

Leadership and Breakthrough Performance of Malaysian Government-Linked Companies

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Abstract

This paper examines the full-range of leadership styles from high level management leaders to non-managerial leaders in Malaysian Government-Linked Companies (GLCs) and their influence on leadership effectiveness. Recent GLCs leaders confront significant challenges in transforming employees in GLCs to be in line with the aspiration of becoming high performance entities. The Multifactor Leadership Questionnaire (MLQ-5X) was used to investigate the influence of leadership styles on leadership effectiveness in Malaysian GLCs. Based on the findings, most leaders in Malaysian GLCs demonstrated transactional leadership style but yet, the transformational leadership was the most effective leadership style. On contrary, there was no significant impact or relationship between passive/avoidant leadership to leadership effectiveness. These results could be due to the working culture of GLCs' employees since one of the passive/avoidant leadership component; namely, management by exception – passive came out with contrary results in the leadership field. The paper has found that GLCs' employees were more likely to work without supervision and not being monitored by leaders in which the leaders would just take action whenever necessary.

Keywords –Leadership Effectiveness, Leadership Styles, Malaysian GLCs, transactional leadership and transformational leadership,

1. Introduction

The Malaysian government is very concerned on strengthening leadership effectiveness in order to achieve high performances in Government-Linked Companies (GLCs). This is because the government aspires GLCs to have several regional offices and become global champions of the future. Furthermore, GLCs are socio-economic drivers of the country and transformation of GLCs was identified as a national priority and integral to Malaysia's aspirations of achieving a developed country status (GLCT Program Progress Review -March, 2010). Therefore, leadership effectiveness is very important for GLCs' survival in today's challenging environment because poor leadership can result in GLCs being mismanaged and squandering government assets and resources (Boardman & Vining, 1998). Northouse (2007) described that leadership is a process whereby an individual influences a group of individuals to achieve a common goal. Leadership style is the manner and approach of providing direction, motivating people and achieving objectives. In a nutshell, leadership styles

were viewed as behavioral models used by leaders when working with others (Fertman & Liden, 1999). Thus, understanding the correlation between leaders' styles and their effectiveness would add valuable evidence to the existing body of knowledge on leadership in Malaysian GLCs. In line with GLCs transformation, leadership effectiveness is a vigorous part of consistent leadership development. Leadership style is one of the factors that play a significant role in enhancing or impeding the interest and commitment of the individuals in the organization, which is a predictor to leadership effectiveness (Obiwuru, Okwu, Akpa & Nwankwere, 2011). Plenty of research have been conducted which indicated that transformational leadership style is much better than transactional and passive/avoidant leadership style. Dumdum et al., (2002), reported in their comprehensive review and update of transformational leadership that the associations between transformational leadership and leader effectiveness have been constantly positive for over a decade. According to Bass (1994), transactional and passive/avoidance leaders are less effective compared to transformational leaders. Additionally, passive/avoidant leadership is commonly found to be negatively related to effectiveness (Bass, 1985; Bass & Avolio, 2004).

2. Literature Review

2.1 Importance of Leadership in Malaysian GLCs

The current Prime Minister of Malaysia, Dato' Sri Najib bin Tun Haji Abdul Razak reaffirmed the importance and significance of the GLCT Program to pursue championship ambitions (GLCT Program Progress Review May, 2011) which is also one of the important constituents for Malaysia to achieve a developed country status (GLCT Program Progress Review March, 2010; MINDA, 2010). Orange

Book (2006) is one of initiatives in the GLCs transformation program that emphasizes on strengthening leadership development within the Malaysian GLCs. In 2009, the GLCs Cross Assignment Program was officially launched as a part of the initiatives under the Orange Book to provide greater exposure for GLCs employees as well as better opportunity to cultivate GLCs leadership quality (GLCT Program Progress Review May, 2011). What Malaysian GLCs really need is to have effective leaders not solely to support GLCs to achieve breakthrough performances but to successfully manage their followers as well. It is supported by Schofield (1998) who argued that the way people are managed has a powerful impact on both productivity and profitability. A research done by Dahlan (2009) on the critical success factors for the effective performance of Malaysian GLCs highlighted that the GLCs effectiveness is dependent on capable leadership as transformation programs emphasize on improving the business performance of the Malaysian GLCs. The effectiveness of a leader is crucial which signifies that leadership is accountable to inspire, motivate and act as a change agent towards the transformation of human capital as well as GLCs transformation itself through leadership effectiveness. The efficiency in resources mobilization, allocation, utilization and enhancement of organizational performance to a large extent depends on leadership style, among other factors (Obiwuru et al., 2011). It has been shown that Malaysian GLCs really need to further understand the role of leadership styles in shaping leadership effectiveness. Malaysian GLCs should know what type of leadership style that is mostly applied by GLCs' leaders and how it would influence the effectiveness of the leaders themselves.

2.2 Leadership Effectiveness

Chemers (1997) defined leadership as a process of social influence in which one person can enlist the aid and support of others in the accomplishment of a common task. Armstrong (2006) stated that a leader is leading the human resource function, collaborating with other functions and providing leadership to them, setting and enhancing the standards for strategic thinking. Abdullah, Ismail and Alzaidiyeen (2009) in their paper asserted that different approaches to leadership have been proposed, from analyzing what leaders are like, what they do, how they motivate their followers, how their styles interact with situational conditions and how they can make major changes in their organizations (Yulk, 2002). According to Abujarad (2011), in order to assess leadership effectiveness, many different types of outcomes have been used, including the performance and growth of the leader's group or organization, its preparedness to deal with challenges or crises, follower satisfaction with the leader, follower commitment to the group objectives, the psychological well-being and development of followers, the leaders' possession of high status in the group, and the leader's advancement to higher positions of authority in the organization. In this study, the effectiveness of a leader was measured based on three major outcomes from leadership styles including extra effort, effectiveness and satisfaction. Extra effort means the willingness to exert extra effort by followers to do more than they are expected to do, heightened desire to succeed and increased willingness to try harder (Bass & Avolio, 2004). The willingness of doing extra work is due to up surged sense of urgency to achieve organizational goals and targets. Next is effectiveness, this is how subordinates or followers perceive the leader's effectiveness such as effective in meeting others' job-related needs, effective in representing their group to higher

authority, effective in meeting organizational requirements and lead a group that is effective. The two characteristics that are most central to these expectations are task-relevant competencies and trustworthiness. In the early stages of a leader-follower relationship, judgments of these characteristics are based on image and impression, but as time goes by, they are based on experience and evaluation. Without credibility, there is no leadership (Chemers, 1997). Lastly, is satisfaction with leader's methods of working with others (Bass & Avolio, 2004).

2.3 Full Range Leadership Styles

There are several common and popular leadership styles; namely autocratic leadership, bureaucratic leadership, democratic or participative leadership, servant leadership, people- or relationship-oriented leadership, task-oriented leadership, laissez-faire leadership, charismatic leadership, transactional leadership and transformational leadership. However, to be more comprehensive, this study used a full-range of leadership styles from Bass and Avolio (2004) that consist of transactional and transformational leadership as well as passive/avoidant leadership style. The wide-ranging types of leadership styles are broadly used by a number of researchers to study the leadership ground (Avolio, Waldman, & Einstein, 1988; Aydogdu & Asikgil, 2011; Bass, 1985; Bass & Avolio, 1990;1994;2000;2004; Covey, 2007; Davis, 2008; Dumdum, et al., 2002; Erkutlu, 2008; Hater & Bass, 1988; Hay, 2006; Howell & Avolio, 1993; Ismail, 2011; Lowe, Kroeck & Sivasubramaniam, 1996; Obiwuru, Okwu et al., 2009; Waldman, Bass, & Einstein, 1987).

Transformational leadership articulates the vision in a clear and appealing manner, explains how to attain the vision, acts confidently and optimistically, expresses

confidence in the followers, emphasizes values with symbolic actions, leads by example, and empowers followers to achieve the vision (Stone, Russell & Patterson, 2003). It consists of four components as follows:

- Idealized influence is divided into two terms; namely idealized influence attribute and behavior. Idealized influence attribute refers to whether or not the leader is seen as charismatic, powerful and confident and if the followers would like to be associated with him / her. Secondly, idealized influence in terms of behavior includes talking about his/her most important values and beliefs, emphasizing the collective mission and purpose, as well as considering the ethical implications of his/her decisions (Aydogdu & Asikgil, 2011).
- Intellectual stimulation is the degree to which the leader challenges assumptions, takes risks and solicits followers' ideas. Leaders with this trait stimulate and encourage creativity in their followers (Covey, 2007).
- Individual consideration relates to leaders who treat employees as individuals and not just members of a group. This is done through compassion, appreciation and responsiveness to employees' needs alongside recognition and celebration of achievements (Bass & Avolio, 1994).
- Inspirational motivation is the degree to which the leader articulates a vision that is appealing and inspiring to followers.

Transactional leadership has two components; namely, contingent rewards and management by exception-active. Transactional leaders display behaviors associated with constructive and corrective transactions. The constructive style is labeled contingent reward and the corrective style is labeled management-by-exception. Transactional leadership defines expectations and promotes performance to achieve these levels (Bass & Avolio, 2004). Passive/avoidant leaders, on the other hand, avoid specifying agreements, clarifying expectations, and providing

goals and standards to be achieved by followers (Bass & Avolio, 2004). There are two components for passive/avoidant leadership. The first component is management by exception -passive which is defined as the leader takes corrective action when problems arise (Rukhmani et al., 2010) It focuses on monitoring task execution for any problems that might arise and correcting those problems to maintain current performance levels (Bass & Avolio, 2004). The second component is laissez-faire that is the avoidance or absence of leadership (Bass & Riggio, 2006). Passive/avoidant leadership tends to react only after problems have become serious to take corrective action and may avoid making any decisions at all (Bass & Avolio, 2004).

3. Research Methodology

MLQ-5X was used for leadership assessment to examine the influence of leadership styles on leadership effectiveness in Malaysian GLCs. MLQ has been used formore than twenty five years on plentiful surveys of leadership in both public as well as non-public establishments, which investigates from higher level to lower level positions (Bass & Avolio, 2004). The paper focused on the perceived leadership styles and leadership effectiveness rather than the leader as a self-rater. There were four levels of leaders, which include the top level manager/senior manager and followed by second level leaders comprising team or senior management. Thirdly, were leaders on executive level position and then non-executive level leaders. The population for this study is the Malaysian Government-Linked Companies (GLCs) and 325 valid questionnaires were obtained. Confirmatory factor analysis (CFA) was conducted to evaluate the structures of MLQ-5X. CFA analysis was performed using AMOS Graphic.

3.1 Hypotheses of Study

Transformational leadership is said as the most effective style as compared to other leadership styles (Albulushi&Hussain, 2008; Dumdum et al., 2002; Hay, 2006; Rahman et al., 2009; Purvanova & Bono, 2009; Walumbwa & Lawler, 2003). Erkutlu (2008) found that leadership and organizational effectiveness were closely related. All the components of transformational leadership that are idealized influence (attribute), idealized influence (behavior) inspirational motivation, intellectual stimulation, and individualized consideration are positively related to both leadership and organizational effectiveness. Based on these finding, hypothesis 1 is developed as follows:

***Hypothesis I:** There is a significant positive relationship between transformational leadership (idealized influenced – attribute & behavior, inspirational motivation, intellectual stimulation and individualized consideration) with leadership effectiveness (extra effort, effectiveness, satisfaction) in Malaysian GLCs.*

Aziz, Abdullah, Tajudin and Mahmood (2013) found that transactional leadership has positive relationship with effectiveness or performance. Davis (2008) also found in his study that subordinates' willingness to exert extra effort significantly and positively correlates with transformational and transactional (active) leadership. Guardia (2007) found that transactional leadership is the elementary factor to organizational success at both team and individual levels and that transactional leadership behavior has vital relations with group and individual performance factors. Bass and Avolio (2004) asserted that more corrective and passive forms of leadership styles were negatively correlated with the outcome measures such as extra effort, effectiveness and satisfaction. Focusing on

preventing mistakes and catching those that are most critical are essential to effective leadership, particularly in work contexts where risks of failure are associated with high costs. However, if focusing on mistakes is all the leader does, then associates' development and performance will suffer (Bass & Avolio, 2004). Based on previous research, the following is the second hypothesis of this study:-

***Hypothesis II:** There is a significant positive relationship between transactional leadership style (contingent reward & management by exception - active) and leadership effectiveness (extra effort, effectiveness and satisfaction) in Malaysian GLCs.*

Bass and Avolio (2004) reported that management by exception (passive) and laissez-faire scales were strongly negatively correlated with extra effort, effectiveness and satisfaction. Bass and Avolio (1994) reported that both management by exception—passive and laissez-faire leadership are seen as ineffective leadership behaviours. Avolio (1999) noted that laissez-faire leadership is poor, ineffective leadership and highly dissatisfying for followers. A number of researchers asserted that laissez-faire leadership resulted in lower satisfaction, commitment, and performance (Bass & Avolio, 2004; Northouse, 2001; Erkutlu, 2008). The last hypothesis developed from the previous findings between passive/avoidant leadership and leadership effectiveness is as follows:

***Hypothesis III:** There is a significant negative relationship between passive/avoidant leadership style (management by exception – passive and laissez -faire) and leadership effectiveness (extra effort, effectiveness and satisfaction) in Malaysian GLCs.*

4. Results

The findings in Table 1 indicate that leaders at all position levels demonstrated a greater transactional leadership style as compared to the other two styles. To sum up, the highest means for all level of leaders' positions was transactional leadership (2.81), followed by transformational leadership (2.75) and the least mean score was passive/avoidant (1.99). These findings indicate that transactional leadership is the most demonstrated leadership style in Malaysian GLCs.

Table 2 revealed that transformational leadership have significant positive

correlation with extra effort ($r=.82$), effectiveness ($r=.84$) and satisfaction ($r=.76$). Transactional leadership also have significant positive relationship with extra effort ($r=.69$), effectiveness ($r=.75$) and satisfaction ($r=.67$). In contrast, passive/avoidant have negative relationship with extra effort ($r= -.03$), effectiveness ($r= -.00$) and satisfaction ($r= -.09$). R Square values for dependent variables namely extra effort (EE), effectiveness (EF) and satisfaction (SAT) in the Model Summary (Table 3), explains that 68.3 percent of the variance lies in extra effort, 72.6 percent in effectiveness and 61.5 percent in satisfaction.

Table 1: Leaders' Position

	TF	TS	PA
Manager/ Senior Manager	189	189	189
Mean	2.69	2.69	1.90
Std Dev	.61	.61	.99
Team/ Senior Management	53	53	53
Mean	2.86	2.88	2.07
Std Dev	.68	.56	.90
Executive	15	15	15
Mean	2.72	2.77	1.97
Std Dev	.63	.61	.93
Non-executive Level	15	15	15
Mean	2.72	2.77	1.97
Std Dev	.63	.61	.93
Total Mean	2.75	2.81	1.99

Table 2: Correlation between Leadership Styles and Leadership Effectiveness

	EE	TF	TS	PA
EE	1	.82**	.69**	-.03
TF	.82**	1	.86**	.11
TS	.69**	.86**	1	.19**
PA	-.03	.11	.19**	1
	EF	TF	TS	PA
EF	1	.84**	.75**	-.00
TF	.84**	1	.86**	.11
TS	.75**	.86**	1	.19**
PA	-.00	.11	.19**	1
	SAT	TF	TS	PA
SAT	1	.77**	.67**	-.09
TF	.77**	1	.86**	.11
TS	.67**	.86**	1	.19**
PA	-.09	.11	.19**	1

**Sig. (2-tailed)

EE = Extra Effort; EF = Effectiveness; SAT = Satisfaction
 TF = Transformational Leadership; TS = Transactional leadership; PA = Passive-Avoidance Leadership

Table 3: Model Summary

Dependent Variable	R	R Square	Adjusted R Square
Extra Effort (EE)	.827 ^a	.683	.680
Effectiveness (EF)	.852 ^a	.726	.723
Satisfaction (SAT)	.784 ^a	.615	.611

5. Discussion and Conclusion

The empirical results of this paper show that transformational leadership style has a very strong relationship with leadership effectiveness. The same result was also supported by Erkutlu (2008) who found that transformational leadership was positively related to leadership effectiveness. Particularly, the findings highlighted that transformational leadership has a positive and strong significant relationship with extra effort ($r = .82$), effectiveness ($r = .84$) and satisfaction ($r = .77$) and this results are similiar with several other authors (Avolio, Waldman,& Einstein, 1988; Bass & Avolio, 1990; Bass,

1985; Dumdum, et al., 2002; Hater & Bass, 1988; Howell & Avolio, 1993; Lowe et al., 1996; Waldman, Bass, & Einstein, 1987). All of transformational leadership components in this study were positively correlated with extra effort, effectiveness and satisfaction. Lowe et al., (1996) also found that charisma (idealized influence) and intellectual stimulation were related to leadership effectiveness outcome that satisfaction is highly correlated with idealized influence – attribute. Transactional leadership also has a positive relationship with extra effort ($r=.69$), effectiveness ($r=.75$) and satisfaction ($r=.67$). There are two components of transactional leadership which are

contingent reward and management by exception – active. Between these two components, contingent reward overrides the management by exception – active because contingent reward is more highly related to leadership effectiveness; namely, extra effort, effectiveness and satisfaction. The result of contingent reward which has a significant positive relationship with leadership effectiveness had been identical with the research by Bass and Avolio (1990), which found that contingent reward was also positively related to extra effort, effectiveness and satisfaction. Davis (2008) found in his study that extra effort significantly and positively correlate with transactional (active) leadership and the result is similar to this study. Bass and Avolio (2004) asserted that more corrective forms of leadership are negatively correlated with the outcome measures such as extra effort, effectiveness and satisfaction. Bass and Avolio (2004) asserted that a passive form is negatively correlated with the outcome measures such as extra effort, effectiveness and satisfaction. The results of this study also found that passive/avoidant leadership has negative relationship with leadership effectiveness. However, this study concludes that there is no significant relationship between passive/avoidant and effectiveness. However, for passive/avoidant component; namely, management by exception – passive, even when there is no significant relationship between passive/avoidant and leadership effectiveness as a whole; upon close scrutiny at the results, it has generated positive response to extra effort, effectiveness and satisfaction. Although transactional leadership was the most demonstrated style by GLCs leaders, it is not the most effective leadership style; this is because transformational

has the highest r value on all leadership effectiveness outcomes that include extra effort, effectiveness and satisfaction. Passive/avoidant leadership was the least demonstrated leadership style by GLCs leaders. As a conclusion, the study indicates that all components for both transformational (idealized influence – attribute and behavior, inspirational motivation, individual consideration, intellectual stimulation) and transactional leadership (contingent rewards & management by exceptions – active) have significant positive relationships with leadership effectiveness, which include extra effort, effectiveness and satisfaction. Contrarily, passive/avoidant leadership style has no significant relationship with leadership effectiveness.

6. Recommendation

The result of this study has shown that majority of GLCs leaders are inclined towards transactional leadership, hence GLCs must be concerned on shaping leaders to be more transformational since it is the most effective leadership style. Transformational leadership style does not solely play a role in achieving organizational goals, it also helps in developing followers to be a leader which is good for leadership development. Moreover, transformational leadership is applicable and relevant to the multiracial nature of Malaysian people because transformational leadership is more favorable and well accepted by followers as can be observed from the results of this study. Nevertheless, the role of transactional leadership should not be overlooked because it has been found to have a positive influence on leadership effectiveness. Since current GLCs leaders tend to be transactional in nature, the government should promote transformational

leadership culture in the GLCs transformation program. Furthermore, being too dependent on transactional leadership would only deal with present issues on a short-term basis as compared to transformational leadership style which develops strong relationship between leaders and followers for a long-term basis. On the other hand, for passive/avoidant leadership, this study has indicated that GLCs employees are more likely to do their work without much interference or supervision from leaders and this would set a gap between leaders and followers. This is another issue that the government should consider to strengthen the GLCs in creating a harmonious working environment that can establish good relationship between followers and leaders.

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