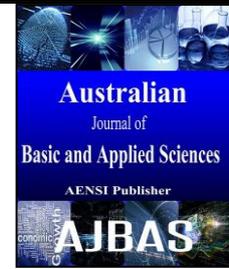




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Transformational Leadership Qualities and Companies' Performance in Construction Industry

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ABSTRACT

The leader is a person that sets the tone and culture in the organization. An effective leader is a person that's able to unify their followers by altering their views and motivations to meet the organization's need without compromising the needs of their followers. Leadership is a dynamic process in which one individual influences others to contribute to the achievement of the team task in the organization. Based on a combination of literature review and questionnaire surveys, this paper examine the effect of transformational leadership quality on the companies' performance in construction industry in Malaysia. A quantitative research approach was adopted by dissemination developed questionnaires to large sized construction companies registered as grade G7 contractors under CIDB, Malaysia, classification. Questionnaires were sent to 600 randomly selected respondents via postal service and by hand out of a total population of 4,000 G7 contractors out of which 120 (20% response rate) of the questionnaires were returned, completed and useable. The analysis methods in this research were based on multiple regression study. The research found a positive relationship between two transformational leadership qualities namely inspire followers to go beyond their own self-interest and giving employee empowerment with the company's performance.

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INTRODUCTION

The transformational leadership theory defined leaders as those who forms a rapport with their subordinates that results in a relationship in which the subordinate finds intellectually stimulating, inspirational motivation, sensitively considerate and supportive and expresses a mission that represents their shared views (Hancott, D.E., 2005). According to Krishnan (2005), the ability of a leader to spur the follower to accomplish more than what the follower planned to accomplish is the foundation of the theory of transformational leadership. Team members ought to be thoroughly briefed on the project so that they know where they are heading in accordance with the project's goal.

This paper intends to examine the effect of transformational leadership on performance of the construction companies in Malaysian construction industry. As stated by Aarons (2006), "Leadership is associated with organizational and staff performance". Several researchers such as Hater and Bass (1988) and Yammarino and Bass (1990) discovered that transformational leaders bring about a positive effect on the development of a company.

However, results of transformational leadership behaviour on company's business performance differed amongst countries. In this regard, with certain countries, particularly developing countries, having conducted no extensive research on whether transformational leaders adequately transform their followers towards individual, group and organizational objectives. Therefore, further study will be sought regarding the capacity of transformational leaders and what they offer to motivate their companies to rise to the challenge, especially in this era of globalization.

Transformational Leadership and Company Performance:

Several researchers studied the effects of transformational leadership on company performance (Bass, B.M. and R.E. Riggio, 2005; Waldman, D.A., 2001). Generally, Hancott (2005) summarized these relationships into three individual constructs pertaining to the components of transformational leadership as asserted by Burns (1978), which are idealized influence, intellectual stimulation, inspirational motivation and individualized consideration.

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Performance is considered as a behaviour with an evaluative component and also as multidimensional and episodic (Ahadzie, D.K., 2008). A high performance workplace focuses on increasing people's influence on the business as well as the impact of processes, methods, the physical environment, and technology and tools that enhance their work. In case of the construction industry, the project teams form the focus of working life in the industry. According to Raide (2006), the changing requirements of construction activities necessitate the companies to form different teams each time a new project is undertaken. Therefore, any policies and practices that are applied by the companies in order to improve teamwork activities can have effects on the performance of their projects (Tabassi, A.A.,

2012). Accordingly, teamwork improvement and task efficiency are making the factors of company performance in this paper.

Conceptual Framework:

Based on the previous studies, this paper provides a conceptual framework for understanding the relationship between transformational leadership style and company performance. In this paper the research variables could be defined as the company's performance as a dependent variable and transformational leadership style as an independent variable. Dependent variable of this paper includes task efficiency and teamwork performance. The link between the independent variable and the dependent variable are shown in the figure 1.

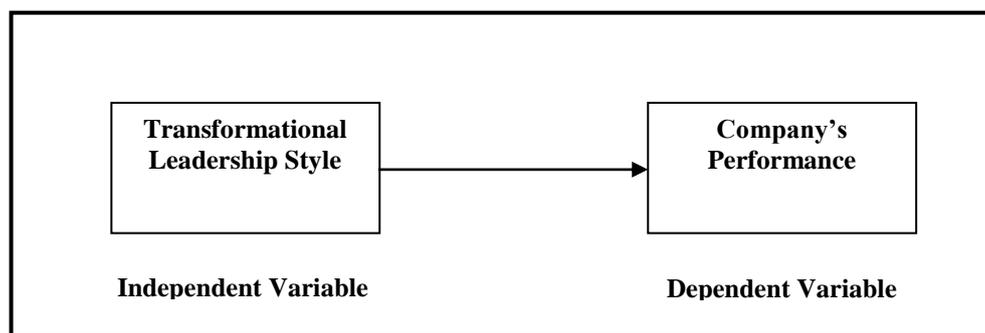


Fig. 1: Diagram of the relationship between the independent and dependent variable.

Research Methodology:

The purposes of this study is to assessing company's transformational leadership practices toward company's performance. The study was conducted through structured questionnaires that were sent out to large construction companies G7 that registered under Malaysian Construction Industry Development Board (CIDB) via mail and e-mail services. The collected data were analysed according to the appropriate analysis methods. Analyses of data are based on multiple regression analysis. The analysis of the survey results makes use of SPSS.

Data analysis:

Transformational leadership and company's performance:

Multiple regression analysis was conducted to examine the relationship between company performance and transformational leadership variables as a predictor. There are three variable within transformational leadership namely develop followers into a leader, inspiring followers and giving employee empowerment. Table 1 summarizes the fit model of the regression. It is shown that Model 2 is the best model for the study, where the model has accounted for 26.7% of the variance in the criterion variable.

Table 1: Regression with interaction goodness of fit statistics.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.492a	.242	.235	.52944	.242	37.590	1	118	.000
2	.529b	.280	.267	.51818	.038	6.185	1	117	.014
a. Predictors: (Constant), Inspiring followers									
b. Predictors: (Constant), Inspiring followers, Empowerment									
c. Dependent Variable: Company's Performance									

Table 2 summarizes the multiple regression results of the Model 2. It shows that the transformational leadership variables of inspiring followers significantly correlate with the company performance at $P < 0.01$ level. The result also shows that the variable of giving employee empowerment

significantly correlates with the company performance at $P < 0.05$ level. Only variable of developing followers into a leader was not included in the table due to this variable is not significantly correlate with the company's performance. In summary, the results indicate that only two variables

within transformational leadership namely inspire followers to go beyond their own self-interest and

giving employee empowerment had a positive relationship with the company's performance.

Table 2: Regression with interaction coefficients.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
2	(Constant)	1.452	.377		3.846	.000		
	Inspiring Followers	.296	.113	.293	2.623	.010	.492	2.032
	Empowerment	.326	.131	.278	2.487	.014	.492	2.032

a. Dependent Variable: Company's Performance

Discussions and Conclusions:

Empirical study of transformational leadership in the construction industry has been fairly limited. From what that is gathered, transformational leadership is one of the more modernized or 'westernized' styles of leadership that evolved from the traditional authoritative style, espoused due to the rare or even unattainable privilege of the workforce to be able to receive proper education during the colonization, thus the commanding style ensures the workers are properly directed towards achievement of organization goals.

The study found a positive relationship between two transformational leadership qualities namely inspire followers to go beyond their own self-interest and giving employee empowerment with the company's performance. The result indicates that these two dimensions are important to be considered by leaders in enhancing company's performance.

In conclusion, findings have revealed a strong progressive link between the aptitude and skills of a transformational leader and company performance, further reaffirming the key theoretical postulations regarding the transformational leadership theory. Even so, in the many years to come, the body of this equivocal philosophical pursuit will most likely still be explored by leadership theorists alike, hopefully resulting in a leadership school of thought free of any ambiguity.

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