaders' authority through sincere relationship with their followers, which consist of transformational leadership and all positive leadership style. In order to produce an ideal form of leadership, the transformational leadership paradigm may be improved by using authentic leadership. Authentic leadership may not be consider as over-arching form of leadership, but more compatible with transformational leadership.

### **2.6.1 Authentic Leadership Theory**

With positive leadership has become a new interest for the researchers in the recent years (Luthans, 2002) as cited in Emuwa, 2013, p.45. There are several researches that focus on developing authentic leadership foundation has been made (Luthans and Avolio, 2009). Authentic leadership has been explained in many terms by different researchers such as self-referent (Fields, 2007; Gardner Avolio, Luthans, May, & Walumbwa, 2005), self-reflective (Fields, 2007; Avolio and Gardner, 2005) and has been taken as a basis of concept for several well-known positive leadership approaches such as transformational, charismatic and ethical leadership (Gardner et al., 2005) and (Walumbwa, Wang, Schaubroeck, and Avolio, 2010) as cited in Emuwa, 2013, p.45. According to (Avolio, May, Gardner, Walumbwa, and Luthans, 2005) as cited in Emuwa, 2013, p.46, concluded that the authentic leadership core does not only limit to the authenticity of the leader as a person, but also cover authentic relations with their followers.

The focal point for this leadership is that by increasing the level of self-awareness, positive modelling and self-regulation (Sparrowe, 2005), the development of authentic followers can be fostered by authentic leaders (Avolio and Gardner, 2005). Self-awareness indicates that the leaders are aware of what is important to them (Chan, May, Avolio and Hodgers, 2003; Kliuchnikov, 2011), and referring to Sparrow (2005) research found that transparency and uniformity in a leader's manners can be facilitated by applying self-regulation. Generally, authentic leadership has been acknowledged to be the core construct that grows other forms of positive leadership (Gardner et al., 2005).

Positive leadership behaviour has been identified to be able to extract feedback from followers, which affects both leaders and the followers due to the response given by further improving their positive self-concepts (Hannah, Woolfolk and Lord, 2009).

Authenticity foundations are defined as understanding and being honest to one's self (George 2003; Gardner and Avolio, 2005). Authentic leaders are said to have deep understanding on their values and beliefs, perceived to be genuine, are self-confident, and trustworthy other than having high moral character (Avolio and Gardner, 2005; Fields, 2007). A further exploration in the self-regulation construct indicates that the gaps between their internalized standards and their praxis may exist and the self-regulation enables the leaders to weight the gap (Kliuchnikov, 2011). It has been concluded that the external pressure and influence faced by the leaders can be overcome by the process of self-regulation and thus, increasing the authentic leader's moral strength.

Previous authentic literature reviews recognize four dimensions that play a significant role in defining authentic leadership construct and reflecting empirical and

conceptual composition (Avolio, Gardner, Peterson, Wernsing and Walumbwa, 2008) as cited in Emuwa, 2013, p.47, they are as follows:

- Balanced processing – unbiased processing that able to analyse and consider gathered information objectively as well as opposing views prior to decision making.
- Internalized moral perspective – action taken by leaders that are being guided by deep-seated moral values and standards, and not influence by outside pressure (colleagues, societal and organizational).
- Relational transparency – involving revealing personal thoughts, shares information with everyone and not hiding their true motives and agenda.
- Self-awareness – leaders that is aware of their internal referent (mental condition) and external referent.

It is believe to be necessary for an individual to have all of these related and substantive dimensions prior to be considered an authentic leader.

As mentioned earlier, an empirical attention has been given on a number of authentic leadership (AL) relational results. Distinctively, it has been shown that there exists positive relationship between AL and positive leader modelling, follower job contentment, personal recognition, faith in leadership, organizational loyalty, follower work happiness, follower work engagement, and follower job performance among others (Gardner, Cogliser, Davis and Dickens, 2011) as cited in Emuwa, 2013, p.47.

A supervisory condition is example of work experience that said to have strong significant roles in psychological attachments that are born within an organization (Fox and Dale, 2008). This supervisory condition refers to the strength to which the leader

initiated an environment that provides psychological support, respect, mutual trust and helpfulness towards the subordinates. The key role in the creation of authentic association between leaders and followers is positive modelling (Gardener et al., 2005). Relational transparency displayed by authentic leaders is focused on developing their followers' strengths, generating a balanced, positive and engaging organizational context and expanding their thinking (Avolio and Gardner, 2005; Walumbwa et al., 2010), a framework that unquestionable to provide their followers desire for psychological support such as helpfulness and mutual trust that essential for follower commitment (Fox and Dale, 2008). Moreover, according to Walumbwa et al., (2010) stated that the root of relationship is the origin of AL relational transparency operation, which is equivalent to affective commitment domain.

## **2.7 Transactional Leadership**

This leadership style is also referred to as managerial leadership, the reason behind it is this type of leaders give more attention on monitoring, supervise and achieving organization's goals. In order to complete organization's mission, a transactional leader only focus on the staffs that can give output as what they requested and rewards them (Bass, 1990). For those staff who did not meet his/her expectation will be punished. Dissimilar to Transformational leadership, leaders applying transactional method will never do something more than his job scope and expected their followers to do the same as well. For them, there is no reason to improve any existing process or working environment since they are not keen to changes. Most of the transactional leadership practiser will likely to focus on their staff's work in order to make sure everything follow as per the normal routine. There are certain situations that are more suitable for this style of leadership which is during emergency condition or



disaster, it is also similar to a project that has not made any progress for some time and need someone to kick start it again

Looking back at the framework of Maslow's Hierarchy of needs, the main concerns for transactional leaders are the basic level of satisfaction only. Transactional leaders will definitely not being able to have a good relationship with all of his staff since he/she only focuses on the staff that give good works and positive results to the organization. Rewards will be given to those who performed and on the other hand, workers who did not performed maybe due to their work or personal issues will be punished until the problem is solved. To focus on the lower level needs in the hierarchy of needs, the transactional leadership stress explicit assignment performance (Hargis, Wyatt and Piotrowski, 2001) as cited in Odumeru and Ogonna, 2013, p.358. Transactional leaders are able to manage each part of a task individually; therefore they are very efficient in getting particular tasks completed. However it has been concluded from the previous research that transactional leadership contains three distinctive components as stated below:

**i. Contingent Reward**

Contingent reward is a reward system used by transactional leaders to motivate their workers on doing task exactly as given to them. Highlighting the leaders expectation towards them and if only the tasks completed as per expectation, the workers efforts will be recognize be the leaders. A study by Howell and Avolio (1993) concluded that the employees' performance of transactional leaders that applied contingent reward shows significant reduction over a period of time. Contingent reward

is also referred to as an agreement between the leaders and the followers, whereby they will only be rewarded if they manage to accomplish the task given by the leaders. An organization circumstance and background plays an important role in determine the contingent reward leadership level applied (Howell and Avolio, 1993). As the transactional leaders will only take action if there are any issues, by using this system, when there is a problem arises, the leaders will be aware and take corrective action immediately and affected their workers roles and expectations to strengthen. As a result, we can say contingent reward do plays important roles in transactional leadership (Bass, 1990).

## **ii. Management-by-Exception**

Management-by-Exception function as an evaluation tool if the followers were given details on the job requirement by the leaders, taking average performance as good enough and feels comfortable with existing environment and reluctant to accept any changes (Xiaoxia and Jing, 2006). Leaders will only take corrective action when they notices their followers did neither follows the normal procedure in executing a task nor comply with the policies affected on them. Every time there is a misconduct of not following the company's rules and regulation, the leaders will take the initiatives to fix it immediately. The leaders will let their workers to manage their work by themselves and will only step in to interfere with them if the staff unable to achieve the goals given to them in the agreed timeline with reasonable cost. The leaders only inspired their workers to give their best on executing their job, to meet the company's goal and always remember their obligations towards the company so that they will be rewarded once the goals were achieved. The workers under a transactional leadership must always

remember that rewards only come if they do their job well and contrarily, punishment awaits them if they fail to perform.

### **iii. Laissez-faire leadership style**

Laissez-faire leadership measures leader perception on others. Mostly they will just let things happen by themselves and allow their followers to do as they desire. According to Bass (1999) concluded that absolute or general failure in accountabilities to manage others has been identified as the character of this leadership style. Many researchers found it is quite hard to see the advantages of this leadership style unless the subordinates of the leaders themselves consist of experts that can make judgment by themselves without consulting with the leader. The group decision is made by the group members (Mondy and Premeaux, 1995). Normally in decision making situations, a laissez-faire leader will let their group members to come out with a decision must be responsible on it since the leader does not have involvement in it. Occasionally, the followers were given the important material for the decision making and only involved in question and answer sessions.

#### **2.7.1 Qualities of transactional Leadership**

As mentioned above, the advantage that the leader has is the rewards and punishment. These two items play an important role for the transactional leaders to get obedience from the workers. They are only able to acquire the minimal amount of compliance from their workers. Transactional leaders feel comfortable in the existing routine in the organizations and will not question the company's goals and structure (Odumeru and Ogonna, 2013). Normally, these leaders like to give out orders and act

on the issue themselves. Transactional leader did not have any problem to work with the system and allows certain degree of negotiation within the system as long as the organization's goals were achieved. They mostly will not think outside the norm in solving issues. Most of transactional leaders have a passive behaviour. Normally this behaviour can relate with founding criteria to give reward only to workers that performed well and making sure the status quo remain the same. For those workers that did not meet the leader expectation will be punished as example to other employees. Due to these circumstances, employees tend to avoid the punishment by meeting the leader work performance requirement and target the rewards for achieving the targets (Odumeru and Ognonna, 2013).

## **2.8 Theory related to Transactional Leadership**

### **2.8.1 Path-Goal Theory**

Path-goal theory was first introduced by Evans (1970) and later enhanced by House (1971). This theory purpose is to identify the most applied leadership style that motivates the followers to accomplish the organization objectives. The path goal theory strengthen the concept that interaction between followers and supervisor are mostly influenced by motivation, and based on that communication, the overall success of the followers can be determine. The path-goal theory consists of two fundamental prepositions. The first one, leaders need to be aware of essential steps to make sure their followers understand the path, goals and provide extrinsic rewards to enhance satisfaction and led to subordinates' intrinsic motivation increased. Secondly, House (1971) claimed that motivational function can be accomplished by particular situational leader behaviour.

There are four leadership behaviours that have been recognized by the path-goal theory that able to augment followers' motivation. They are participative, achievement oriented, directive, and supportive (Mitchell and House, 1974; Indvik, 1987). The one that highlighted expectations as well as provide detailed guidance to help their followers to reach the expectations founded by performance standard and within organizational regulations are the directive leaders (Mitchell and House, 1974). This style is suited for inexperienced subordinates and freshly hired staff in addition to circumstances that require urgent action (Negron, 2008). Employee may see this style to be controlling, aggressive and build by order on actions to be taken and how to execute it (House, 1971; House and Dessler, 1974).

The participative leaders prefer to take consultative measures towards their employees, for example when a decision need to be made, these leaders will seek their subordinates feedback prior to making decision, nonetheless they still maintain the final decision authority (Mitchell and House, 1974). Leaders that choose this type of leadership will always want involvement of their subordinates in decision-making, planning and execution phase (Negron, 2008). The participative style is suitable for subordinates that do not follow the procedures and lack of judgement (Negron, 2008).

The supportive leaders give respond to their subordinates' feedback, therefore led to friendlier environment compare to other styles and recognized their subordinates' achievement verbally in rewarding intention (Minami, Cashman, Graen, and Dansereau, 1973; House and Dessler, 1974). Other than that, they also respect, give attention to their subordinates' well-being and treat everyone the same (House, 1971). According to

Negron (2008) studies, concluded that supportive style can assist subordinates that do not believe in their capability to execute a job well and have little motivation to work.

Lastly, the achievement-oriented leader principle is to set a goal that is beyond common expectations and anticipate the followers to perform at their utmost level of efficiency by monitoring their performance and ways to improve it. This type of leader also highly believes that their followers will be able to take up the given responsibility and work hard to achieve the goals (Mitchell and House, 1974). The achievement-oriented leader will be able to bring the desired outcome from followers that is unclear with the task given and may need morale booster since they are not confident with their ability to achieve the given task (Negron, 2008). The leader's main target is for the followers to meet the requirement set for them. Hence, by guiding the followers to complete the task given, an achievement-oriented leader will also motivate their employees by giving rewards once they achieved the objectives and goals set by the leaders. Thus, employees will feel motivated and will give their utmost effort to meet the goals and give the desired output to the leaders.

## **2.9 Comparison between transformational and transactional leadership**

According to Bass and Hater (1988) concluded that transactional and transformational comparison do not indicate that both of the leadership styles are unrelated with each other. These two types of leadership are considered to be two opposite ends of a scale (Burns, 1978). These two types of leadership are not within the same element. Therefore, leaders are able to practise both transformational and transactional leadership style at the same time (Bryman, 1992). Bass (1985) found that transformational leadership were developed based on transactional leadership traits but

not the opposite. Transformational leadership is considered to be part of transactional leadership under unique circumstances, since both leadership style eventually are bound to achieve some goal and objectives. The difference is on the approach taken by the leader as one encourage and stimulates subordinates' senses and the other one give offer rewards as motivation to the subordinates (Hater and Bass, 1988) as cited in Lievens, Geit and Coetsier, 1997, p.417.

According to Hay (2012) found that Burns manage to differentiate between transformational and transactional leadership by defining that transactional leaders used physical rewards as motivation to increase subordinates hard work and allegiance. Whereas, transformational leaders give individual attentions to build relationship based on trust to increase the importance of explicit outcomes and identify alternative ways to solve a problem. Transactional leaders tend to act passively to their subordinates feedback and transformational exhibit active conduct in leading their subordinates by nurturing the sense of belonging towards the mission given. It can be summarised as below in Table 2.2.

Table 2.2  
*Transactional versus Transformational*

Transactional	Transformational
Passive leadership style	Active leadership style
Operates within the common environment	Encourage workers to work beyond the normal boundaries of the working environment
The objectives are achieve through rewards and punishment determine by leader	The objectives are achieved through moral values and higher sense of attachments towards the mission.
Motivates followers by engaging to their individual needs	Motivates followers by stimulating their intrinsic needs and prioritize on group importance first.
Applying 3 distinctive elements	Consists of 4 influencing factors

There had been several researches that examining if there exist difference in applying transformational leadership and transactional leadership between man and woman. Some studies that focus on transformational leadership found that women are perceived to be using more transformational leadership style compare to the opposite gender (Rosener, 1990; Drusket. 1994; Bass et al., 1996). Nevertheless, according to Komives (1991) and Maher (1997) stated that there are researchers that were unable to identify the gender difference in applying transformational leadership style. Despite the fact that transactional leadership give for focus on goal setting and rational exchange process, transformational leadership style put emphasis on follower's development, more empowerment and consequently creates emotional bond shared by the leaders and followers. These qualities are said to be more compatible with stereotype female styles of leadership compared to stereotypic male styles.

A research done by Bass and Avolio (1992) in a Fortune 500 high-tech industrial firm, they concluded that many female managers are valued as more transformational compared to male leaders by both their male and female subordinates. In term of transactional leadership style, female leaders were found to be showcase substantial more contingent reward behaviours and lesser management-by-exception than male leaders. This is similar to studies by Druckat (1994) that exhibit the same results for transformational leadership style between male and female leaders. These gender difference approaches to transformational and transactional leadership style may due to the gender tendency in nurturing and developing their subordinates.



## **2.10 Leadership style influences on employee performance and satisfaction**

Referring to previous completed researches, it has been identified that leadership and performance have positive relationship, no linkage and even negative associations. However, to point out the positive relationship, it can be found in research done by (Yarmohammadian and Mosadegh Rad, 2006) as cited in Ayob, Voon, Lo, and Ngui, 2011, p.24. On the other hand, studies from Sheridan and Vredenburg (1978) concluded that they have found out that these two qualities have negative correlation with each another. There have also several researches that concluded that these two qualities have no relationship at all. Some of the researchers that stated that were O'Reilly and Roberts (1978); Sheridan and Vredenburg (1978). Referring to previous research on leadership and performance relationship in banking industry, it has been confirmed by Dolatabadi and Safa (2010) that employees' performances do affect by the leadership style practiced by management.

One of the major factors that determine the employee's job satisfaction is the leadership style (Lashbrook, 1997). Several previous researchers have confirmed based on their studies, that different working atmosphere were propagated by different leadership style and will definitely have influence in the employees' job satisfaction (Bogler, 2001, 2002; Heller, 1993; McKee, 1991; Timothy and Ronald, 2004). Bass (1999) proposed that more work satisfaction can be intrinsically fostered by transformational leadership since it has the element to promote a sense of belongings and intellectual inspiration to the employees. It has been confirmed that transactional leadership has the capabilities to encourage and inspire to be more mature in decision making and be accountable for their actions (Emery and Barker, 2007). By focussing their effort on the rewards that will be received upon successfully achieved the goals set

by the manager, the workers will feel the accomplishment and satisfaction in their work. It has been widely established that both transactional and transformational leadership have direct impact on individual and organization (Bass, 1990). Positive impact has been identified as the result of employee expectations in job, leaders and company contentment (Felfe and Schyns, 2006; Bycio, Hackett and Allen, 1995; Niehoff, Enz and Grover, 1990). Based on the studies by Castaneda and Nahavandi (1991) concluded that supervisor that exhibit both job oriented and relational behaviours will have more satisfied employees. Both or these characters can be found in transformational leaders since the main elements within it clearly acknowledge the importance of job performance beyond the normal expectations and direct one to one relationship between the leaders and his followers to achieve the common goals.

## **2.11 Performance and Leadership**

Referring back to the history of research on leadership and performance by previous researches, it can be concluded that the history can be divided into several important phases of evolution. From the early studies, it is assumed that human who is destined to become great leader has these selected inborn characters that are able to help them to fulfil their destiny of becoming successful leader to others (Stodgill, 1948) as cited in Ogbonna and Harris, 2000, p.767. Unfortunately it is hard to identify these special qualities within an individual and cause dispute and dissatisfaction to the theory and led to the born of 'style' and 'behavioural' theories in leadership. After years of studying and research, the key conclusion during that period was leaders who practiced democratic and participative leadership style are better received and followed by the followers and considered as successful leaders (Bowers and Seashore, 1966) as cited in Ogbonna and Harris, 2000, p.767. During this early phase, most of the studies only

focus on determined the best leadership style compare to others in order to increase subordinates' work performance. Higher work performance indicates that the leader's method of leading their followers is effective in providing beneficial results to the organizations and the followers as well.

However, this early research approach on behavioural theories was not accurate since they fail to include and consider the significant roles of situational factors that also have part in measuring the effectiveness of great leaders (Mullins, 1999). It is this weakness that gives birth to yet another approach on the leadership studies which is the 'situational' and 'contingency' leadership models (Fiedler, 1967; House, 1971). Therefore, the previous studies approach in determine the one best leadership style to become great leaders was moved aside by this two new factors. Even though each approach looks at different factors importance, the ultimate similarity of these two new models is on the effectiveness of the leader can only be determined by his ability to understand and analyst the situational factors around him and identify the correct way to adapt to the environment and manage certain circumstances.

Recent studies on leadership style apparently returned back to the concept of 'the one best way of leadership style' have distinguished 'transactional' leadership with 'transformational' leadership. Transactional leadership style is more on keep on changing relationship with the staff and categorized as 'instrumental' (Bass and Avolio, 1993). On the other end, transformational leader are said to be more visionary and enthusiastic, other than being able to motivate subordinates (Howell and Avolio, 1993).

From the previous phase mentioned above, research on leadership has experienced period of criticism and scepticism, more current studies focus on the importance of successful leader's role in an organization. One of the respected researchers in leadership studies, Fiedler has come to an agreement regarding the significance of successful leaders in an organization and corporation. He concluded that leader is the most important part in determine whether the organization will be successful or not. There has been some discussion that to overcome the uncertainty and volatility from external surroundings, a corporation need to train and develop leaders that is able to cope with the surrounding and lead the corporation to go forward (Darcy and Kleiner, 1991; Hennessey, 1998; Saari *et al.*, 1988). These hypotheses come about from the assumption that there exist a direct link between leadership and the corporation performance. However, this view still needs some decisive review or discussion.

There are a lot of random researches that can be found discussing on direct link of leadership and performance and how changes in leadership can change the performance of a company (Quick, 1992; Simms, 1997). However, more proven experiments on the relationship between leadership and performance need to be conducted since these empirical studies are still lacking. Nevertheless, there exists one comprehensive research on how leadership can determine the performance of Iceland fisherman ship. Based on that research, the researcher suggested that variation of leadership on different ships performed differently even though they experienced similar condition. The captain ability to lead his crew on the ships will determine their performance on the seas (Thorlindsson, 1987). During his studies in three year period, he synthesised that captain with greater leadership feature accounted for 35 to 49 percent of different in the catch of every crews.

In conclusion, many previous researches on the relationship of performance and leadership are still anecdotal and sometimes they presented data that is not fully proven and recognised by other researchers. Over-concentrated is also an issue faced by some studies especially on 'transformational' leaders that said to have vital influence to a success of a company (for example, Quick, 1992; Simms, 1997). The inadequate of strong and reliable character in the research conclusion in this field need to be overcome. More studies are needed to analyst deeply in order to really understand the relationship between these two variables.

## **2.12 Employee Loyalty**

This type of loyalty to workplace by the employee has been defined by Loyalty Research Center (2002), as a working place that the employee feels self of belongings with no feeling of regret working in the same organization for a long period of time since this is the best place for working in their mind. Employees has been considered as one of the main assets and vital investment in an organization because to enhance the employees motivation and loyalty, the organization must also offered good salary schemes, employees' benefits and bonuses. Ultimately, to replace a worker who might hold high position or low position in an organization will have certain amount of expenses to be considered given that the employee loyalty is a challenge for a company to maintain.

In order to nurture employee loyalty towards an organization, their need must be understood by the employer (Vince, 2005) as cited in Yin, Meng, and Yin, 2012, p.12. In the early 1950s, Abraham Maslow a famed psychologist has presented his hierarchy of need model in order to look into the human behaviour. He concluded that a person

has their own unmet need depending on the urgency of it at any given period will take an action to fulfil it. Therefore, to augment the productivity and operation of his organization, Vince DiCecco knows that he needs to fully understand his workers. Thus, he makes sure that his management team respect the unique qualities each of his workers so that they will understand better and respect their employees' dignity. On the other hand, he also encourages his business managers to search and rewards employees that has performed well and aligned with the goal and objectives for those tasks. Normally, companies that manage to maintain their workers have frequent goal-setting session between managers and workers. This activity should be conduct in a positive environment that can help to promote good understanding and relationship between the supervisors and employees. Other than that, a good manager should speak less and let their workers to talk about their ideas or describes some recent achievements during the meeting.

According to Kyle (1996) as cited in Yin, Meng, and Yin, 2012, p.13, stated that employee's loyalty in the organization can be nurture thru some methods. For example, telecommuting can helps the employees to reduce their travel time and allows the employees to have a balance in their work and life activities will definitely improve the employees' loyalty. It would be applicable to employee's thinking positions but not for those who need to meet with customer or stake holders for meeting and partnership. Therefore the company that fulfils their employee's human and lifestyle needs which are essential as their financial and health needs.

Besides, to nurture employee's loyalty to the company, reward system is very important. The rewards may come from different perspective such as the employee

performance, team performance and length of service with the company. In order to encourage employees to take personal responsibilities to achieve company's goals and increase their performance, the employer may give bonus, commission and even promote the staff. Non-monetary rewards could also be practised by the employer for example appreciation certificate or gift, compliments, additional time off may nurture the feeling of being appreciated by the work that they have done will boost their loyalty to the company. When these rewards are offered to them, they will always share information and work together. Annual increase will help the employees feels that they are being appreciated and becoming more important to the company. The annual review that indicates employee performance and working manner can encourage the workers to perform even better to earn the next increment for the job well done. These rewards from the company either in monetary or non-monetary form will contribute to the employer intention to stay loyal to the company or move to another company. It will eventually depend on the employee needs that he/she wants to fulfil during that given time.

### **2.13 Turnover culture in working place**

In a case when an employee decides to resigns form a company, that will be consider as voluntary turnover. Involuntary turnover happen when an employee got layoffs because company has problems, terminated by the company due to certain reasons and finally employees that have reached retirement age (Marcia, 2011). For Abelson (1993) as cited in Rahman, 2012, p.16, stated that turnover trend is when an employee of a company decide not to continue working with the same company and make career's move to jump to other available position in other company because their friends has influenced them to do so.

In the previous research by Muse and Stamper (2007) as cited in Rahman, 2012, p.12, they had established that when employee has been given skill-enhancing courses by their employer, it will create a sturdy connection between the employer and employee thus establishing an excellent environment in organization. Ultimately, the employee desire to stay loyal with the company can be increase due to the above mention condition. The employees view company intention to invest in their skills development symbolizes the sincerity and determination of the company to create loyalty qualities within the employees (Galunic, Anderson, 2000).

Other factor that may contribute to turnover intention is the merger activity between the banks. To understand better the relationship of banks merger with employee turnover intentions and performance decrease, we must look at the side effects of a merger. At certain phase, in order to synchronize between 2 different banks operation, system disturbance and technical breakdown will happen. As we could predict, the outcome of these disturbance and breakdown will cause customer dissatisfaction and generate more stress to the bank's worker and eventually raise the probability of losing both the customer and the workers (Oreoluwa and Oludele, 2010).

In a study by Batra and Tan (2003) mentioned that according to World Bank, small and medium enterprise sector in developing countries have recorded 3 percent to 27 percent from total population of workers in the sector of labour turnover. Since Malaysia is one of the developing countries, it has recorded one of the utmost numbers of turnover at 19 percent for small enterprise and 22 percent for medium enterprise (Salahudin et al. 2009). Staff turnover culture is always going to give negative effect towards a company productivity and quality of its product and services regardless of its



nature of business. A company can collapsed due to the direct and indirect cost caused by high turnover rate within the company (Ali, 2009) as cited in Long and Thean, 2012.

Moving forward in this 21<sup>st</sup> century that is full with challenges and obstacles in this extremely worldwide and internationalized marketing and working environment faced by a company, staff turnover issues faced by the company will definitely have effect on its capabilities to compete with other big company in order to achieve its objectives. A company sustainable and survival in the market is highly depending on its competitiveness power to be at the same level of productivity with other companies locally and globally.

#### **2.14 Organizational Commitment**

According to Hulin (1991) stated that in order to understand consistencies concerning beliefs, attitudes and behaviour, commitment was constructed. It also implies a refusal that involves behavioural options of feasible alternative course of action. Commitment originates by an individual that express it in form of action and verbal. Commitment can also be consider as the strength of the bond an individual have towards his organization. It has been identified that organizational commitment has 3 basic components; organizational goals and values are fully accepted (identification), willingness to give extra effort towards the organization benefits (involvement) and finally, a strong intention not to leave the organization (loyalty). Meyer and Allen (1991) stated that organizational commitment can also be divided into three types.

Affective Commitment is linked with the employee recognition with, emotional affection and level of involvement within the organization itself. An organization that

has employees with affective commitment (AC) will be able to maintain the employee with the organization for a long period of time. AC can be positively increase by meeting expectations and participation in work, whereas negative affectivity will decrease it (Ko, Price and Mueller, 1997) as cited in Hasbullah, 2008, p.45. In return for the employee contribution whether they make it or not, an organization often give punishment or rewards at their disposal. In order to receive the reward or avoid punishment, the employee will commit themselves to the organization goals and values. For continuance commitment, it reflects employees that look at their cost of leaving and cost of staying with the company. Any factors that may increase the cost of leaving will contribute to development of CC in the employees (Allen and Meyer, 1991). In order to feel that their valuable resources that have been contributed towards the company not being wasted, they will increase their effort and energy that eventually led to increase their CC. Meanwhile, normative commitment refers to the employees' thinking that it is their obligation to stay with the company. Employees' with high NC level will stay with the company for a long period of time since they will feel guilty if they were to leave the organization. By referring to the studies by Allen and Meyer (1991) stated that socialization and exchange are the two mechanism that play an important part in nurturing of NC. NC can be developed by the normative belief that originate from pre-entry (cultural and familial reasons) and post entry (organizational reason) in socialization development.

Many organizations may prefer affective commitment compare to the other two forms of commitment. The reason behind it is that employees that have high affective commitment within themselves will be more willingly to contribute more effort than anticipated towards the organizational performance (Buciuniene, Turauskas, and

Kazlauskaitė, 2006). Both job satisfaction and organizational commitment has been concluded by Harrison et al (2006) to contain similarity in theoretical and empirical data.

Referring to three dimensional re-conceptualization concepts by Meyer and Allen (1991) concluded that the one that has the strongest commonality with constitutive and operational description with attitude is affective commitment. There exist considerable theoretical overlap between affective commitment and the degree of job satisfaction, highlighting that the only distinguish dissimilarity between them is the conceptual goal (Hulin, 1991) as cited in Hasbullah, 2008, p.44. The goal for job satisfaction is originate from an employee position and job description, whereas the affective commitment targets the whole organization (Hulin, 1991).

It has been found by (Stanley, Herscovitch, Topolnytsky, and Meyer, 2002) research that there exist a strong correlation between affective commitment and satisfaction. Thoreson, Bono, Judge, and Patton (2001) disputed that both job fulfilment and organizational obligation can be conceptualized by a person as an underlying overall job manner. Therefore, attitudinal commitment and job satisfaction can be acceptably treat as explicit reflection of a general attitude, to have one's job experience basic evaluation.

## **2.15 Chapter Summary**

In this chapter, it is focus on the literature review that is related and relevant to this research topic in order to have some insight of the research. The topics that have been discussed are performances and leadership, employee performance in banking industry, employee performance, leadership definition, management and leadership, leadership styles, transformational leadership, transactional leadership, leadership style influences on employee performance and satisfaction, employee royalty, organizational commitment and lastly turnover culture in work place. Researcher does agree with some of the previous research and it need for more research and different respondents to have better understanding on the subject matter. Hopefully, the researcher will be able to find the loop hole within the researches and try to enhance it with this thesis. Thus examine in The Impact and Influence of Leadership style on Employee performance and loyalty in commercial banks in Klang Valley is an imperative mission. In the next chapter, chapter 3, there will be detail discussion of research methodology of this study.

## CHAPTER 3 RESEARCH DESIGN AND METHODOLOGY

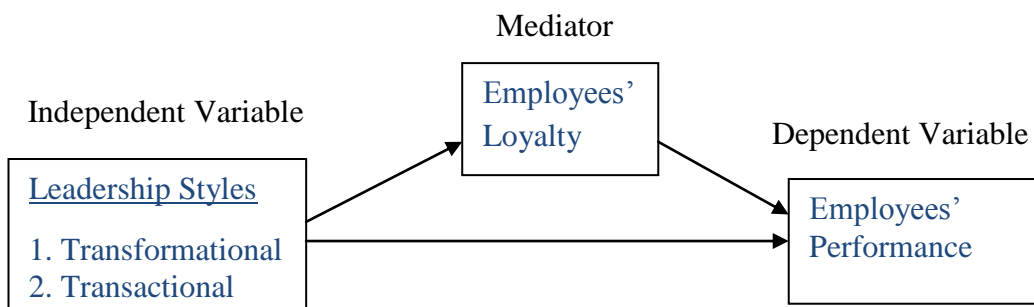
### 3.0 Introduction

In this chapter three, the hypothesis, method and procedure to collect data will be elaborate in detail in order to achieve the goals and objectives of this research. Some of the topic that will be discuss in this chapter are research design, data collection methods, measurements of instruments, operational definition of construct sampling design, methods of data processing, data analysis and measurement scale.

### 3.1 Theoretical Framework

The factors that want to be study by the researcher are the relationship between leadership style and performance of the employee. The mediator use in the theoretical framework is the loyalty of company employees that can be related to their intention to quit. This framework as in Figure 3.1 below is design based on previous studies review of theories, principle and even research cases which explore the connection between human perceptions and expectations.

Figure 3.1  
*Theoretical Framework*



### **3.2 Hypothesis**

The main goals for this research are to identify the impact of leadership style especially transactional leadership and transformational leadership style on employees' loyalty and performance. Researcher also want to know if demographic characters such as gender, education level and job grade play a role in employee intention to stay loyal to the same company and their performance. Thus, previous studies on leadership style theories particularly in transactional and transformational leadership style characteristics have been the focused.

Lashbrook (1997) concluded that employees' job satisfaction is significantly affected by leadership style. Some of previous researchers concluded that certain leadership style may give unintended negative effect to different working environment and eventually decreasing the employees' job satisfaction (Heller, 1993; McKee, 1991; Bogler, 2001). It has been suggested by Bass (1985) that additional job satisfaction can be intrinsically encouraged by transformational leadership style since its character to ignite intellectual stimulation and nurture a sense of mission within its followers. Transformational leaders' followers were inspired and pushed to be more responsible and sovereignty in their work (Barker and Emery, 2007) hence the employees feel more satisfy and appease with their job. It has been broadly accepted that transactional and transformational leadership style connected to desired organization and personal consequences (Bas, 1990). These leadership styles and employee's expectation on good job, leader and company are found to be correlated positively (Niehoff, Enz and Grover, 1990; Schyns and Felfe, 2006). Leaders that exhibit both relational and task-oriented behaviour will be able to gain more satisfied employees (Nahavandi and Castaneda, 1991).

### **3.2.1 Transformational leadership and employee's loyalty and satisfaction**

It has been widely accepted by previous researchers that transformational leaders are able to give a higher level of commitment, satisfaction and performance compared to transactional leaders (Mohammad and Alam, 2009; Somers, 1993). Since a high level of commitment and satisfaction has been established several times before to be negatively correlated with employees' intention to quit, it is fair to also presume that transformational leadership style has a positive relationship with employees' intention to stay loyal with the same organization.

Preferred factors such as meaningful and demanding job, independence and sovereignty, involvement in making decisions, empowerment, good feedback received and competitive remuneration packages will result in a higher commitment level. Since the elements in transformational leadership style (idealised influence, inspirational motivation, intellectual stimulation and individualised consideration) mentioned previously relate to this, it will be likely to have similar results.

Transformational leadership may have an indirect relationship with job satisfaction, it also said to have a sturdy positive relationship between work fulfilment and organizational commitment. Looking at one of these leadership style elements, by applying idealized influence that allows the leaders to receive the right and respect by the followers by installing faith and trust within them in order to lead them. By individual consideration, it will enable the workers to act and give opinion in decision making since they have an interpersonal relationship with the leaders whereby the leaders encourage team work, nurturing collaboration and recognizing the difference as a gift. Also, by enabling others to act, this leadership practice also provides achievement and

recognition, promotes consideration from the heart and individual and recognizing performance by celebrating success and achievement to encourage it. In intellectual stimulation, challenging task is provided to encourage challenging of the norm, put up an effort in order to develop innovation and personal growth and stretch. Finally, by applying inspiring motivation, this element concerned with communicating and inviting the employees to share the same vision that is meaningful and eventually align with their individual values and aspirations.

By referring to the information above, it is fairly to conclude that transformational leadership have indirect association to loyalty throughout a set of mutual variables, namely commitment and satisfaction. According to Bycio et al. (1995) concluded that there exist vital negative relationship between the intention to quit and contingent reward component of transformational leadership and that the affective commitment contributes to a higher level of intention to quit. The following hypothesis is therefore formulated to represent this notion:

*H1: There is a relation between transformational leadership and employees' loyalty toward existing organization.*

### **3.2.2 Transformational Leadership style and performance**

Transformational leadership has been proven by many previous researchers for its positive impact on employees' extra effort, commitment and apparent performance. There are many research that has been conducted earlier mentioned the positive relationship between transformational leadership style and higher level of employee performance, satisfaction towards job and transformational leaders and perceive better



outcome compare to other leadership style (Morris and Howell, 2009; Bennis, 2008; Limerick and Simon, 2007; Kinsman, 2006). By practising elements in transformational leadership that think about future optimistically, individual communication between leader and follower, thinking of different methods to accomplish the objectives given, leader displaying good behaviour as role model and believe in the followers' capability to achieve the goals has been proven to be positively influence followers' performance. By applying the elements within transformational leadership, it can create a positive working environment for the employees and subsequently improve their work performance.

A transformational leader encourage their followers to achieve outcome beyond normal expectation by giving motivation, nurture sense of belonging within the employees to the projects given, promote innovation thinking as well as creative solutions and put group interest over individual interest (James, 2009). There are also other techniques applied by transformational leaders to improve their follower individual performance and eventually give positive outcome to organizational performance. Referring to Bennis (2008), found that transformational leaders get their followers to embrace the vision and influence them to commit in achieving the mission. The followers are being coach to develop their true potential and strengthen their skill in order to give better performance that will be beneficial to the organization.

*H2: There is a relation between transformational leadership and employees' performance.*

### **3.2.3 Transactional Leadership style and employees' performance.**

Through transactional leadership principle that gives positive reward to employees who manage to achieve the goal and to employees that are unable to complete an objective as per expected, punishment is given. Therefore, the employees will develop a strong association with job success (Robin, 2008). After many positive rewards and recognition are given to the employees that perform well. They achieve stern success in term of supervisor's satisfaction and career growth. Transactional leaders use reward and punishment element to encourage better performance, thus turning the relationship between leader and followers become an economic exchange transaction.

According to Premack (2009) disputes that a key of leadership task is to find methods that manage to increase goal commitment. He suggested that it is possible if the leaders strengthen his team individual outcome expectancies and self-efficacy. Transactional leadership behaviour helps to toughen follower commitment to achieve goal by explaining the important clarification for subordinates on method used to accomplish work objective and on which extrinsic or intrinsic rewards that will be given to employees that achieve their given goals and resulting to increase of motivation level within them to contribute more towards improving the company performance. Based on Hayward et al. (2003) studies in a South African pharmaceutical company stated that there is no significant association between transactional leadership and employee performance

*H3: There is a relation between transactional leadership and employees' performance.*

### **3.2.4 Transactional Leadership style and intention to quit.**

According to Wells et al (2003) research that was held at National Collegiate Athletic Association Division I softball and volleyball assistant coaches in the USA on transformational and transactional leadership relationship with voluntary turnover intentions, found that there exist major negative relationship between transformational leadership and turnover intention as well as the association between voluntary organization turnover intention and transactional leadership. He continues to explain the reason why transactional leadership behavior able to decrease turnover intention by citing justice theory of Cobb et al (1995).

*H4: There is a relation between transactional leadership and employees' loyalty.*

### **3.2.5 Employee loyalty mediating transformational leadership and employee performance**

According to Cumming et al (2010) found that leadership that does not take in to consideration about the employee feeling and only focus on the output produce by the employee are unable to bring out their best effort in performing their work. Based on his research, he mentioned that transformational leadership style is the suitable one and capable to improve job satisfaction among the workers as well as working atmosphere and thus avoiding workers intention to leave the organization.

A research conducted by Avolio et al. (2004) among staff nurse in public hospital of Singapore concluded that transformational leadership positively affects organizational commitment among the staff nurse to stay loyal with the organization.

Transformational leadership style is proven to be the best leadership style and it can facilitate organizational commitment and workers' productivity.

*H5: Employee loyalty has mediating transformational leadership and employee performance*

### **3.2.6 Employee loyalty mediating transactional leadership and employee performance**

The employee loyalty mediating effect on transactional leadership and employee performance can be seen in justice theory of Cobb et al (1995). The reason why transactional leadership has direct negative association with intention to leave has been observed. According to the theory, if the organizational processes are reasonable, clear working direction given and task objectives are explained with acceptable rewards system and incentives policies in place for staff that achieved the goals. The employees are contented with the work place behavior will less likely to seek different working opportunity at other organizations (Wells et al. 2010). By aiming at the rewards and incentives offered by the organizations, the employee performance will increase in order to meet the superior expectations. Therefore based on previous research transactional leadership style, it is safe to say that if the transactional leaders do follows accurately the principle behind transactional leadership style, the will be able to increase loyalty level within the employees and consequently boost their performance to achieve the organization objectives and goals.

*H6: Employee loyalty has mediating transactional leadership and employee performance*

### **3.3 Research Design**

Every research project that is conducted by researchers need have master plans that guide it to achieve its objective and it is called as research design. Research design will be able to gives the fundamental guidelines or “formula” for completing the project (Money, Samoel, Hair and Page, 2007). Quantitative approach is likely to be used as based to design a research project which cover collecting, applying statistic test and analyzing arithmetical data for assessing phenomena. Besides, in order to specify the method and actions for information gathering and analyzing, research design as master plan is needed (Zikmund, 2003). Additionally, it also known as elementary plan for framework and blueprint in conducting the procedures and studies to obtain data needed for research problems solving in the most efficient way. For this research, descriptive and qualitative analysis are selected to be apply in this research.

The qualitative research can be defined as ways to explore and understand individual or group meaning to a social or human predicament. This process will likely to involve questioning and procedures, data collection based on participant’s setting, data analysis ranging from particulars to general themes, data interpretation by the researcher to understand meaning behind it. The finishing written report has an elasticity structure. Researchers that likely to practice this form of analysis carry a belief in research that respect an inductive style, that want to look at individual meaning and the importance to render situation that is complex (Creswell, 2007).

The qualitative technique has the ability to supply complex textual explanation on the people reaction in a given research problem. In order to gather information from a human factors that often contradict with each other such as behaviours, opinions, beliefs,

emotions and relationship between humans. Intangibles factors such as gender roles, social norms, ethnicity and religion can also been effectively identified using qualitative methods, it might not be willingly apparent. To interpret and understand better quantitative data, qualitative research can be used together to enlighten the intricate reality of situation given and implied quantitative data.

Even though findings originate from qualitative data of similar people characteristic within the study environment can be extended to each other, obtaining specific social perspective or phenomenon data that is unique and complex are given more priority over generalized data on other geological area or populations. In this scenario, qualitative research does not have the similarity with scientific research in common.

There are three qualitative methods often used, which are the participant observation, focus group and in-depth interviews will be discussed in details as below. Different method used is specifically to obtain an explicit type of data.

- i. For collecting data on obviously happening behaviour in their common contexts, Participant observation is suitable.
- ii. In-depth interviews are design for data gathering on individuals' personal histories, experiences, and perspective, especially regarding sensitive topics.
- iii. In extracting data on the norm behaviour of a group, focus group are effective in this scenario, it can also be apply in generating general issues overviews regarding a civilizing crowds and subgroups represented.

Business research can be categorized into three types based on its intention or method, the three types are descriptive research, causal research and exploratory research. In order to discover ideas and insights, exploratory research is used. On the other hand, descriptive research's specialty is to obtain data that portray a population with respect to imperative variables. Finally, causal research will be able to identify the cause-and-effect connection among the variables. Therefore, causal research is normally chosen for experiments due to its compatibility to determine origin and effect.

The reason descriptive research is selected for this study is to help the researcher to cover a wide diversity of these study goals. There are two types of descriptive design, cross-sectional study and longitudinal study. For this research paper, cross-sectional study has been selected since it involves identifying from the population of interest, a sample element. The sample element attribute will be assessed one time only at a period of time. Since this type of descriptive research is more focused on particular sample members that require a sampling plan. The method is known as sample survey. Using sample survey, the researcher will be able to pick very specific populations. If a probability sampling plan is used, the output of the sample can represent the overall population. Additionally, compared to exploratory and causal research, descriptive research is believed to be less expensive and time-consuming.

### **3.4 Research Instruments**

The research instrument being selected for this research project is the survey questionnaire since it is cheaper and easier to obtain necessary data and information compared to other techniques such as experiments, literary texts, focus groups and so forth. Furthermore, by using this instrument, the researcher will be able to send it and receive

feedback from the respondent in an acceptable time period and does not require one to one explanation on the subject matter. The geographical issue of the respondents can also be avoided since they can acquire the questionnaire through their email in their convenient time.

In order to make sure the data obtain from the respondent is comprehensive, self-administered questionnaire used by researchers that studies on leadership styles and employees' loyalty will be reused for this research. Referring to Table 3.1, for independent variables (IV) in this research, the researcher adopts Multifactor Leadership Questionnaire (MLQ) by Bass and Avolio (1995). For the mediator of this research, the researcher adopts questionnaires from Norazlan (2008) studies on leadership style and employee commitment. In order to measure the dependent variable (DV) of this research, the researcher utilizing the performance measure design by Anderson and Williams (1991). At least two type of scale are applied for this research and they are nominal scale and Likert scale. Nominal scale is applied in section A which explore the respondents' age, gender, education level, job position, working experience with the same organization and the working experience with the same supervisor.

Table 3.1  
*Information on the questionnaires*

Questions Number	Variable Measured	Source (Adopt from)
Part A (15 questions) Transformational (Q1,2,3,6,7,10,12,13) Transactional (Q4,5,8,9,11,14,15)	Independent variables	MLQ by Bass and Avolio (1995).
Part B (10 questions)	Dependent variables	Performance measure design by Anderson and Williams (1991)
Part C (15 questions)	Mediator	Leadership Style and Employee Commitment by Norazlan (2008)



On the other hand, section B will imply likert scale format with close ended questionnaires. It can give the researchers specific opinion in a pleasing effortless manner and able to measure multiple items (John, 2010). The section B is affixed by the level of agreement sorting from “1= strongly disagree” to “5 = strongly agree”.

### **3.4.1 Advantages of Questionnaire**

One of the advantages of using questionnaire is the feedback received from the respondents once they submitted their questionnaire will be standardized and more objective. Moreover, the information can be relatively quick to obtain since the survey questions can be completed depending on the respondent availability. On top of that, the information collected potentially comes from far area and big part of respondent by the least expenditure.

Usually respondents confidentiality can be protected by using questionnaire method as well as compiling the information in threat free means that will lead to respondents feel at ease in giving feedback to the questionnaire compare to interview (Sekaran, 2003). Furthermore, in interviews, interviewer bias may occur and it can be avoided by using questionnaires other than it is easier to record and examine the data later.

### **3.4.2 Pilot Test**

According to Ticehurst and Veal (2000) as cited in Fong, Ting, Ng, Shua, and Teh, 2011, p.57, stated that small-scale survey of a larger survey is referred to pilot studies. Pilot test also interpreted by Zikmund (2003) as any exploratory research projects that is carried out in a small scale and uses sampling that does not comply with

demanding standards. Pilot test are use as guidance for a study by assembling data from the ultimate subject of the research paper (Chan et al., 2011).

In order to determine the respondent question clarification, the level of the question clarity, effectiveness of the instruction and also the reliability of the data captured, a pilot test need to be conduct (Black, 2008) as cited in Fong, Ting, Ng, Shua, and Teh, 2011, p.69. The pilot test conducted is able to test the fieldwork arrangement, acquire the familiarity with respondents and determine the estimation of the response rate (Ticehurst and Veal, 2000) as cited in Fong, Ting, Ng, Shua, and Teh, 2011, p.69. Majority of the researchers uses pilot test to test the effectiveness of the questionnaire. Therefore, the pilot test is used in this research before the bigger scale of the research officially starts. It will help in improving the questionnaires accuracy and reduce the error that may occur in order to collect the primary data.

For the purpose of this study, thirty set of questionnaires have been distributed among the banking employee who are involved in the initial stage of this research. The pilot test questionnaires were gathered back within two week for the feedback and information. Overall feedbacks received were positive, but there were some remarks on typing error and grammar mistakes. Therefore, minor adjustments being done to the questionnaires based on the feedback received from the pilot test. The outcomes of the feedback were used as reference to the big scale research conducted by the researcher after the pilot test.

### **3.5 Data Collection Technique**

Any research would require data to be analysed, in order to obtain the data, data collection method is fundamental. The accuracy of the data play a main role in determines the feasibility of the research on the subject matter. There are two ways data can be gather, which are the primary data and secondary data. Primary data comes from first-hand experience collected through survey or interviews on the purpose of collecting information on specific area. It also refers to data that has not been used in any previous researches and acquired from the researcher field visits. For secondary data, it refers to data collected from previous experiments, historical documents, literary texts, surveys, interviews and respondent from previous research on certain matter. In other word, it refers to second-hand data that already exist and explored by other researchers. Examples for it are data gathered by surfing the internet, reading from journals books, government and media publications as well as library database.

#### **3.5.1 Primary data**

The main data used for this research are from primary data collected. Primary data is data gathered from new resources for the intention to complete a research project (Babib, Money, hair, Samouel, 2003). Therefore, this research will convert the receive data to become useable information or understanding in achieving the objectives of this research. The importance of primary data in this research is high due to the reason the researcher wants to look at current circumstances that occur in banking industry and not based on previous findings and conclusions. The results of the primary data is compiled by the researcher and specially made to suite the objectives of the research.

The success of this research is depends on the survey questionnaire distributed to the target population. The questionnaires being disseminated among the banking employees in Klang valley headquarter office. The data was obtained founded on contact with individual that represents the samples population (Zikmund, 2003) as cited in Fong, Ting, Ng, Shua, and Teh, 2011, p.78.

### **3.5.2 Secondary Data**

Secondary data refers to data that already exist and may not origin from a particular target population for the research. Most of the secondary data has been already published in book, journals, previous researches and internet. Library also is a place where the researcher may go to get secondary data and used to strengthen the issue studied in this research paper. However, most of the secondary data were obtained using internet access. Other than that, these secondary data can be used as comparison to the outcome obtained from this study in order to determine the strength of the analysed data in this research paper.

### **3.6 Sampling Design**

Sample design is refer to as a portion of community that related to the purpose of the research project. If the researchers target to associate his research project with a large population of community, the number of samples should also be great in order to represent a community on a certain matter. The statisticians normally applied the term ‘representative’ to summarize behaviour of a particular population. If there is no representative from a sample population, it will be difficult for the researchers to point out the result of the researches being use on a particular population (Wolverton, 2009).

### **3.6.1 Sampling Location, Size and Frame**

Klang valley area is selected in conducting this research. The reason behind it is because most of the biggest market share holder headquarters for banking industries situated in Klang Valley area. Kuala Lumpur that is within Klang valley has control in national commercial industry with the growth of business that provides services to the customer (Morshidi, Barter, and Bunnel, 2002). The national capital is assembles of overwhelmingly service provider and leading merchant bank (Bunnel, Barter, and Morshidi, 2002) studies.

The study population consist of employees of top 5 bank's headquarters that are situated within the Klang Valley area. Referring to studies by Uma Sekaran and Bugie (2013) stated that for most research, 30 and less than 500 respondents will be sufficient as the sample size. Target population is defines as subset of a population that has been identify as relevant to the research project (Zikmund, 2003). Cost and time factors play a vital role in determine the sample size. By using online sample size calculation with population estimation of 5000 employees in all 5 banks' headquarters that covers the sampling frame due to the unavailability of official information on the number of employees in mentioned banks and using calculated confidence interval value at 7.88. The questionnaires were distributed to 150 employees working in bank headquarters in Klang valley area. The sampling frame is consisting of managerial, executive and non-executives workers.

### **3.6.2 Sampling Technique**

Sampling technique consist of two major types which are the probability and non-probability. For probability samples, it refers to an element within a population that has a predictable chance being selected and normally it applies to all cases related to the element (Lewis, Saunders and Thornhill, 2009).

On the other hand, the non-probability samples will not be able to identify the probability of the selected elements in the sample size being chosen (Saunders et al., 2009). The benefits of the sampling technique are the time needed by the researcher to acquire introductory information is quicker and less expensive. To make sure the variables were examine, the researcher sent self-administered questionnaire surveys to the sampling population. Since the representativeness of sample is critical to the study, the researcher chooses to use one of the probability sampling designs. The purpose of this study mainly is for assessing banking employees only. Therefore, this research project will adopt stratified random sampling technique.

### **3.7 Data Analysing Technique**

In order to define facts, develop explanations, detect patterns and finally testing the hypotheses, the use of data analysing technique that act as body of methods is needed. This process consists of assessment of the conceptual framework and connection that each variable have. This technique also able to prepare the data needed for analysis and to identify whether this research involves descriptive analysis or hypothesis testing. This technique is able to give user simpler and quick view look at the feedback and available for sciences, in business, in administration and in policy

(Rosemary and Joseph, 2003). Within this stage, the data will be summarize and transform into helpful information (Zikmund, 2003).

### **3.7.1 Scale Measurement**

A question can be measure by a scale of measurement tools with a determined number or conclusion (Money, Samouel, Hair and Page, 2007) as cited in Yi, 2012, p.34. Referring to Sekaran (2004) previous study, he concluded that a scale is able to identify the differences between the variables of the interest in the research. A scale is divided into four different types which are nominal, interval, ratio and ordinal. When a variables is measured using the nominal or ordinal level, it is discrete and referred to as either non-metric or categorical. Whereas, variables that is measured using interval or ratio level are consider as continuous and called as either metric or quantitative (Hair et al., 2007)

#### **Nominal Scale**

Normally, numbers are used by nominal scales as labels to recognize and categorize individuals, objects or events (Hair et al., 2007). The figures are necessary for observation purpose (Ghauri, Gronhaug, 2010). Benefits of this scale, it helps to gather data on variables that by default or planned to be grouped into several groups that are exclusively mutual and collectively comprehensive (Cooper and Schindler, 2008).

In the beginning, code number 1 and 2 can be assigned to the group, in order to recognize a person gender or ethnicity. According to Ghauri et al. (2010) found that nominal scale is the lowest level of measurement. Order or distance relationships do not exist in nominal scale as well as the arithmetic origin. On that note, in this research,

nominal scale has been used in Section A of the questionnaires for the demographic profile.

### **Likert Scales**

Likert scales also known as summated rating scales contains statements that mentioned either flattering or undesired scenario regarding the object of interest (Cooper et al., 2008). Normally, a five-point or seven-point scale is used to determine the strength of agreement on a statement about a group (Hair et al., 2007). Options available for respondents to select are from strongly agree to strongly disagree for each statement (Cooper et al., 2008).

For this research, the researcher applies five-point likert scales in Section B of the questionnaires. The respondents need to select from 1 (strongly disagree) to 5 (strongly agree) for every statements to gather data on influence of leadership style on employee loyalty and performance to the same company focusing in banking industry.

### **3.7.2 Inferential Analysis**

Referring to Sekaran (2003) previous research, he concluded that through analysis on two variables, researchers may have been inferred from the data, how a dependent variable variance might be explained by several independent variables in variables within dissimilar subgroups. Based on those interpretations, implications are made by inferential statistics. There is one part of inferential statistic which comprises “simplifying a sample to come out with inferences and approximates about a broader population” (Rowntree, 1981). From the fact that sampling logically incurs sampling error of which inferential statistic arises from and therefore a sample will not be able to



flawlessly represent the population. The assessment of parameter(s) and testing of statistical hypotheses have been identified as the approaches of inferential statistic.

### **Reliability Analysis**

The reliability analysis will be able to help researcher to determine the degree to which measures used are free from errors in order to acquire consistent results (Zikmund, 2003). According to Zikmund (2003) also stated that the imperfection in the measuring process of a research can be identify by its low reliability figures and will influenced the research outcome in multiple ways whenever the measurement is taken. The purpose of the reliability test is to ensure that the variables involve can be measure effectively. The reliability strength can be determined by Coefficient Alpha or Cronbach's Alpha (Babin, Money, Hair and Samouel, 2003).

### **Pearson Correlation Coefficient Analysis**

This type of analysis reflects a statistical dimension of the co-dissimilarity or linear relationship of more than one variable (Zikmund, 2003). Pearson correlation coefficient analyzes the direction, character and importance of two alternative associations of the variables chosen in the research paper that is the connection between two variables. Quantitative variables may exist in each individual or case.

Pearson's correlation coefficient ( $r$ ) can be apply in determine the strength of two variables relationship with each other. The key outcome of a correlation goes by the term correlation coefficient ( $r$ ). It range from  $-1.0$  to  $\pm 1.0$  and the nearer  $r$  is to  $\pm 1$  or  $-1$ , the stronger both variables relationship with each other. The perfect positive straight relationship can be identify if  $r = 1.0$  and if  $r = -1.0$ , there is a perfect negative linear

connection. Thus, in order to identify no relationship between the variables,  $r$  must be close to 0 (Zikmund, 2003). We can also conclude that if  $r$  is not a negative value, both variables used in the study will get larger from previous state. However, if  $r$  has the negative value, it shows that only one of the variables will get to be larger and the other one will become smaller (usually call an “inverse” correlation). Therefore the correlation coefficient can determine the strength of the linkage or level involving two variables.

The direction of the association between two variables will determine the correlation coefficient value to be either positive or negative (Page, Samouel, Hair and Money, 2007) as cited in Yi, 2012. The reason Pearson Correlation analysis is been choose since comparison can take place for the correlation disregarding the variation amount demonstrated by each variable by itself. The role of this technique in this research is to examine the preferred leadership style transformational or transactional leadership, employees’ performance and loyalty to the organization. Display below in Table 3.2, is the table of rule of thumb in order to understand the magnitude of Correlation Coefficient.

Table 3.2  
*Rules of thumb about correlation coefficient size*

<b>Coefficient Range</b>	<b>Strength of association</b>
$\pm 0.91$ to $\pm 1.00$	Very strong
$\pm 0.71$ to $\pm 0.90$	Strong
$\pm 0.41$ to $\pm 0.70$	Moderate
$\pm 0.21$ to $\pm 0.40$	Small but definite relationship
$0.00$ to $\pm 0.20$	Slight, almost negligible

\*Assumes correlation coefficient is statically significant (Hair et al, 2007).

### **Mediator Analysis**

A strong contingent effect between the independent variable and dependent variable relationship can be found in moderating variable. Referring to Bougie and Sekaran (2009) stated that the original connection between the independent variable and dependent variable change due to the existence of third variable (moderating variable).

In order to analyse the effect carried by the mediator towards the independent and dependent variable, the Sobel test will be applied. Sobel test is the most frequently applied significance test of mediation (Sobel 1988; Holmbeck 2002) as cited in Wu and Zumbo, 2007, p.375. Prior to executing Sobel test, regression analysis is required. The Sobel test is able to determine whether a mediator transmits the influence of an independent variable to a dependent variable.

### **3.8 Chapter Summary**

In Chapter 3 the researcher describe the general idea of research methodology that will be used in this study. Additionally, the researcher also briefly elaborate on the method to be execute in term of data collection methods, research design, sampling design measurement scales, operation definition of construct and finally method to be used for data analysis. The questionnaires distributed are aligned with the sample size that has been mentioned earlier. The data collected have gone through several procedures before the analysing process of the data initiate. In the following chapter which is Chapter 4, it will describe the finding and analyses of the research result which had been obtained from the respondents. The findings will be displayed in tables to ensure easy appearance and fast readings.

## **CHAPTER 4 RESEARCH RESULTS AND FINDINGS**

### **4.0 Introduction**

In the previous chapter, several instruments that can be used to analyze and conducted data has been presented. Therefore, we will use some instrument mentioned in the chapter 3 to interpret the data received by the respondents.

By using SPSS 22 computation analysis software, the results for this research were obtained. The presentation of result for this research covers simple linear regression, mediation analysis and descriptive analysis. At the end of this chapter, the conclusion of the data interpreted will be presented.

### **4.1 Frequency Analysis**

The overview, evaluation and results of respondent who are working in banking industry within Klang Valley area feedback will be shown in this section. The researcher had distributed 150 sets of questionnaires but only 118 sets are returned (78.67 percent response rate). The researcher will also discuss the respondents' demographic character such as gender, age group, highest education level, marital status, employed experience, annual income, job level and number of years with current supervisor.

#### 4.1.1 Frequency of Respondent Based on Gender.

Table 4.1

*Gender of the respondents*

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	53	44.9	44.9	44.9
Female	65	55.1	55.1	55.1
Total	118	100	100	

Based on Table 4.1, there are 53 respondents which carry 44.9 percent are male and 65 respondents that represented by 55.1 percent are female respondents that participate in this survey with completed questionnaires.

#### 4.1.2 Frequency of Respondents Based on Group Age

Table 4.2

*Group age of the respondents*

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Below 20	0	0	0	0
21-25	5	4.2	4.2	4.2
26-30	35	29.7	29.7	33.9
31-35	64	54.2	54.2	88.1
36-40	10	8.5	8.5	96.6
Above 41	4	3.4	3.4	100
Total	118	100	100	

Table 4.2 indicates that most of the respondents age are between 31-35 years old which represented by 64 people or (54.2 percent) from total amount of respondents. Followed by 35 respondents (29.7 percent) are between age ranges of 26-30 years old, next is age group range from 36-40 years old with 10 peoples that equivalent to (8.5 percent). 5 respondents' age (4.2 percent) are between the age range of 21–25 years old and 4 respondents' age (3.4 percent) are above 41 years old. Finally, there are no respondents age are below 20 years old.

### 4.1.3 Frequency of Respondent Based on Race

Table 4.3

*Race of the Respondents*

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Malay	96	81.4	81.4	81.4
Chinese	17	14.4	14.4	95.8
Indian	5	4.2	4.2	100
Others	0	0	0	
Total	118	100	100	

From Table 4.3, it has been identified that Malays was the most contributor to this survey with 96 people equivalent to (81.4 percent) from total respondents' number. 17 peoples (14.4 percent) are Chinese respondents and the remaining 5 peoples (4.2 percent) are Indian. There is no other than these 3 ethnic that participated in the survey.

### 4.1.4 Frequency of Respondent Based on Marital Status

Table 4.4

*Marital Status of the Respondents*

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Single	37	31.4	31.4	31.4
Married	81	68.6	68.6	100
Others	0	0	0	
Total	118	100	100	

Referring to Table 4.4 above, it indicates that most of the banks' employees that responded to this survey are married with 81 respondents which present (68.6 percent) from the total percentage. The remaining respondents are still single with 37 people and presenting the remaining (31.4 percent) of the total respondents. There were no respondents that have status other than married and single responded to the survey.

#### 4.1.5 Frequency of Respondent Based on Yearly Personal Income (RM)

Table 4.5  
*Yearly Personal Income of the Respondent*

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Below 24,000	3	2.5	2.5	2.5
24000–30000	2	1.7	1.7	4.2
30001–36000	4	3.4	3.4	7.6
36000–42000	45	38.1	38.1	45.7
Above 42001	64	54.2	54.2	100
Total	118	100	100	

Table 4.5 shows that most of the respondents yearly personal income are more than RM42001 which constitute of 64 (54.2 percent). The following income bracket is 45 (38.1 percent) respondents that earn RM 36000 to RM42000 yearly. The remaining 4 (3.4 percent) respondents' yearly income is between RM30001 to RM36000, 3 (2.5 percent) respondents are below RM24000 and finally 2 (1.7 percent) respondents' yearly personal incomes are between RM24000 to RM30000. This shows that banking industry give good remuneration to the employees compare to other industry in Malaysia

#### 4.1.6 Frequency of Respondent Based on Current Position

Table 4.6  
*Current Position of the Respondents*

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Clerk	2	1.7	1.7	1.7
Officer	5	4.2	4.2	5.9
Executive	101	85.6	85.6	91.5
Manager	10	8.5	8.5	100
Total	118	100	100	

In term of respondents' current position, majority of the respondents are executive at 101 respondents (85.6 percent) from the total amount. Follow by manager level with 10 respondents, equivalent to (8.5 percent). Next is officer level and clerk level with 5 respondents (4.2 percent) and 2 respondents (1.7 percent) accordingly. The executives are the main target audience for this research and this confirmed that the research meet its target audience in order to gain more accurate feedback.

#### 4.1.7 Frequency of Respondent Based on Education Level

Table 4.7  
*Education Level of the Respondents*

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Secondary	3	2.5	2.5	2.5
Diploma	5	4.2	4.2	6.7
Bachelor Degree	106	89.8	89.8	96.5
Master	3	2.5	2.5	99
PHD	1	1	1	100
Total	118	100	100	

Looking at the highest education level obtained by the respondents in Table 4.7 above, there are 106 respondents (89.8 percent) who obtained Bachelor Degree as their highest education level, after Bachelor Degree is 46 respondents (4.2 percent) that have obtained their Diploma, both Master holder and respondents that only managed to complete their secondary school are 5 respondents each (2.5 percent) and finally only 1 respondent (1 percent) have obtained PHD level.



#### 4.1.8 Frequency of Respondent Based on Their Supervisor Gender

Table 4.8  
*Respondents' Supervisor Gender*

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	48	40.7	40.7	40.7
	Female	70	59.3	59.3	100
	Total	118	100	100	

Table 4.8 indicates that 70 respondents informed that their supervisor gender are female and that is 59.3 percent from total number of 118 respondents and the remaining 48 respondents confirmed that their supervisor are male and that represented by 40.7 percent.

#### 4.1.9 Frequency of Respondent Based on Number of Years With Current Supervisor

Table 4.9  
*Number of Years with Current Supervisor*

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	< 2	26	22	22	22
	2 - 6	81	68.6	68.6	90.6
	7 - 11	8	6.8	6.8	97.4
	12 ≥	3	2.6	2.6	100
	Total	118	100	100	

Looking at Table 4.9, majority of the respondents have been serving the same supervisor for the range of 2 years to 6 years, which consist of 81 respondents or (68.6 percent); followed by 26 (22 percent) respondents that only been attached with current supervisor for less than 2 years; 8 (6.8 percent) respondents have been for 7 to 11 years with the current supervisor and lastly, only 3 (2.6 percent) respondents that have been with the same supervisor for more than 12 years.

#### 4.1.10 Frequency of Respondent Based on Number of Years With Present Organization

Table 4.10  
*Number of Years with Present Organization*

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid < 3	28	23.7	23.7	23.7
3 - 6	69	58.5	58.5	82.2
7 – 10	12	10.2	10.2	92.4
11 – 14	3	2.5	2.5	94.9
15 ≥	6	5.1	5.1	100
Total	118	100	100	

Based on Table 4.10, most of the respondents have been attached to the same organization for 3 years to 6 years, it represented by 69 respondents or (58.5 percent). There are 28 (23.7 percent) respondents that have less than 3 years working experience with the organization followed by 12 (10.2 percent) respondents that been serving the same organization for 7 years to 10 years. The longest respondents that have more than 15 years' experience with the present organization represented by 6 (5.1 percent) respondents and 3 (2.5 percent) respondents have 11-14 years with their present organization.

#### 4.2 Reliability Analysis Outcomes

To access the reliability of all hypotheses, leadership styles, job performance and employees' loyalty the Cronbach's Alpha Coefficient was applied. The strength of the results' correlation and reliability can be determined by the coefficient range. The higher the coefficient range, the stronger the correlation and resulted higher reliability of the research results. The result tests are as below.

Table 4.11  
*Reliability Analysis Result*

<b>Independent Variables</b>	<b>No. of Items</b>	<b>Pilot Test Cronbach's Alpha</b>	<b>Actual Test Cronbach's Alpha</b>
Transformational Leadership style	8	0.689	0.832
Transactional Leadership style	7	0.668	0.811

<b>Mediator</b>	<b>No. of Items</b>	<b>Pilot Test Cronbach's Alpha</b>	<b>Actual Test Cronbach's Alpha</b>
Job Performance	10	0.615	0.758

<b>Dependent Variables</b>	<b>No. of Items</b>	<b>Pilot Test Cronbach's Alpha</b>	<b>Actual Test Cronbach's Alpha</b>
Employees loyalty	15	0.710	0.855

Based on the results shown in the Table 4.11 above, the researcher found that all the variables (independent, dependent and mediator) for the actual test are reliable after referring to values of Cronbach's Alpha Coefficient which shown above 0.70. Fundamentally, the reliability coefficient of 0.7 or more is considered as sufficient (Nunnally, 1978; Cronbach, 1951). Since the reliability of the questionnaires had been confirmed, the researcher concluded that the data received from the respondents are reliable to proceed for analysis.

### **4.3 Descriptive Analysis**

#### **4.3.1 Descriptive Analysis of Leadership Behaviour**

It has been identified between two leadership styles that are being examined, majority of the respondents sees their supervisor to be practicing transformational leadership style as compared to transactional leadership style. However, the differences between these two leadership styles are small, thus both leadership styles are considered high and acceptable by employees.

#### **4.3.2 Descriptive Analysis of Employees' Loyalty**

Regarding employee intention whether to stay loyal with the organization or not based on their perception of their supervisor leadership style, the feedback received shows that majority of respondents are keen to stay loyal to the company despite the leadership style practiced by their supervisor either transformational or transactional leadership style. Even though majority of them have not more than 6 years' experience with the current supervisor, they believed that they are in the right organizations.

#### **4.3.3 Descriptive Analysis of Employees' Performance**

Looking at the responds received for the employees' performance, more than eighty percent of the respondents believed they can do their job well and meet the standards given by the supervisors, despite the leadership style applied by the supervisor. It can conclude solely based on the feedback received that both transformational and transactional leadership styles are able to guide the employees to perform well in their work.

#### 4.3.4 Descriptive Analysis of Demographic Characteristics

Referring to the feedback received on the demographic characters of the respondents, majority of the respondents' age are below thirty five years old and have been working with the current organizations not more than 6 years. Since the output received from the survey indicates that they are keen to stay loyal to the organizations and able to meet their supervisor expectation despite the leadership style applied by their supervisor. It can be established that demographic characters do not have strong relationship with employee performance and loyalty towards the organizations.

Table 4.12  
*Descriptive for the major variables*

Variable	Mean	Standard Deviation
Transformational Leadership	3.182	0.9163
Transactional Leadership	3.095	0.9816
Employee Performance	3.945	0.3312
Employee Loyalty	3.456	0.5387

Referring to the Table 4.12 above, as displayed, the mean and standard deviation for each of the independent variables involve in this research are as follows: Transformational Leadership ( $\mu = 3.182$ ,  $sd = 0.916$ ), Transactional Leadership ( $\mu = 3.095$ ,  $sd = 0.982$ ). Dependent variable, Employee Performance ( $\mu = 3.945$ ,  $sd = 0.331$ ) and mediator variable, Employee loyalty shows a mean of 3.456 and a standard deviation of 0.539.

#### 4.4 Inferential Analysis

##### 4.4.1 Pearson Coefficient Correlation

**H1: There is a positive relation between transformational leadership and employees' loyalty toward existing organization ( $p < 0.05$ ).**

Table 4.13

*Correlation between Transformational Leadership and Employees Loyalty*

**Correlations**

		Transformational	Loyalty
Transformational	Pearson Correlation	1	.754**
	Sig. (2-tailed)		.000
	N	118	118
Loyalty	Pearson Correlation	.754**	1
	Sig. (2-tailed)	.000	
	N	118	118

\*\* . Correlation is significant at the 0.01 level (2-tailed).

As reflected in Table 4.13 above, it indicates the Pearson Correlation between transformational leadership and employee loyalty is +0.754. This shows that strong (positive) relationships between transformational leadership and employee loyalty in banking industry exist. Therefore, based on the result of Bivariate Correlation analysis, the researcher concluded that H1 is accepted.

**H2: There is a positive relation between transformational leadership and employees' performance ( $p < 0.05$ ).**

Table 4.14  
*Correlation between Transformational Leadership and Employees Performance*  
**Correlations**

		Transformational	Performance
Transformational	Pearson Correlation	1	.701**
	Sig. (2-tailed)		.000
	N	118	118
Performance	Pearson Correlation	.701**	1
	Sig. (2-tailed)	.000	
	N	118	118

\*\* . Correlation is significant at the 0.01 level (2-tailed).

As reflected in Table 4.14, it indicates the Pearson Correlation between transformational leadership and employee performance is +0.701. This shows that strong (positive) relationship between these two variables in banking industry exists. Accordingly, based on the result of Bivariate Correlation analysis, H2 is accepted.

**H3: There is a positive relation between transactional leadership and employees' performance ( $p < 0.05$ ).**

Table 4.15  
*Correlation between Transactional Leadership and Employees Performance*  
**Correlations**

		Transactional	Performance
Transactional	Pearson Correlation	1	.689**
	Sig. (2-tailed)		.000
	N	118	118
Performance	Pearson Correlation	.689**	1
	Sig. (2-tailed)	.000	
	N	118	118

\*\* . Correlation is significant at the 0.01 level (2-tailed).

As reflected in Table 4.15 above, it indicates the Pearson Correlation between transactional leadership and employee performance is +0.689. This shows that moderate

(positive) relationship between these two variables in banking industry exists. Hence, based on the outcome of Bivariate Correlation analysis, H3 is accepted.

**H4: There is a positive relation between transactional leadership and employees' loyalty ( $p < 0.05$ ).**

Table 4.16  
*Correlation between Transactional Leadership and Employees Loyalty*  
**Correlations**

		Transactional	Loyalty
Transactional	Pearson Correlation	1	.711**
	Sig. (2-tailed)		.000
	N	118	118
Loyalty	Pearson Correlation	.711**	1
	Sig. (2-tailed)	.000	
	N	118	118

\*\* . Correlation is significant at the 0.01 level (2-tailed).

As reflected in Table 4.16, it indicates the Pearson Correlation between transactional leadership and employees' loyalty towards their existing organization is +0.711. This shows that strong (positive) relationship between these two variables exists. Therefore, founded by the result of Bivariate Correlation analysis, H4 is accepted.

#### **4.4.2 Mediation Analysis**

The mediation effect within a theoretical framework need to be analyse in order to determine whether the mediator involve have significant relationship between the independent variables (transformational and transactional leadership style) and dependent variable (employees' performance). If there is no significant effect found, there is no mediation effect exists in the framework. In order to test the mediation effects, the Sobel Test adopt from Sobel (1982) were applied.



**H5: Employee loyalty positively mediating transformational leadership and employee performance**

Table 4.17  
*Coefficients<sup>a</sup> for Mediation Effect between Transformational Leadership and Employee Performance (1)*

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.046	.119		17.226	.000
	Transformational	.443	.036	.754	12.344	.000

a. Dependent Variable: Loyalty

Table 4.18  
*Coefficients<sup>a</sup> for Mediation Effect between Transformational Leadership and Employee Performance (2)*

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.001	.084		23.800	.000
	Loyalty	.560	.035	.911	16.077	.000
	Transformational	.003	.020	.008	.137	.891

a. Dependent Variable: Performance

Table 4.19  
*Coefficients<sup>a</sup> for Mediation Effect between Transformational Leadership and Employee Performance (3)*

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.147	.080		39.351	.000
	Transformational	.251	.024	.694	10.385	.000

a. Dependent Variable: Performance

Table 4.20  
*Mediation Effect between Transformational Leadership and Employee Performance Using Sobel Test*

	Input:		Test statistic:	p-value:
$t_a$	12.344	Sobel test:	9.79089313	0
$t_b$	16.077	Aroian test:	9.77899926	0
		Goodman test:	9.80283051	0
		Reset all	Calculate	

Referring to the Sobel test result above in Table 4.20, the t-values= 9.791 and p-value= 0 indicate that employee loyalty does have mediating effect between transformational leadership style and employee performance. Based on Table 4.19, it shows that transformational leadership has a significant direct effect on employee performance where  $t = 10.385$ ,  $p\text{-value} = 0.00$ . Therefore, H5 is accepted. Employee loyalty has partial mediating effect between transformational leadership style and employee performance.

**H6: Employee loyalty positively mediating transactional leadership and employee performance**

Table 4.21

*Coefficients<sup>a</sup> for Mediation Effect between Transactional Leadership and Employee Performance (1)*

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.283	.120		19.092	.000
	Transactional	.379	.037	.691	10.285	.000

a. Dependent Variable: Loyalty

Table 4.22

*Coefficients<sup>a</sup> for Mediation Effect between Transactional Leadership and Employee Performance (2)*

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.995	.083		24.033	.000
	Loyalty	.566	.032	.921	17.872	.000
	Transactional	-.002	.017	-.005	-.106	.916

a. Dependent Variable: Performance

Table 4.23

*Coefficients<sup>a</sup> for Mediation Effect between Transactional Leadership and Employee Performance (3)*

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.287	.079		41.648	.000
	Transactional	.213	.024	.630	8.743	.000

a. Dependent Variable: Performance

Table 4.24  
*Mediation Effect between Transactional Leadership and Employee Performance Using Sobel Test*

	Input:		Test statistic:	p-value:
$t_a$	10.285	Sobel test:	8.91427711	0
$t_b$	17.872	Aroian test:	8.90381286	0
		Goodman test:	8.92477835	0
		Reset all	Calculate	

Based on the Sobel test result above in Table 4.24, the t-values= 8.914 and p-value= 0 indicate that employee loyalty does have mediating effect between transactional leadership style and employee performance. Based on Table 4.23, it shows that transactional leadership has a noteworthy direct effect on employee performance where  $t = 8.743$ ,  $p\text{-value} = 0.00$ . Therefore,  $H_6$  is accepted. Employee loyalty has partial mediating effect between transactional leadership style and employee performance.

Referring to Beta value (under standardized coefficients) for both independent variables (transformational and transactional leadership) in Table 4.19 and Table 4.23, it clearly show that transformational leadership style Beta value (0.694) is higher than transactional leadership style Beta value of 0.630. Consequently, it indicates that transformational leadership is the predictor variable that contributes the highest to the variation of the dependent variable (Employee Performance).

## **4.5 Chapter Summary**

This chapter has help to interpret data of all the respondent's profile and perceptions towards leadership styles practiced by their supervisor in banking industry through the survey questionnaire. Several analysis method have been applied in this chapter to understand better the relationship between the independent variables, dependent variable and mediating variable used in this research. Some of the analyses used are reliability analysis, descriptive analysis, Pearson Coefficient Correlation and Sobel test. Based on these analysis results, researcher will be able to determine and understand the effect of leadership style toward employee performance in banking industry in Malaysia. More discussion of the finding in this chapter will be provided in the next chapter which is Chapter 5, the discussion and conclusion.

## **CHAPTER 5**

### **DISCUSSION AND CONCLUSION**

#### **5.0 Introduction**

The aim of this chapter is to explain and present in-depth discussion and summary of the responds received by employees in banking industry regarding the variables highlighted in this research. All discussion and conclusion in this chapter are link to the research objective as per deliberated in Chapter 1. By referring to the previous and current literatures together with outcome of this research, it will give benefits to employers in banking industry to understand variables that may influence their employees' performance and eventually serve the organization for a long period of time. Lastly, at the end of this chapter conclusion will be presented.

#### **5.1 Summary of Statistical Analyses**

##### **5.1.1 Frequency Analysis**

From the results obtained in the previous chapter, in order to see the respondents' characteristic, demographic analysis is used. From the demographic information acquired, it indicates that 44.9 percent male respondents and 55.1 percent female respondents out of 118 respondents participate in the questionnaires. Majority of the respondents' age are between 31 – 35 years old (54.2percent). The least respondents' age group that participates in this survey is above 41 years old (3.4percent). Furthermore, from the results obtained, Malay race respondents contribute the most to the questionnaires with 81.4 percent. The least race that participates in the survey is Indian with 5 respondents (4.2percent). Moreover, in term of the respondents' marital status, 68.6 percent of them are married and the remaining 31.4 percent are still

single. Apart from that, in the yearly personal income group, most of the respondents earn more than RM 42001 yearly and the least make between RM 24000 to RM 30000 per year. In addition, data result showed that most of the respondents are currently executive level (85.6percent) whereas the least are clerk which is on 2 respondents (1.7percent). Besides, the data specifies that most of the respondents had obtained Bachelor's Degree (89.8percent) and only 1 respondent (1percent) have PhD level. The research also shows that most of the respondents' supervisor gender is female (59.3percent) and followed by male with 48 peoples (40.7percent). In addition from the result, the majority of the respondents only have 2 years to 6 years' experience with their current supervisor and only 3 of them have more than 12 years working experience with their existing supervisor. Lastly, majority of the respondents have 3 years to 6 years working experience with the current organization and the minimum working period experienced by the respondents is from who are work for the duration of 11 to 14 years, which are 3 respondents (2.5percent).

### **5.1.2 Reliability Analysis**

For this research, the researcher decided to use Cronbach's Alpha to determine the strength of the correlation between the four variables in this research. The four variables are transformational leadership style, transactional leadership style, employees' loyalty and job performance. According to the test result as displayed in Table 4.11, employees' loyalty has the highest alpha coefficient, which is 0.855. It is followed by transformational leadership with 0.832, transactional leadership with 0.811 and lastly job performance with 0.758. Since all the correlation strength of these four variables is more than 0.7, therefore, it can be concluded that the data received for these variables are reliable to be used to test the hypothesis of this research.

### **5.1.3 Descriptive Analysis**

Looking at the respond received from the questionnaires, in term of leadership style applied by the supervisor, majority of the respondents believed that their supervisor are using transformational leadership style compared to transactional leadership style. However, both leadership styles did received high recommendation from the respondents and considered to be well accepted by the employees. The reason is because based on output of the studies, most of the respondents give positive respond indicating that they are able to perform well and planned to stay loyal with their current organization despite the temptations from outside world.

## **5.2 Discussion of Major Findings**

This research project ultimate aims to scrutinize and determine the influence of leadership style towards the employees' performance and loyalty in banking industry in Klang Valley, Malaysia. Referring to the results of the research in the preceding chapter, comprehensive discussion to understand the circumstances are made by researcher. The discussion made will be link to research objectives in order to provide a clear understanding towards employees' performance in banking industry in Klang Valley, Malaysia.



### 5.2.1 Findings on the Hypotheses

**H1: There is a positive relation between transformational leadership and employees' loyalty toward existing organization.**

Based on Table 4.13, the SPSS result indicates that there is a significant relationship between transformational leadership style and employees' loyalty toward existing organization in banking industry, with p-value = 0.00 which is lesser than critical value 0.05. Hence, H1 is accepted. There is a positive relation between transformational leadership and employees' loyalty to existing organization.

It has been widely accepted by previous researchers that transformational leaders able to give higher level of commitment, satisfaction and performance (Mohammad and Alam, 2009; Somers, 1993). Since satisfaction and commitment are always associated with transformational leadership style in previous research, this thesis has strengthen and support the positive relationship between these two variables. There are several factors that have been identified to be able to contribute to higher commitment level such as meaningful and demanding job, involve in making decision, empowerment and independence. These factors are related to the four distinct factors within the transformational style and expected to have similar results.

Looking at one of this leadership style element, by applying idealized influence that allows the leaders to receive the right and respect by the followers by installing faith and trust within them in order to lead them. By individual consideration, it will enable the workers to act and give opinion in decision making since they have interpersonal relationship with the leaders whereby the leaders encourage team work,

nurturing collaboration and recognizing the difference as gift. Also, by enabling other to act, this leadership practice also provides achievement and recognition, promotes consideration from the heart and individual and recognizing performance by celebrating success and achievement to encourage it. Transformational leadership may have indirect relationship with job satisfaction, it also said to have sturdy positive relationship between work fulfilment and organizational commitment. Besides, by applying inspiring motivation, this element concerned with communicating and inviting the employees to share the same vision that is meaningful and eventually aligns with their individual values and aspirations. Hence, it will nurture the sense of belonging inside the employees toward the company.

**H2: There is a positive relation between transformational leadership and employees' performance.**

According to SPSS outcome in Table 4.14, the result had shown a significant relationship between transformational leadership style and employees' performance in banking industry, with p-value= 0.000, which is less than significant level of 0.05 ( $p < 0.05$ ). Consequently, H2 is accepted. There is a strong (positive) relation between transformational leadership and employees' performance.

Transformational leadership has been proven by many previous researchers for its positive impact on employees' extra effort, commitment and apparent performance. This thesis result will strengthen the positive relationship between transformational leadership and employees' performance especially in banking industry in Malaysia. There are many research that has been conducted earlier mentioned the positive

relationship between transformational leadership style and higher level of employee performance, satisfaction towards job and transformational leaders and perceive better outcome compare to other leadership style (Morris and Howell, 2009; Bennis, 2008; Limerick and Simon, 2007; Kinsman, 2006). A transformational leader encourage their followers to achieve outcome beyond normal expectation by giving motivation, nurture sense of belonging within the employees to the projects given, promote innovation thinking as well as creative solutions and put group interest over individual interest (James, 2009).

By practising elements in transformational leadership that think about future optimistically, individual communication between leader and follower, thinking of different methods to accomplish the objectives given, leader displaying good behaviour as role model and believe in the followers' capability to achieve the goals has been proven to be positively influence followers' performance. There are also other techniques applied by transformational leaders to improve their follower individual performance and eventually give positive outcome to organizational performance. Referring to Bennis (2008), establish that transformational leaders get their followers to embrace the vision and influence them to commit in achieving the mission. Therefore, they are keener to perform well in their job since the leaders always encourage and support them in their task.

**H3: There is a positive relation between transactional leadership and employees' performance.**

As reflected in Table 4.15 in the previous chapter, the result had shown a significant relationship between transactional leadership style and employees' performance in banking industry, with p-value= 0.000, which is less than significant level of 0.05 ( $p < 0.05$ ). From the Pearson Correlation value indicate in Table 4.15 also, it shows that there is a moderate (positive) relation between transactional leadership and employees' performance. Therefore, H3 is accepted.

Although there are not many previous researches that show transactional leadership ability to enhance employee performance, this thesis concluded that there is a positive significant relationship between transactional leadership and employees' performance based on the output of the SPSS obtained.

Through transactional leadership principle that gives positive reward to employees who manage to achieve the goal and to employees that are unable to complete an objective as per expected, punishment is given. The employees will develop a strong link with job success (Robin, 2008). Transactional leaders practise reward and punishment element to encourage and demand better performance from their subordinates, thus turning the relationship between leader and followers become an economic exchange transaction. After many positive rewards and recognition are given to the employees that perform well. They are able to achieve stern success in term of supervisor's satisfaction and career growth.

Transactional leadership behaviour helps to toughen follower commitment to achieve goal by explaining the important clarification for subordinates on method used to accomplish work objective and on which extrinsic or intrinsic rewards that will be given to employees that achieve their given goals and resulting to increase of motivation level within them to contribute more towards improving the company performance. According to Premack (2009) disputes that a key of leadership task is to find methods that manage to increase goal commitment. He suggested that it is possible if the leaders strengthen his team individual outcome expectancies and self-efficacy. Based on Hayward et al. (2003) studies in a South African pharmaceutical company, he stated that there is no significant association between transactional leadership and employee performance. However, this thesis has proven that there is a significant relationship between transactional leadership with employee performance even though the correlation value is lesser than transformational leadership style.

**H4: There is a positive relation between transactional leadership and employees' loyalty.**

Based on Table 4.16, the SPSS result specifies that there is a significant relationship between transactional leadership style and employees' loyalty towards their existing organization in banking industry, with p-value= 0.00 which is smaller than critical value 0.05. Therefore, H4 is accepted. It has been proven that there is a positive relationship between transactional leadership and employees' loyalty to existing organization.

Although there are a lot of prior researches that support transformational leadership strong relationship with employee loyalty, transactional leadership has been proven in this thesis to have noteworthy (positive) association with employees' performance as well. For example, according to Wells and Peachey (2010) as cited in Long and Thean, 2012, p.230, that conducted research at National Collegiate Athletic Association Division I softball and volleyball assistant coaches in the USA on transformational and transactional leadership relationship with voluntary turnover intentions, found that there exist major negative relationship between transformational leadership and turnover intention as well as the association between voluntary organization turnover intention and transactional leadership. He continues to explain the reason why transactional leadership behavior able to decrease turnover intention by citing justice theory of Cobb et al (1995). The outcome of this research does support the conclusion in the study of Well et al (2003).

By understanding the justice theory, the researcher is able to clarify on the reasoning as how transactional leadership style also viewed to have direct negative relationship towards employee turnover similar to transformational leadership. This theory stated that if an organization carries out fair process with easy to understand work instructions, task objectives are explained clearly bundle together with systematic comprehensive reward and attractive incentive guidelines in place, the followers or staff will feel satisfied and their turnover intention will decrease. Eventually, they are less likely to search for other employment attraction offered by others Wells and Peachey (2010) as cited in Long and Thean, 2012, p.230.

There are reports published mentioning the turnover culture in banking industry employees did increase from previous year. However, based on previous researches done, leadership styles are not one of the main factors that influence intention to quit among bank employees in Malaysia (Xin Yi, 2012). Therefore, based on the outcome of this thesis, it can be concluded that transactional leadership able to increase employee intention to stay loyal to the organization.

**H5: Employee loyalty positively mediating transformational leadership and employee performance**

Referring to Table 4.20 (t-values= 9.791 and p-value= 0) as the result of Sobel Test performed to identify if there is exist significant mediation effect within the theoretical framework. It concludes that employee loyalty has mediation effect between transformational and employee performance. Furthermore, based on Table 4.19, it shows that transformational leadership has a significant direct effect on employee performance where  $t = 10.385$ ,  $p\text{-value} = 0.00$ . Therefore, H5 is accepted. Employee loyalty has partial mediating effect between transformational leadership style and employee performance. This is consistent with the conclusion made by Cumming et al (2010) that mentioned transformational leadership style is the suitable one and capable to improve job satisfaction among the workers as well as working atmosphere and thus avoiding workers intention to leave the organization and subsequently increase their productivity. Additionally, he also stated that transformational leadership that does take into consideration the employee feeling and also focus on the output produce by the employee. Thus enable the employees to bring out their best effort in performing their work.

To support this outcome, a research conducted by Avolio et al. (2004) among staff nurse in public hospital of Singapore also concluded that transformational leadership positively affects organizational commitment among the staff nurse to stay loyal with the organization. Transformational leadership style is proven to be the best leadership style and it can facilitate organizational commitment and workers' productivity. With 4 elements within transformational leadership that play an important role in influencing the staff to consider working with the organization for a long period of time will consequently motivate them to perform well in work. Leaders that take transformational leadership approach will be able to drive their staffs towards achieving the common objectives and goals set by the organization without pressuring them but through good teamwork and cooperation.

#### **H6: Employee loyalty positively mediating transactional leadership and employee performance**

Referring to Table 4.24 (t-values= 8.914 and p-value= 0) as the result of Sobel Test performed. It concludes that employee loyalty has mediation effect between transactional and employee performance. Additionally, based on Table 4.23, it shows that transactional leadership has a significant direct effect on employee performance where  $t = 8.743$ ,  $p\text{-value} = 0.00$ . Therefore, H6 is accepted. Employee loyalty has partial mediating effect between transactional leadership style and employee performance.

The employee loyalty mediating effect on transactional leadership and employee performance can be seen in justice theory of Cobb et al (1995). As mentioned earlier, this theory clearly explained the outcome employers can expect that related to



transactional leadership style. Transactional leadership principle that emphasis on giving tangible rewards to the employees that deliver work outcome as expected by the managers and for those who are unable to meet the expectation, punishment will be given. This principles is effective to staffs that like to be measured by the results and work they achieved and do not need other elements to motivate them. By aiming at the rewards and incentives offered by the organization, the employee performance will increase in order to meet the superior expectations and as consequently received the rewards and incentives.

### **5.3 Implications of the Study**

Nowadays, challenges faced by organization and employers are different from previous years. There are futures of rapid and complex changes. The most important assets of most organizations are young talents and employees working for them. Their leaving the company will influence the company short term and long term goals and eventually decrease productivity and efficiency. In order for the employers to understand how to retain employees that important to them, first they need to identify and understand leadership styles that suit their workers. By applying suitable leadership style, it may have significant effect to reduce employees' turnover intention and drive them to perform well in their work. There are several leadership styles that may be suitable to be implemented in banking industry, but the main focus of this thesis is the transformational and transactional leadership style and other style that relate to this two leadership styles. After the employers understand how leadership style can influence employees' performance and the importance of nurturing commitment within their staff, then they can become a strong organization.

### **5.3.1 Transformational Leadership**

From the research outcome obtained in previous chapter, it show clearly that transformational leadership style is the most suitable leadership style affecting employee performance and loyalty to the company. Referring to previous research done by Windsor and Trott (1999) mentioned that transformational leaders able to satisfied the staff nurse and eventually increase their job satisfaction level as the leaders decide to uses more participative style. Additionally, transformational leadership has been proven to be positively correlated how leaders being perceive by effective subordinates, how much energy they willingly devote for the leaders, the feeling of satisfaction with the leaders action and how well the workers perform as graded by the leaders (Bass and Hater, 1988) as cited in Lievens, Geit, and Coetsier, 1997, p.418

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Leaders that opt for this leadership style are said to be able to bring out the best effort of their subordinates and perform beyond common expectations (Hater and Bass, 1988). Researcher that have done several researches concerning transformational leadership found that the outcome from a transformational leaders' behaviour will develop an emotional attachment towards the leaders and the followers will experience emotional and motivational provocation due to the circumstances. The grade to which a leader is considered as being transformational can be determine and measure by the effect he or she has over the followers, where trust and respect towards the leaders are the traits display by their followers together with the determination to execute task beyond expectation (Barbuto, 1997) as cited in Mester, Visser, & Roodt, 2003, p.73.

It has been confirmed that there exists a strong (positive) relationship between transformational leadership, employee performance and employee loyalty as shown in

the correlation value stated in the previous chapter. Therefore, employers of banking industry in Malaysia need to re-examine their leadership styles and incorporated transformational leadership elements in order to develop and motivate their staff to achieve the organization goals and perform beyond their expectations.

### **5.3.2 Transactional Leadership**

Transactional leadership has a lower beta value compare to transformational leadership. Based on the result in the correlation coefficient, there is a positive signification association between the transactional leadership towards the employee performance and loyalty in the banking industry in Malaysia. Transactional leaders are able to develop strong relationship with job success within their workers (Robin, 2008). Compared to transformational leaders that focus on other elements related to the employees other than the outcome they can produce, transactional leaders give principles solely look at the results their employees can give. Employees that unable to perform to the managers expectations will be given punishment and for those that give result as per expected by the managers will be given rewards. Transactional leaders do not motivate their workers at individual level, give inspiration by example and asked their employees to perform better than their expectation. However, this leadership style can still able to increase employee performance although it is not as high as transformational leadership.

There are employee that does not want to have personal relationship with their managers and only focus on performing their work as requested, providing they get rewards after achieving the goals, they will feel satisfied. Based on the overall outcome of this thesis, the researcher can relate this type of behavior with the young workers that

normally looking opportunities to prove their abilities and plan to aggressively climb the corporate ladder. Examples of rewards given by transactional leaders to their subordinates are praise, complimentary comments, and recognition once they successfully comply with the instruction from the leaders and achieve the objectives given (Haider and Riaz, 2010). Leaders that apply transactional leadership style will give clear structure of what they want from their subordinates and give rewards if the followers follow orders. Therefore, other than transformational leadership style, managers and employers have another option to choose transactional leadership style towards their subordinates. Although many researchers suggested that transformational leadership style is the best style to improve staff performance and increase their loyalty level, there may be some workers in banking industry that are not compatible with it and employers can try transactional leadership style.

### **5.3.3 Employee Loyalty**

Based on the outcome of the Bivariate Correlation analysis done in the earlier chapter, it clearly indicates that both independent variables have significant (positive) relationship with employee loyalty. However, the transformational leadership style have Pearson Correlation,  $r$  value higher than transactional leadership and this show that transformational leadership style can increase employee loyalty level more than transactional leadership style. According to Vince (2005) stated that the employer need to understand their employee needs in order plant loyalty towards the organization within the employees.

Besides, to nurture employee's loyalty to the company, reward system is very important. The rewards may come from different perspective such as the employee

performance, team performance and length of service with the company. In order to encourage employees to take personal responsibilities to achieve company's goals and increase their performance, the employer may give bonus, commission and even promote the staff. These activities are allied with the transactional leadership style principle that gives rewards to employee that manages to achieve the goals set by the employers. Non-monetary rewards could also be practised by the employer for example appreciation certificate or gift, compliments, additional time off may nurture the feeling of being appreciated and taken care off by the employers due to the work that they have done will boost their loyalty to the company. Transformational leadership elements do cover these actions towards their employees in order to nurture loyalty inside them. When these rewards are offered to them, they will always share information and work together. Annual increase will help the employees feels that they are being appreciated and becoming more important to the company.

#### **5.4 Recommendation for Future Research**

For future research, several suggestions can be considered to provide a broader and comprehensive research to measure leadership style and employee performance in banking industry. In this thesis, the data were collected from banks headquarters in Klang Valley area only and did not covers the banks' branches in Klang Valley and other parts in Peninsular Malaysia. Thus, the first recommendation for the future research is to distribute the survey for the thesis not only to the banks headquarter but also covers its branches in other states in Malaysia including West Malaysia in order to have results that are not bias and ultimately improve the data reliability and accuracy. The data will also be more accurate and comprehensive since it gathers feedback from majority of banks' employees working in Malaysia.

Furthermore, the second recommendation is to use more than one data collection technique for future research. In this thesis, the researcher only uses questionnaires survey that may cause bias and imprecise results. For example, one of the suitable data collection techniques that can be used for this thesis is interview survey that may produce balanced and more accurate outcome of the thesis. The future researchers will gain different point view of feedback and eventually help them to understand more the respondents' actual reaction and allowing the research to be more reliable to be used as reference by others.

The next recommendation is due to the number of collected questionnaires for this thesis. Since this thesis only covers five banks headquarters in Klang Valley area, the researcher only received 118 copies of completed questionnaires out of 150 questionnaires that were distributed. The number of respondents can be escalated to all state in Malaysia. Future researchers can use the internet medium to contact and distribute the questionnaires to the respondents from other states in this country. Therefore, the researchers can obtained the questionnaires by using computer and it will definitely save time and cost.

Moreover, the forth recommendation for the next researchers is that future research can also focus on other leadership styles since the main leadership styles focus in this thesis are transformational leadership and transactional leadership styles that affects the employee performance in banking industry. Thus, this is considered to be the limitation of this thesis because the other leadership styles that can also influence employee performance are not included in this research.

The fifth recommendation for future researches is to examine other factors that can be used as mediator in the researches. Since this research only use employee loyalty as the mediation variables, future research may use other factors that may also contribute to employee performance in banking industry such as job security and workplace environment. It is believed that different mediator variables can have different mediation effects between independent variables and dependent variable is the future researches.

Finally, future research may focus on the demographic characters of the respondents to determine its relationship with employee performance and loyalty to a company. In-depth research on demographic characters can be done to identify if there are characters that have significant influence on employee performance and loyalty in banking industry in Malaysia. Future researcher may have better understanding in identifying factors that may influence employee performance and loyalty in banking industry.

## **5.5 Conclusion**

In this chapter, the factors in this research are transformational leadership style, transactional leadership style and employee loyalty as mediator which may influence the employee performance in banking industry. Based on the Pearson Correlation analysis in this thesis, it indicates that transformational leadership style has the most positive influence in the employee performance in banking industry and their loyalty to the company. The following influence factor is the transactional leadership style. Additionally, the implications of the study were also highlighted in this research. This information may be used as reference and ongoing improvement for future research of this study.

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## APPENDICES

### APPENDIX A: RESEARCH QUESTIONNAIRE

## Questionnaire

### Purpose

1. To identify leadership style applied at the working place.
2. To measure employees' performance due to the leadership style practiced by supervisor.
3. To determine employee's loyalty due to the leadership style practiced by supervisor.

### Directions

1. For Section A, please tick where applicable.
2. For each of the statements in Section B, circle the number that indicates the degree to which you agree or disagree.
3. Give your immediate impressions. There are no right or wrong answer.

### Section A

---

1. Gender:      Male       Female

2. Age:

Below 20	<input type="checkbox"/>
Between 21-25	<input type="checkbox"/>
Between 26-30	<input type="checkbox"/>
Between 31-35	<input type="checkbox"/>
Between 36-40	<input type="checkbox"/>
Above 41 years old	<input type="checkbox"/>

3. Race:      Malay       Chinese       Indian       Others

4. Status:      Single       Married       Others

5. Annual income (RM):

Below 24,000	<input type="checkbox"/>
Between 24000 – 30000	<input type="checkbox"/>
Between 30001 – 36000	<input type="checkbox"/>
Between 36001 – 42000	<input type="checkbox"/>
Above 42,001	<input type="checkbox"/>

6. Position:

Clerk	<input type="checkbox"/>
Officer	<input type="checkbox"/>
Executive	<input type="checkbox"/>
Manager	<input type="checkbox"/>

7. Highest education:

Secondary School	<input type="checkbox"/>
Diploma	<input type="checkbox"/>
Bachelor's Degree	<input type="checkbox"/>
Master	<input type="checkbox"/>
PHD	<input type="checkbox"/>

8. Gender of supervisor:      Male       Female

9. Years of service with current supervisor:

Less than 1 year	<input type="checkbox"/>
2-6 years	<input type="checkbox"/>
7-11 years	<input type="checkbox"/>
12 years and above	<input type="checkbox"/>

10. Years of service with present organization:

Less than 3 years	<input type="checkbox"/>
3-6 years	<input type="checkbox"/>
7-10 years	<input type="checkbox"/>
11-14 years	<input type="checkbox"/>
15 years and above	<input type="checkbox"/>

**Section B**

Description	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
<b>PART A</b>					
<b>1</b> My manager always put the team interest before individual interest	1	2	3	4	5
<b>2</b> My manager taken into consideration the moral and ethical consequences in making decision	1	2	3	4	5
<b>3</b> I has been reminded by my manager to think optimistically about the future	1	2	3	4	5
<b>4</b> When making a critical decision, my manager always reexamines it again.	1	2	3	4	5

<b>5</b>	My manager always encourage other to develop their individual strengths	1	2	3	4	5
<b>6</b>	I am comfortable working with my manager	1	2	3	4	5
<b>7</b>	I believe in my manager capabilities to lead me	1	2	3	4	5
<b>8</b>	My manager give me challenging tasks to help me grow	1	2	3	4	5
<b>9</b>	I only receive tangible rewards when I meet my manager expectations	1	2	3	4	5
<b>10</b>	My manager always avoid in making the final decision	1	2	3	4	5
<b>11</b>	My manager give reward and recognition to me when I achieve difficult goals	1	2	3	4	5
<b>12</b>	My manager waits for thing to go wrong before taking action	1	2	3	4	5
<b>13</b>	All of my mistakes are being track by my manager	1	2	3	4	5
<b>14</b>	I am given freedom by my manager to solve problems on my own.	1	2	3	4	5
<b>15</b>	Poor performance will get corrected by my manager.	1	2	3	4	5
<b>PART B</b>						
<b>1</b>	I adequately completes assigned duties	1	2	3	4	5
<b>2</b>	I manage to fulfil responsibilities specified in job description.	1	2	3	4	5
<b>3</b>	I perform tasks that are expected of me by my supervisor	1	2	3	4	5
<b>4</b>	I meet formal performance requirements of the job.	1	2	3	4	5
<b>5</b>	I engage in activities that will directly affect my performance evaluation.	1	2	3	4	5

<b>6</b>	I never neglect aspects of the job I am obligated to perform.	1	2	3	4	5
<b>7</b>	Sometimes I fail to perform essential duties.	1	2	3	4	5
<b>8</b>	I am doing well with my work	1	2	3	4	5
<b>9</b>	I understand and aware of my job description	1	2	3	4	5
<b>10</b>	I can efficiently complete my work	1	2	3	4	5

**PART C**

<b>1</b>	I do not feel a strong sense of “belonging” to my organization.	1	2	3	4	5
<b>2</b>	I do not feel “emotionally attached” to this organization.	1	2	3	4	5
<b>3</b>	I do not feel like “part of the family” at my organization.	1	2	3	4	5
<b>4</b>	This organization has a great deal of personal meaning for me.	1	2	3	4	5
<b>5</b>	It would be very hard for me to leave my organization right now, even if I wanted to.	1	2	3	4	5
<b>6</b>	I feel that I have too few options to consider leaving this organization.	1	2	3	4	5
<b>7</b>	I would feel guilty if I left my organization now.	1	2	3	4	5
<b>8</b>	I do not feel any obligation to remain with my current employer.	1	2	3	4	5
<b>9</b>	Even if it were to my advantage, I do not feel it would be right to leave my organization now.	1	2	3	4	5
<b>10</b>	If I had not already put so much of myself into this organization, I might consider working elsewhere.	1	2	3	4	5
<b>11</b>	This organization deserves my loyalty.	1	2	3	4	5
<b>12</b>	I would not leave my organization right now	1	2	3	4	5



	because I have a sense of obligation to the people in it.					
<b>13</b>	I owe a great deal to my organization.	1	2	3	4	5
<b>14</b>	Right now, staying with my organization is a matter of necessity as much as desire.	1	2	3	4	5
<b>15</b>	One of the few negative consequences of leaving this organization would be the insufficiency of available alternatives.	1	2	3	4	5

**Thank you for answering and helping in implementing the research for the Thesis.**

## APPENDIX B: DEMOGRAPHIC STATISTICS

### Frequency Table

Gender of the respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	53	44.9	44.9	44.9
Female	65	55.1	55.1	55.1
Total	118	100	100	

Group age of the respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Below 20	0	0	0	0
21-25	5	4.2	4.2	4.2
26-30	35	29.7	29.7	33.9
31-35	64	54.2	54.2	88.1
36-40	10	8.5	8.5	96.6
Above 41	4	3.4	3.4	100
Total	118	100	100	

Race of the Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Malay	96	81.4	81.4	81.4
Chinese	17	14.4	14.4	95.8
Indian	5	4.2	4.2	100
Others	0	0	0	
Total	118	100	100	

Marital Status of the Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Single	37	31.4	31.4	31.4
Married	81	68.6	68.6	100
Others	0	0	0	
Total	118	100	100	

### Yearly Personal Income of the Respondent

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Below 24,000	3	2.5	2.5	2.5
24000–30000	2	1.7	1.7	4.2
30001–36000	4	3.4	3.4	7.6
36000–42000	45	38.1	38.1	45.7
Above 42001	64	54.2	54.2	100
Total	118	100	100	

### Current Position of the Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Clerk	2	1.7	1.7	1.7
Officer	5	4.2	4.2	5.9
Executive	101	85.6	85.6	91.5
Manager	10	8.5	8.5	100
Total	118	100	100	

### Education Level of the Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Secondary	3	2.5	2.5	2.5
Diploma	5	4.2	4.2	6.7
Bachelor Degree	106	89.8	89.8	96.5
Master	3	2.5	2.5	99
PHD	1	1	1	100
Total	118	100	100	

### Respondents' Supervisor Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	48	40.7	40.7	40.7
Female	70	59.3	59.3	100
Total	118	100	100	

Number of Years with Current Supervisor

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	< 2	26	22	22	22
	2 - 6	81	68.6	68.6	90.6
	7 - 11	8	6.8	6.8	97.4
	12 ≥	3	2.6	2.6	100
	Total	118	100	100	

Number of Years with Present Organization

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	< 3	28	23.7	23.7	23.7
	3 - 6	69	58.5	58.5	82.2
	7 - 10	12	10.2	10.2	92.4
	11 - 14	3	2.5	2.5	94.9
	15 ≥	6	5.1	5.1	100
	Total	118	100	100	

## APPENDIX B2: ACTUAL RELIABILITY ANALYSIS

### Transformational Leadership style

#### Case Processing Summary

		N	%
Cases	Valid	118	100.0
	Excluded <sup>a</sup>	0	.0
	Total	118	100.0

a. Listwise deletion based on all variables in the procedure.

#### Reliability Statistic

Cronbach's Alpha	N of Items
.832	8

### Transactional Leadership style

#### Case Processing Summary

		N	%
Cases	Valid	118	100.0
	Excluded <sup>a</sup>	0	.0
	Total	118	100.0

a. Listwise deletion based on all variables in the procedure.

#### Reliability Statistic

Cronbach's Alpha	N of Items
.811	7

## Job Performance

### Case Processing Summary

		N	%
Cases	Valid	118	100.0
	Excluded <sup>a</sup>	0	.0
	Total	118	100.0

a. Listwise deletion based on all variables in the procedure.

### Reliability Statistic

Cronbach's Alpha	N of Items
.758	10

## Employee Loyalty

### Case Processing Summary

		N	%
Cases	Valid	118	100.0
	Excluded <sup>a</sup>	0	.0
	Total	118	100.0

a. Listwise deletion based on all variables in the procedure.

### Reliability Statistic

Cronbach's Alpha	N of Items
.855	15

## APPENDIX B3: DESCRIPTIVE STATISTIC

### Item Statistics

Variable	Mean	Std. Deviation	N
Transformational	3.182	.9163	118
Transactional	3.095	.9816	118
Performance	3.945	.3312	118
Loyalty	3.456	.5387	118

## APPENDIX B4: PEARSON CORRELATION ANALYSIS

### Correlation Analysis on Transformational Leadership and Employees Loyalty

#### Correlations

		Transformational	Loyalty
Transformational	Pearson Correlation	1	.754**
	Sig. (2-tailed)		.000
	N	118	118
Loyalty	Pearson Correlation	.754**	1
	Sig. (2-tailed)	.000	
	N	118	118

\*\* . Correlation is significant at the 0.01 level (2-tailed).

### Correlation Analysis on Transformational Leadership and Employees Performance

#### Correlations

		Transformational	Performance
Transformational	Pearson Correlation	1	.701**
	Sig. (2-tailed)		.000
	N	118	118
Performance	Pearson Correlation	.701**	1
	Sig. (2-tailed)	.000	
	N	118	118

\*\* . Correlation is significant at the 0.01 level (2-tailed).



## Correlation Analysis on Transactional Leadership and Employees Performance

### Correlations

		Transactional	Performance
Transactional	Pearson Correlation	1	.689**
	Sig. (2-tailed)		.000
	N	118	118
Performance	Pearson Correlation	.689**	1
	Sig. (2-tailed)	.000	
	N	118	118

\*\* . Correlation is significant at the 0.01 level (2-tailed).

## Correlation Analysis on Transactional Leadership and Employees Loyalty

### Correlations

		Transactional	Loyalty
Transactional	Pearson Correlation	1	.711**
	Sig. (2-tailed)		.000
	N	118	118
Loyalty	Pearson Correlation	.711**	1
	Sig. (2-tailed)	.000	
	N	118	118

\*\* . Correlation is significant at the 0.01 level (2-tailed).

## APPENDIX B5: MEDIATION ANALYSIS

### Mediation Analysis between Transformational Leadership and Employee Performance

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.046	.119		17.226	.000
	Transformational	.443	.036	.754	12.344	.000

a. Dependent Variable: Loyalty

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.001	.084		23.800	.000
	Loyalty	.560	.035	.911	16.077	.000
	Transformational	.003	.020	.008	.137	.891

a. Dependent Variable: Performance

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.147	.080		39.351	.000
	Transformational	.251	.024	.694	10.385	.000

a. Dependent Variable: Performance

	Input:		Test statistic:	p-value:
$t_a$	12.344	Sobel test:	9.79089313	0
$t_b$	16.077	Aroian test:	9.77899926	0
		Goodman test:	9.80283051	0
		Reset all	Calculate	

## Mediation Analysis between Transactional Leadership and Employee Performance

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.283	.120		19.092	.000
	Transactional	.379	.037	.691	10.285	.000

a. Dependent Variable: Loyalty

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.995	.083		24.033	.000
	Loyalty	.566	.032	.921	17.872	.000
	Transactional	-.002	.017	-.005	-.106	.916

a. Dependent Variable: Performance

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.287	.079		41.648	.000
	Transactional	.213	.024	.630	8.743	.000

a. Dependent Variable: Performance

	Input:		Test statistic:	p-value:
$t_a$	10.285	Sobel test:	8.91427711	0
$t_b$	17.872	Aroian test:	8.90381286	0
		Goodman test:	8.92477835	0
		Reset all	Calculate	