THE MEDIATING EFFECT OF JOB SATISFACTION ON LEADERSHIP STYLE AND COMPETENCY TO ORGANIZATION COMMITMENT OF EMPLOYEES IN GROUP TOP GLOVE SDN. BHD.

By
LAM KA HOU

Thesis submitted to
UNIVERSITI UTARA MALAYSIA
in Fulfillment of the Requirement for Master
PERAKUAN KERJA KERTAS PENYELIDIKAN
(Certification of Research Paper)

Saya, mengaku bertandatangan, memperakukan bahawa
(I, the undersigned, certified that)

LAM KA HOU (810930)

Calon untuk Ijazah Sarjana
(Candidate for the degree of) MASTER OF SCIENCE MANAGEMENT

Telah mengemukakan kertas projek yang bertajuk
(Had presented his/her project paper of the following title)

THE MEDIATING EFFECT OF JOB SATISFACTION ON LEADERSHIP STYLE AND COMPETENCY TO ORGANIZATION COMMITMENT OF EMPLOYEES IN GROUP TOP GLOVE SDN. BHD.

Seperti yang tercatat di muka surat tajuk dan kulit kertas projek
(As it appears on the title page and front cover of the project paper)

Bahawa kertas projek tersebut boleh diterima dari segi bentuk serta kandungan dan meliputi bidang ilmu dengan memuaskan.
(That the project paper acceptable in the form and content and that a satisfactory knowledge of the field is covered by the project paper).

NamaPenyelia : DR. JASMANI BINTI MOHD YUNUS
(Name of Supervisor)

Tandatangan : __________________________
(Signature)

Tarikh : 17 JULY 2013
(Date)
PERMISSION TO USE

In presenting this thesis in partial fulfillment of the requirements for a postgraduate degree from the Universiti Utara Malaysia, I agree that the University Library may make it freely available for inspection. I further agree that permission for copying this thesis in any manner, in whole or in part, for scholarly purposes may be granted by my supervisor(s) or, in their absence, by the Dean of College of Business. It is understood that any copying or publication or use of this thesis or parts thereof for financial gain shall not be allowed without my permission. It is also understood that due recognition shall be given to me and to Universiti Utara Malaysia for any scholarly use which may be made of any material from my thesis.

Request for permission to copy or to take other use of materials in this thesis, in whole or in part, should be addressed to:

Dean of College of Business

University Utara Malaysia

06010 UUM Sintok

Kedah Darul Aman
ABSTRACT

This research is to identify the influence of leadership styles and competencies to the organization commitment of the employees in the glove manufacturing industry which are mediated by employees’ job satisfaction in the Klang’s Glove Manufacturing Industries. This study is based on samples collected from Operation Staff & Officers of various departments in a glove manufacturing industry, based on samples collected from employee in the Top Glove Corporation Bhd. in Klang, Selangor. There are two (2) independent variable which are leadership style (transformational & transactional) and leadership competency. Moreover, it is found that a positive relationship between transformational leadership style and organization commitment. The result of this study shows that a positive relationship between transactional leadership style and organization commitment. Results also confirmed the previous study that found a positive relationship between leadership competencies and organization commitment. When we are study mediating effect of job satisfaction on the relationship between leadership style and competencies with organization commitment. The results shown job satisfaction as being partially mediated the relationship between transformational leadership styles on organizational commitment. The study also reports that the job satisfaction as being partially mediated the relationship between transactional leadership styles on organizational commitment. The results had states job satisfaction as being partially mediated the relationship between leadership competencies on organizational commitment.
ABSTRAK

ACKNOWLEDGEMENT

Finally it is the end of my Master of Science Management which I have been going through for the last 3 months. I have experienced lots of things while working on the project of “The Mediating Effect of Job Satisfaction on Leadership Style and Competency to Organization Commitment of Employees in Group Top Glove Sdn. Bhd.”

This report could not be accomplished without assistance and support of many lovely people. First and foremost, I wish to express my deepest gratitude to my Supervisor, Dr. Jasmani Mohd. Yunus. She is a nice Supervisor who with patient, understanding, encouragement and sincerity, gave her support and valuable advice throughout preparation of this paper. Her effort in coaching and guiding me to the success of the research is undeniable.

My heartiest appreciation also goes to the staffs of Universiti Utara Malaysia, Kuala Lumpur City Campus for their assistance, approvals and understanding in making use of office equipment during my research period in this fourth and fifth semester of my Masters Studies program.

This report would also not have been completed without the participation of operation staff and officers in the Top Glove Corporation in Klang, Selangor. Their cooperation and quick response in completing the questionnaires administered is one of the contributors for the success of this report. My special thanks would like going towards the General Manager of Top Glove Factory 13, Mr. Lew Sin Chiang for his understanding in allowing me to conduct this study and permit me to obtain records and data collection within the Top Glove Corporation which located in Klang.
I also treasure the moment of sharing and learning process with all my course mates in UUM KL City Campus during the process of achieving our Master’s Degree since early 2012.

I am also grateful to all my family members especially my parents and my three sibling, for their understanding, trust and endless support to me in my postgraduate study and research writing.

Last but not least, I would like to place on record my appreciation for the many others who have helped me but not able to mention all of them here. I would like to present my humble appreciation and gratefulness to all the people who made this journey possible those who knowingly and unknowingly were so helpful and important in the difficult moments.

Lam Ka Hou  Matrix No: 810930  17 May 2013
### TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permission to Use</td>
<td>i</td>
</tr>
<tr>
<td>Abstract</td>
<td>ii</td>
</tr>
<tr>
<td>Abstrak</td>
<td>iii</td>
</tr>
<tr>
<td>Acknowledgement</td>
<td>iv</td>
</tr>
<tr>
<td>Table of Contents</td>
<td>v</td>
</tr>
<tr>
<td>List of Tables</td>
<td>x</td>
</tr>
<tr>
<td>List of Figures</td>
<td>x</td>
</tr>
<tr>
<td><strong>CHAPTER ONE</strong></td>
<td></td>
</tr>
<tr>
<td>INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>1.1 General Overview</td>
<td>1</td>
</tr>
<tr>
<td>1.1.1 Introduction to Rubber Glove Manufacturing Industry in Malaysia</td>
<td>2</td>
</tr>
<tr>
<td>1.2 Background of Study</td>
<td>5</td>
</tr>
<tr>
<td>1.3 Problem Statement</td>
<td>8</td>
</tr>
<tr>
<td>1.4 Research Question</td>
<td>14</td>
</tr>
<tr>
<td>1.5 Research Objective</td>
<td>15</td>
</tr>
<tr>
<td>1.6 Scope of Research</td>
<td>15</td>
</tr>
<tr>
<td>1.7 Significance of Research</td>
<td>16</td>
</tr>
<tr>
<td>1.8 Important Terms</td>
<td>17</td>
</tr>
<tr>
<td>1.8.1 Leadership Style</td>
<td>17</td>
</tr>
<tr>
<td>1.8.1.1 Transformational Leadership</td>
<td>17</td>
</tr>
<tr>
<td>1.8.1.2 Transactional Leadership</td>
<td>17</td>
</tr>
<tr>
<td>1.8.2 Job Satisfaction</td>
<td>18</td>
</tr>
<tr>
<td>1.8.3 Organizational Commitment</td>
<td>18</td>
</tr>
<tr>
<td>1.8.3.1 Affective Commitment</td>
<td>18</td>
</tr>
<tr>
<td>1.8.3.2 Continuance Commitment</td>
<td>19</td>
</tr>
<tr>
<td>1.8.3.3 Normative Commitment</td>
<td>19</td>
</tr>
<tr>
<td>1.9 Organization of Remaining Chapter</td>
<td>19</td>
</tr>
<tr>
<td>1.10 Summary of Chapter One</td>
<td>20</td>
</tr>
<tr>
<td><strong>CHAPTER TWO</strong></td>
<td></td>
</tr>
<tr>
<td>LITERATURE REVIEW</td>
<td>21</td>
</tr>
<tr>
<td>2.1 Introduction</td>
<td>21</td>
</tr>
<tr>
<td>2.2 Organization Commitment</td>
<td>21</td>
</tr>
<tr>
<td>2.2.1 Three Component Model of Organization Commitment</td>
<td>25</td>
</tr>
<tr>
<td>2.2.1.1 Affective Commitment</td>
<td>25</td>
</tr>
<tr>
<td>2.2.1.2 Continuance Commitment</td>
<td>25</td>
</tr>
<tr>
<td>2.2.1.3 Normative Commitment</td>
<td>26</td>
</tr>
<tr>
<td>2.3 Leadership</td>
<td>28</td>
</tr>
<tr>
<td>2.3.1 Leadership Style</td>
<td>29</td>
</tr>
<tr>
<td>2.3.1.1 Transformational Leadership</td>
<td>30</td>
</tr>
<tr>
<td>2.3.1.2 Transactional Leadership</td>
<td>35</td>
</tr>
<tr>
<td>2.3.2 Leadership Competencies</td>
<td>38</td>
</tr>
</tbody>
</table>
2.4 Job Satisfaction
  2.4.1 Drivers of Job Satisfaction
    2.4.1.1 Nature of work
    2.4.1.2 Equitable reward (Pay/Promotion)
    2.4.1.3 Supportive of Fellow employees
  2.4.2 Herzberg’s Two-Factor Theory

2.5 Previous Empirical Researches
  2.5.1 Leadership Style and Organization Commitment
  2.5.2 Organization Commitment and Job Satisfaction
  2.5.3 Leadership Style and Job Satisfaction
    2.5.3.1 Transformational Leadership and Job satisfaction
    2.5.3.2 Transactional Leadership and Job satisfaction
  2.5.4 Leadership Competency and Job Satisfaction

2.6 Theoretical Framework

2.7 Hypothesis
  2.7.1 Relationship between Leadership Style and Competencies with Organization Commitment
  2.7.2 Relationship between Leadership Style and Competencies with Job Satisfaction
  2.7.3 Mediating Effects of Job Satisfaction on the Relationship between Leadership Style and Competencies with Organization Commitment

2.8 Summary of Chapter Two

CHAPTER THREE
METHODOLOGY
3.1 Introduction
3.2 Operational Variable
  3.2.1 Independent Variable
  3.2.2 Dependent Variable
  3.2.3 Mediated Variable
  3.2.4 Control Variable
3.3 Operational Definition
  3.3.1 Leadership Style
    3.3.1.1 Transformational Leadership
    3.3.1.2 Transactional Leadership
  3.3.2 Job Satisfaction
  3.3.3 Organizational Commitment
    3.3.3.1 Affective Commitment
    3.3.3.2 Continuance Commitment
    3.3.3.3 Normative Commitment
3.4 Research Design
3.5 Population and Sampling
3.6 Measurement and Instrument
  3.6.1 Organization Commitment
  3.6.2 Leadership Style
  3.6.3 Leadership Competencies
  3.6.4 Job Satisfaction
LIST OF TABLES

Table 3.1  List of Glove Manufacturing Factory which are Located in Klang 66
Table 3.2  Variables, Section and Survey Item and Related Hypothesis 68
Table 4.1  Profile of Respondents 78
Table 4.2  Reliability Coefficients for Variables 81
Table 4.3  Mean and Standard Deviation for Study Variables 83
Table 4.4  Descriptive Statistics (Transformational Leadership) 84
Table 4.5  Descriptive Statistics (Transactional Leadership) 86
Table 4.6  Descriptive Statistics (Leadership Competency) 87
Table 4.7  Descriptive Statistics (Job Satisfaction) 89
Table 4.8  Descriptive Statistics (Organization Commitment) 90
Table 4.9  Study Variable and their Inter-correlation Coefficients 95
Table 4.10  Demographic and Coefficients to Job Satisfaction 96
Table 4.11  Demographic and Coefficients to Organization Commitment 97
Table 4.12  Regression Analysis Summary: Relationship between the Independent Variables (Transformational Leadership Styles, Transactional Leadership Style & Leadership Competencies) and Organizational Commitment 101
Table 4.13  Regression Analysis Summary: Relationship between the Independent Variables (Transformational Leadership Styles, Transactional Leadership Style & Leadership Competencies) and Job Satisfaction 104
Table 4.14  Transformational Leadership Styles and Organizational Commitment mediated by Job Satisfaction 108
Table 4.15  Transactional Leadership Styles and Organizational Commitment mediated by Job Satisfaction 110
Table 4.16  Leadership Competencies and Organizational Commitment mediated by Job Satisfaction 112
Table 4.17  Summary of the results of hypothesis tests 113
Table 5.17  Summary of Hypotheses Results 115

LIST OF FIGURES

Figure 2.1  Theoretical Framework 57
Figure 4.1  Model of Analysis – Job Satisfaction Mediates Transformational Leadership and Organizational Commitment 106
Figure 4.2  Model of Analysis – Job Satisfaction Mediates Transactional Leadership and Organizational Commitment 108
Figure 4.3  Model of Analysis – Job Satisfaction Mediates Leadership Competencies and Organizational Commitment 111
CHAPTER ONE

INTRODUCTION

1.1 General Overview

The organizations around the world are moving towards globalization and economic crisis have forced to decrease the resource. Due to these economic crisis organizations are moving towards downsizing and cost cutting strategies in order to balance their financial losses. Diversity in the workplace has been recognized as an employment equity issue. Global workplace environment is changing from organization focus to customer focus, the term commitment play very important role in almost every sphere of human life. If the employee of particular organization are considered committed, it show high values of culture are promoted by company. We are living in a time where stories of employee’s lay-off have become familiar matter (Coetzee, 2005).

Employee commitment is not a new concept. Long before, employees were committed and loyal to their matters and organization will to keep their loyal. Globalization had brings a lot of impact on organizations. Those impacts made organization to be aware of any changes that are happening every day. The main reason for doing that is to compete with each other and in order to keep surviving in the business area. Has never been an organization do not need to have employees. Employees are the main reason of an organization may exist for a long time. They play a major role, and made great contributions for the organization. Therefore, staff is the most important and dominant factor to determine the success of organization's competitive environment. This will also affect the organization to achieve
The contents of the thesis is for internal user only
REFERENCES


Coetzee, M. (2005). Is there an optimal leadership style for the directors of South Africa’s non-profit organisations?


Rahim, A. (1981). *Organizational behavior courses for graduate students in business administration: Views from the tower and battlefield*. Psychological Reports.


