# EMPOWERMENT AND LEADERSHIP EFFECTIVENESS AMONGST MALAYSIAN MANAGERS

**BY**

**SURIATI  BINTI SHARIFF**

**Research report submitted in partial fulfillment
of the requirements for the degree of
Master of Business Administration**

**JUNE 2005**

# ACKNOWLEDGEMENT

Alhamdulillah. Bismillahhirahmannirrahim


To my Husband,

Zainal Adnan Zainudin

Thank you for your support, patience, guidance and understanding

throughout my studies


To my parents, sister & brothers,

Hj Shariff bin Hashim & Hjh Sopiah bt Hj Noh

Suriani , Shaharudin & Shaharin


To my Supervisor,

Prof. Dr. Mohamed Sulaiman

Thank you for your invaluable support, assistance and supervision that

provided me throughout the course of this research


To all lecturers,

Thank you for the extensive knowledge that you have taught me


To my friends,

Suhaida, Shaiful , Faizulkisnu, Rosidah

Thank you for your kind support and understanding
throughout the course of my study

**TABLE OF CONTENTS**

**LIST OF TABLES**

**LIST OF FIGURES**

**PAGE**

**ABSTRAK**

Kajian tertumpu kepada pemberian kuasa dan keberkesanan pimpinan di kalangan para-para pengurus Malaysia. Objektif utama kajian ini ialah untuk mengenalpasti tahap pemberian kuasa yang dijalankan oleh para pengurus Malaysia, mengenal pasti adakah faktor demografik (ciri-ciri pemimpin dan ciri-ciri syarikat) akan dapat mempertingkatkan hubungan di antara pemberian kuasa dan keberkesanan pimpinan serta mengenalpasti hubungkait antara komponen-komponen pemberian kuasa seperti pengaruh, keupayaan, keyakinan diri serta nilai dengan keberkesanan pimpinan. Populasi kajian ini adalah terdiri daripada para pengurus di syarikat-syarikat Malaysia. Unit analisis adalah terdiri daripada pengurus dan eksekutif yang bertanggungjawab menyelia pekerja bawahannya. Sampel dipilih dari kalangan pengurus yang bekerja di syarikat-syarikat di Pulau Pinang dan Kedah. Borang soalselidik dimajukan terus kepada setiap wakil dari syarikat-syarikat tersebut. Data dianalisis menggunakan perisian SPSS. Dari kajian yang dijalankan didapati, terdapat peningkatan di dalam tahap pemberian kuasa dan keberkesanan pimpinan oleh pengurus-pengurus Malaysia. Juga didapati faktor-faktor demografik tidak mempunyai hubungkait dengan keberkesanan pimpinan sebaliknya pemberian kuasa yang mempunyai hubungkait dengan keberkesanan pimpinan. Kajian juga mendapati komponen pemberian kuasa seperti pengaruh mempunyai hubungkait dengan keberkesan pimpinan, sementara keupayaan dan nilai tidak menunjukkan sebarang hubungkait dengan keberkesanan pimpinan. Namun begitu, keyakinan diri hanya mempunyai separa hubungkait dengan keberkesan pimpinan.

# ABSTRACT

The study is focused on empowerment and leadership effectiveness amongst Malaysian managers .The objective of the research is to identify the level of empowerment practiced by Malaysian Managers, to determine whether demographic factors (leader's characteristics and organization's characteristics) contribute to the relationship between empowerment and leadership effectiveness and finally to ascertain the relationship between empowerment components (impact, competence, self-determination and meaning) with leadership effectiveness. The population in this research is the managers in Malaysian organizations. The unit of analysis in this study is the individual manager which also included executives who are also responsible in overseeing other people's work as well. In order to simplify the sampling method, sample selected from managers working in various organizations in Penang and Kedah. The questionnaire was personally distributed to each of the representative from the organizations. The major statistical tools were used to analyse data. The finding of the study indicated there are slightly high values of level of empowerment practiced in the organizations. Also, empowerment, regardless of the leader's characteristics and organization's characteristics has the predictive explanatory power on the leadership effectiveness. The study also found that impact in empowerment is positively related to leadership effectiveness, competence and meaning empowerment is not related to leadership effectiveness whilst self-determination in empowerment is not related to job satisfaction and task accomplishment. It only related to personal growth.

# CHAPTER 1

# INTRODUCTION

## 1.1 Introduction

One of the challenges that the leaders face today is how to cope with major challenges in the new era of information technology and communication worldwide, the globalization of the economy and intense competitive forces with firms more focus on the need to reduce as much costs as possible, enhanced customer satisfaction, speed delivery of services and competitive environment characterized by deregulation and converging markets, complex customer needs, corporate restructuring, and downsizing. These major changes affect the way we lead organizations. This has resulted many organizational leaders searched for innovative ways to enhance the creative potential of their workforce and gain that extra competitive advantage (Applebaum, Hebert & Leroux, 1999).

In order to cope with those challenges, organizations need to have an effective leadership to navigate the organization throughout those challenges and at the same time creating more opportunities to ensure company's stabilities and growth. It is not just the organization that has to be involved, it requires everyone in the system to be involved in the tasks. In this new era, new potential workforce is required with knowledge, skills, ability to learn fast and able to stay competitive are highly demanded. At the same time, organization in order to deal with the challenges of global environment as well as to stay competitive in the world marketplace, they need to look beyond the sphere of traditional directive management and the limited application of participative management (Mahmoud, Lazarus & Cullen, 1992).

Bearing the importance to sustain in the current economic business environment, a new approach to capture the potential, knowledgeable, skillful workforce with ability to learn fast and stay competitively are highly demanded. This phenomenon requires the leaders and organizations to adapt to this new environment and this scenario is of a critical stage.

Malaysia , for example have been facing major changes for the past 25 years in order to cope with global market forces that require excellent competent leaders to the navigate the country to face obstacles ahead worldwide. The tasks not just rely on the Government, but also to the industries, companies, business as well as CEO's of every organization to make sure that the country is ready to cope with these new world environment.

## 1.2 Background of the Study

The study is focused on empowerment and leadership effectiveness amongst Malaysian managers. A manager's role is to bring order and consistency through planning, budgeting and controlling. Leadership, on the other hand is aimed at producing movement and change (Kotter, 1990). The difference between a leader and a manager is that leaders have long term and future-oriented perspectives, and provide vision for their followers that looks beyond their immediate surroundings whilst managers have short term perspectives and focus on routine issues within their immediate departments or groups (Gardner, 1986). However, managers who are able to lead followers towards goal achievement, motivate them and provide them with a sense

of mission and purpose can be considered effective leaders (Gardner, 1986; Grove, 1986).

One of the major forces for cultural and structural changes in organization has been the empowerment movement. Empowerment is designed to increase the power and autonomy of all employees in organizations (Nahavandi,1997).The role of a leader is to provide a supportive and trusting atmosphere that encourage employees to share ideas, participate in decision making, collaborate with one another, and take risks. The positive atmosphere has to be accompanied by high work and productivity standards, clarification of organizational mission and goals, clear and equitable rewards for both proper behaviors and productivity outcomes. Empowerment provides employees opportunities to set higher goals, seeking out resources that they need, supporting them in their decisions and actions and rewarding them when the goals are achieved. The leaders need to have high-expectation standards and express confidence in the follower's ability to deliver high performance.

Managers are selected based on their qualification, experience, skills, ability and knowledge. These managers usually possess at least a bachelor's degree in order to become a manager. However, there are managers that possessed a school certificate and a diploma but have been promoted to become a manager in most Malaysian organizations due to their working experience and wide knowledge. These managers, despite of their qualification, experience, skills, abilities, knowledge and other criteria's, they are the leaders in their organizations. Thus, since the world is changing towards globalization, deregulation, information technology era and so forth, these

managers are also required to adapt to current global changes in order to sustain their leadership effectiveness.

The organizations in Malaysia, be it the public or private sectors plays a vital role in promoting empowerment environment. For instance, in the early 1990's, Malaysia have practiced the concept of privatization on some of the Government agencies such as Lembaga Letrik Negara (LLN), Jabatan Telekom Malaysia, Jabatan Kontena, Lembaga Pelabuhan Kelang and a few other companies being transferred into corporatized companies such as Suruhanjaya Pelabuhan Pulau Pinang and Lembaga Pelabuhan Johor. The above are more on the concept of organizational empowerment.

By being empowered, these companies can have immediate decision in terms of its long term strategic business decision, capital investment, property development, loans securing and other organizational development projects as faster decision making can be made at the various level to expedite their services.

In fact recently, the Prime Minister of Malaysia, Y.A.B Dato' Seri Abdullah Ahmad Badawi has called upon all of the government agencies that deal directly with the customers to implement effective customer service (The Star, 2005).

With the move from the government sectors as well as the private sectors, it can be seen that empowerment is a very popular approach in the current organizational change. It is not a problem of the down-liners only but rather a problem of the organization as well. The system, the structure, the people, the management practices are the key role towards successful empowerment. Organizations wishing to instill a culture of empowerment must find a way of establishing systems and process that do not restrict employees. Management can adapt, develop and change the organizational

structure to produce the positive motivational behavior like employees dedicated to learning, growing, developing self management, participation decision making, high level of vertical and horizontal communication and employees able to deal with conflict management and resolution effectively and efficiently (Erstad,1997). In order to make sure that this approach is successful, leadership effectiveness of every organization plays a vital role to promote the empowerment practices. Then only we can be successful in this competitive world.

**1.3 Problem Statement**

The study is to focus on empowerment practice amongst Malaysian Managers in relation to leadership effectiveness. Leadership effectiveness is an important determinant of a successful organization. It measures the goal accomplishment of the organization, productivity, sales, revenue turnover, profit, share prices, job satisfaction, low turnover of employees and other benefits which reflected the effectiveness of the leaders in that organization. In fact, there are various previous research on relevant aspect of personality traits that link effective leadership by managers in organizations. The traits such as high energy level and stress tolerance, self-confidence, internal locus of control, emotional stability and maturity, personal integrity, socialized power motivation, moderately high achievement orientation and low need for affiliation.

Empowerment is designed to increase the power and autonomy of all employees in organizations. The underlying theme of empowerment is giving away and sharing of power with those who need it to perform their job functions. Such power sharing

provides people with a belief in their abilities and sense of effectiveness (Nahavandi, 1997).

However, there is no empirical study has ever been conducted on the relationship between empowerment and leadership effectiveness in Malaysian organizations. Although, Malaysia has practiced empowerment organization since early nineties, there is no research to establish the relationship between empowerment and the leadership effectiveness in these organizations. Even, the study by Karia and Ahmad (2000) focused on the impact of empowerment and teamwork on job satisfaction, organizational commitment, career satisfaction and job involvement in public and private organizations that practices Total Quality Management.

Secondly, there is no study in Malaysia that compares empowerment between managers in many type of industries which resulting towards the leadership effectiveness. Also, some empowerment programs that were implemented failed due to various reasons. Managers are only executing whatever decisions that have been directed to them by their superior without any objections, managers have no authority in deciding their department's goal towards higher performance and there is no clear vision for managers to act in their prerogative power.

Thirdly, researchers have long emphasize the importance of empowerment in ensuring the successful outcome of the organization (Forrester, 2000; Howard, 1998; Randolph, 1995; Spreitzer, 1996). The kind of impulsive, fast-track empowerment that actually takes power away from everyone involve without identifying the relevant parties, individuals, divisions or job teams that required the empowerment decision, the understanding that empowerment is the transfer of power from those who had more to

those who had less of it and failure to differentiate among employees of the power sharing between the relevant or not (Forrester, 2000).These resulted in many situations of ineffective leadership.

Thus, it is the aim of the research to explore the above problem statement in relations to empowerment and leadership effectiveness amongst Malaysian managers.

## 1.4 Research Objective

The objective of the research are as follows:-

1)    To identify the level of empowerment practiced by Malaysian Managers in terms of impact, competence, self-determination and meaning

2)    to determine that demographic factors such as leader's age, gender, educational level, position as well as type of industry, size of department and companies contribute to the relationship between empowerment and leadership effectiveness,

3)    also to ascertain the relationship between empowerment components (impact, competence, self-determination and meaning) with leadership effectiveness.

## 1.5 Research Questions

Based on the objectives mentioned above, three research questions have been developed in order to answer the study conducted. Given the benefits attributed to empowerment on both individual and organizational level which include increased productivity, enthusiasm, morale and creativity, higher quality products and services,

improved teamwork, customer service and position, increased speed and responsiveness and lessened emotional impact of demoralizing organizational changes and restructuring, it is easy to see why empowerment is very popular (Appelbaum & Honeggar, 1998; Brown, 1992; Shelton, 1991; Umiker, 1992; Von Dran, 1996;).

Thus, the research questions for this study will be as follows:-

1.  What is the level of empowerment practiced amongst the Malaysian Managers?

2.  Do the demographic factors such as leader's age, gender, educational level, position (leader's characteristics) as well as type of industry, size of department and companies (organization's characteristics) contribute to the relationship between empowerment and leadership effectiveness?

3.  Is there any relationship between empowerment (Impact, Competence, Self-determination and Meaning) with leadership effectiveness?

## 1.6 Significance of the Study

This study is useful in enhancing the organizational effectiveness through the understanding of the relationship between empowerment and leadership effectiveness of its managers. The study will also provide guidelines of which area to focus in terms of achieving organizational goal.

According to Appelbaum et al.(1999), power has always been a center of human motivation. It can even affect the psyche of a nation thus the whole cultures can be affected by the need to feel powerful. In today's competitive climate demands that everyone feel powerful in control and be willing to help promoting organization

8

towards the peak of greater competitiveness thus power need to be redistributed  to a greater extent. By shifting to this new strategies of offering employees the power of making decisions on work related problems, providing them with skills, technology and knowledge, the intrinsic rewards that will be achieved by the organization is tremendous. This is because the employees feel satisfied and motivated as the organization trust them. This resulted in self efficacy to the employees that they are energized to produce outcomes.

As management becomes more comfortable with the idea of shared decision making and employees become trained in how to make decisions, the degree of involvement and empowerment may be increased through the adding of further steps in the decision process. This incremental approach, focused first on job content and later on job context, will permit management to learn the extent to which both it and its employees are ready, willing, and able to become empowered. It may not work for all employees or all managers in all situations. This approach opens the door, however, for the beginning of its use in any organization and at any level.

In Malaysia, most research is conducted between the same types of industry but not between industries. It is therefore significant for this study to compare empowerment practiced amongst Malaysian managers in many types of industries to see the diversification aspects of empowerment and leadership effectiveness .Thus the significant of the study is that there will be an exploration of study of empowerment and leadership effectiveness amongst Malaysian managers.

**1.7 Definition of  key terms**

Below are the definitions of the key terms used in this study.

**i) Empowerment**

According to Daft (2005) empowerment refers to power sharing, the delegation of power or authority to subordinates in organization. It is a descendant of  ideas of participation and involvement that implies the freedom and the abilities to make decisions and commitments and power is the key word to enhance it. A study by Spreitzer, 1995 defined the  four psychological empowerment  components as follows:-

**ii) Meaning**

The content and consequences of the work are consistent with a person's values and ideals.

**iii) Competence**

The person has high confidence about being able to do it effectively.

**iv) Self-determination**

The person has the capability  to determine how and when the work is done.

**v) Impact**

The person believes it is possible to have high significant impact on the job and work environment.

**vi) Leadership Effectiveness**

According to Yukl (2004), leadership effectiveness measures the organizational profit margin, sales growth, productivity of the organization headed by that leader which is termed as objective measures whilst subjective measures are satisfaction of subordinates, organizational commitment, increased morale and rating of effectiveness from the leader's superiors or subordinates. Leadership effectiveness can be viewed on the great changes that the leaders have made, especially to the employees motivation, job satisfaction, self esteem, self efficacy and also the organizational performance as a whole. It is measured by the achievement that the employees achieved.

**1.8 Organization of This Dissertation**

This report has been organized into five chapters. Chapter 1 presents an introduction of the study. The purpose and the research objectives have been put forth to steer the direction of the present study. The importance of the present study is addressed to provide readers with the rationale of conducting the study. Chapter 2 discusses on the literature review on the independent and dependent variables. It forms the backbone of the present study and helps to develop the theoretical framework. Chapter 3 illustrates the methodology applied in the present study which encompasses the sample collected, measurements and statistical analysis used. Chapter 4 presents the result of the statistical analysis for the data collected and the findings encapsulated from the analysis. Finally, Chapter 5 provides discussions, conclusion and implications of the present study's findings. It also highlights the limitations of the present study and gives suggestions for future research in this field.

# CHAPTER 2

# LITERATURE REVIEW

## 2.1 Introduction

The literature on empowerment is divided into two sections. The first section will discuss literatures on empowerment in organization and the second section will be on leadership effectiveness.

## 2.2 Literature Review

A leader's power and influence increase when he or she shares power with others. A truly powerful leader makes team members feel powerful and able to accomplish tasks on their own. To empower others is to be seen as an influential person. A similar rationale for empowerment is that in a competitive environment that is dependent on knowledge, judgment and information, the most successful organizations will be those that effectively use the talents of all players on the team (Dubrin, 2004).

According to Nesan and Holt (2002), managing change is the fundamental issue that underlies effective empowerment through wider company involvement, continuous learning policy and participative leadership style. Senior Management at strategic, general and operational level plays greater roles to provide suitable empowerment environment. Dewettinck, Singh and Buyens(2003) cited that Bowen and Lawler (1992) suggested that in order for employees to be empowered, the distribution of authority, information and knowledge and rewards towards lower organizational levels plays an important precondition. Spreitzer (1996) found that so-called high

involvement systems provide a work environment in which individuals can assume a more active role in an organization. Such a work climate, characterized by role ambiguity, strong sociopolitical support, access to information, and participative management is found to be associated with the emergence of empowered employees.

## 2.3 Definitions of Empowerment

According to Dubrin (2004), empowerment refers to passing decision making authority and responsibility from managers to group members. Almost any form of participative management, shared decision making and delegation can be regarded as empowerment. Nahavandi (1997) described empowerment as the increase of power and autonomy of all employees in organizations. It has roots in perception of Japanese management, the quality circle efforts of 1970s and the quality of work life (QWL) approach (Lawler & Mohrman, 1987) and the psychological concept of self-efficacy (Bandura, 1977). The theme of empowerment is giving away and sharing of power with those who need it to perform their job functions. Such power provides people with a belief in their abilities and their sense of effectiveness (Nahavandi, 1997).

According to Ford and Fottler (1995), empowerment is more than autonomy, it necessitates sharing with employees the information and knowledge that enables them to understand and contribute to organizational performance, rewarding them based on the organization's performance, and giving them the authority to make decisions that influence organizational outcomes. Another definition of empowerment is the delegation of decision making from higher organizational levels to lower ones and

13

increasing access to information and resources for individuals at the lower levels ( Blau & Alba ,1982; Bowen & Lawler, 1992; Miniero, 1986; Nilesen,1986).

Conger and Kanungo (1988) suggested that empowerment of employees can also be a powerful motivational tool by providing them with control and a sense of accomplishment. According to Herrenkohl, Jadson and Heffner (1999), employee empowerment in the context of four dimension of empowerment to achieve desired goal. First dimension is shared vision, goal clarity, goal achievement and customer orientation. The second dimension is supportive organizational structure and governance like responsibility, risk taking and customer focused. The third dimension is knowledge and learning consists of change, skills, problem solving, trust and communication. The fourth dimension discussed is institutional recognition involving the organization's acknowledging employees accomplishments and feeling.

## 2.4 Components of Empowerment

According to Dewettinck et al. (2003), organizational researchers had distinguished between two major perspectives on empowerment; the structural and the psychological approach. Originally, the structural view focused on empowering management practices, including delegation of decision making from higher to lower organizational levels (cited from Heller, 1998; Heller et al., 1998) and increasing access to information and resources for individuals at the lower levels (Bowen & Lawler, 1992,1995; Rothstein, 1995).As such, central to the notion of structural empowerment is that it entails the delegation of decision making prerogatives to employees along with the

discretion to act on one's own (Mills & Ungson, 2003). In this structural view, the rationale is that employees will behave in an empowered ways by making necessary changes at the structural level. More specifically, employees would feel more personal control over how to perform the job; would be more aware of the business and strategic context in which the job is performed; and would be more accountable for performance outcomes (Bowen & Lawler, 1995). These cognitive-affective responses have later been relabeled as psychological empowerment (Conger & Kanungo, 1988).

Building on the work of Conger and Kanungo (1988), Thomas and Velthouse (1990) argued that empowerment is multifaceted and that its essence cannot be accepted by a single concept. They defined empowerment as a sufficient set of cognitions for understanding psychological empowerment that consist of four components such as meaning, competence, self-determination and impact. Spreitzer (1995) built upon Thomas and Velthouse's (1990) model by developing and validating a multidimensional measure of empowerment in the workplace supported that the four distinct dimensions of empowerment produce overall measure of psychological empowerment.

### 2.4.1 Meaning

Meaning has been described as the "engine" of empowerment (Spreitzer, Kizilos & Nason, 1997) is the value of work goal evaluated in relation to a person's ideals or standard. Work has a meaning when there is a fit between the requirements of a work role and a person's beliefs, values and behaviors (Dubrin, 2004; Brief & Nord, 1990; Hackman & Oldham, 1980). Thomas and Velthouse (1990) defined meaning as the

value of a work goal or purpose, judged in relation to an individual's own ideas or standards. A person who is doing a meaningful work is likely to feel empowered (Spreitzer, 1995).

## 2.4.2 Competence

Competence or self-efficacy is an individual's belief in his or her capability to perform a particular task well. The person who feels competent feels that he or she has the capability to meet the performance requirement in a given situation (Dubrin, 2004; Gist, 1987) and is analogous to agency beliefs, personal mastery, or effort-performance expectancy (Bandura, 1989). It is the confidence you feel in your ability to do your work well (Holdsworth & Cartwright, 2003). Spreitzer (1995) defined competence not self-esteem as it focused on efficacy specific to a work role rather than on global efficacy.

## 2.4.3 Self-determination

It is an individual's feeling of having a choice of initiating and regulating actions (Deci, Connell, & Ryan, 1989; Dubrin, 2004). It reflects autonomy over the initiation or continuation of work behavior and process; making decisions about work methods, pace and effort are examples (Bell & Staw, 1989) Self determination is a belief that someone would have an autonomy or control over how one works (Holdsworth & Cartwright, 2003). A high-level form of self-determination occurs when one feels that he or she can choose the best method to solve a particular problem. A highly

empowered employee might choose to perform the required work at any situation rather than in a routine job ( Spreitzer, 1995).

### 2.4.4 Impact

It is the degree to which the worker can influence strategic, administrative or operating outcomes on the job (Ashforth, 1989). Impact involves the sense that the task is proceeding and that you are actually accomplishing something and making a difference in the organization (Holdsworth & Cartwright, 2003). Instead of feeling there is no choice but to follow the company's course, he or she might have a say in the future of the company (Dubrin, 2004). This person who has high impact would usually think out of the box and normally would result in making huge influence on leadership effectiveness.

In sum, psychological empowerment is defined as a motivational construct, manifested in four cognition: meaning, competence, self-determination and impact. Together these four cognitions reflect an active orientation to a work role. These four are combined to create an overall construct of psychological empowerment (Thomas & Velthouse, 1990).

Forrester (2000) in his review titled Empowerment: Rejuvenating a potent idea offered an idea of how to implement empowerment effectively. Amongst the key factors to be used included are enlargement of power, confidence in yourself for your action, ability to differentiate amongst employees, obtain full support from the power sharers, creating an environment conducive for empowerment and stay focus on the results. This has resulted on the leadership study in relation to empowerment.

## 2.5 Leadership

Leadership is the process of influencing others to understand and agree about what needs to be done and how it can be done effectively, and the process of facilitating individual and collective efforts to accomplish the shared objectives (Yukl, 2002).It means the one who leads the organization, who sets direction and envisages its destiny. Leadership is not the private reserve of a few charismatic men or women but rather a process that ordinary people use when they bring fourth the best from themselves and other (Kouzes & Posner, 2000). Leadership is the business of every element in the organization.

Leaders inspire, challenge, motivate and encourage followers thus these characteristics are required in order to enhance the growing of business organizations. House, Hanges, Ruiz-Quintanilla, Dorfman, Javidan, Dickson and Associates (1999) defined leadership as the ability of an individual to influence, motivate, enable others to contribute towards the effectiveness and success of the organization.

According to Weymes (2003), the success of an organization is vested in the formulation of  sustainable relationship with the primary purpose of leadership being influenced by the feelings and emotions of those associated with the organization; to create emotional heart of the organization and thus determine the tenor relationship between the people inside and outside organization. He suggested that effectiveness leadership can be explained through the openness, honesty, integrity and creation of environment of trust thus creating a harmonious organization. A calm coordinated environment that portrays an atmosphere of trust and harmony will result in empowerment of employees towards achieving strength and united to face challenges

and therefore will result in improve organizational performance. He suggested that leader should possess emotional intelligence in order to influence the subordinates to achieve goals thus able to measure the leadership effectiveness.

## 2.6 Effective Leadership Behavior

The Michigan Leadership Studies have found that there are three types of leadership behavior namely task-oriented behavior, relations-oriented behavior and participative leadership. The task-oriented behavior of leaders would concentrate on the task accomplishment and setting performance goals that were high but realistic. This behavior is also labeled as initiating structure in the Ohio State Leadership studies. The relations-oriented behavior leadership included showing trusts and confidence, acting friendly and considerate, trying to understand subordinate's problems, creating personal growth and recognized subordinates for their accomplishments. These behaviors are labeled as considerations under Ohio State studies. The third behavior of participative leadership focus on group's participation in decision making, promote cooperation, foster teamwork, facilitate conflict resolution and improve communication with all parties (Dubrin, 2004).

As cited by Ansari, Ahmad and Aafaqi (2004), there are various studies of leadership style in Malaysia as well. According to Govindan (2000), preferred leadership style of Malaysian managers are consultative and participative leadership. Saufi, Wafa, and Hamzah (2002) found that a significant positive relationship between power distance and "telling" style of leadership. Gill (1998) reported that Southeast Asian managers were more directive, less delegating, more transactional and more

19

laissez-faire in terms of leadership behavior as compared to US and UK managers. Ansari, Daisy and Aafaqi, (2000) reported that Leader-Member Exchange (LMX) was found to be a strong predictor of turnover intentions and organizational commitment (Daisy, Ansari & Aafaqi, 2001; Farouk, 2002) and organizational citizenship behavior (Ruth, 2003). Lim (2001) found that managerial roles congruence was found to be a strong predictor of LMX whilst Chand (2001) manipulated that there are two leadership effectiveness dimensions. They are manager's performance and workers satisfaction. Her analysis indicated that most effective leaders use nurturant-task followed by participation leadership behavior.

## 2.7 Power Influence to Leadership

The concept of power is very useful for understanding how people are able to influence each other in organizations (Mintzberg, 1983; Pfeffer, 1981, 1992). Power involves the capacity of one party to influence another party. It is a dynamic variable that changes as condition changes (Yukl, 2002).To exercise influence; a leader must have power, the potential or ability to influence decisions and control resources. Effective leaders use powers appropriately and know when and how to be directive and when to delegate. At the same time they know how to be consultants, provide guidance instead of issuing commands (Dubrin, 2004). According to Daft (2004), power is the ability of one person or department in an organization to influence other people to bring about desired outcomes. Influence is defined by Daft (2004) as the effect a person's actions have on attitudes, values, beliefs or action of others. Most research evaluates leadership effectiveness based on its influence on the follower's action and motivation towards

achieving the desired goal given. Transformational leaders usually empower its subordinates to become their own leaders in making decision on their job content.

## 2.8 Leadership Effectiveness

According to Yukl (2004), leadership effectiveness measures the organizational profit margin, sales growth, productivity of the organization headed by that leader which is termed as objective measures whilst subjective measures are satisfaction of subordinates, organizational commitment, increased morale and rating of effectiveness from the leader's superiors or subordinates. Leadership effectiveness can be viewed on the great changes that the leaders have made, especially to the employees motivation, job satisfaction, self esteem, self efficacy and also the organizational performance as a whole. It is measured by the achievement that the employees achieved.

According to Holdsworth and Cartwright (2003), leadership effectiveness is defined as management practices that enhanced perceived empowerment by considering anticipated outcomes such as increased job satisfaction and health, productivity level and the potential of cost reduction. Adsit, London, Crom and Jones (1996) measured leadership effectiveness by departmental performance and customer satisfaction. Managers that encourage participation had higher departmental performance and tying customer values to organizational strategies and communicating to employees in the form of goals and expectation is the foundation for organizational performance. Managers must recognize their role in facilitating linkages for their employees and removing organizational barriers thus improving performance has a positive influence on employee morale.

However, the belief that certain personal characteristics and skills contribute to leadership effectiveness in many situations is the universal theory of leadership. The theory suggests that certain leadership traits apply in al situations. The general personality traits that contribute to successful leadership are self-confidence, high tolerance for frustration, warmth, sense of humor, humility, enthusiasm, trustworthiness, extroversion, assertiveness and emotional stability. These traits are related to success and satisfaction in both work and personal life. Secondly, is the task related personality traits of leaders. It consists of courage, internal locus of control, flexibility and adaptability as well as emotional intelligence (Dubrin, 2004).

According to Dewettinck, Singh and Buyens (2003), there is consistent and strong relationship between empowerment cognitions and employee's job satisfaction and organizational commitment. The result indicated that the more employees feel empowered the happier they are with their job and more committed to their organization. However, the relationship between empowerment with employee performance level showed extremely modest.

According to Ansari et al. (2004), the nurturant task (NT) model stated that an effective leader carries his followers towards a shared goal. The NT leaders care for their subordinates, show affection, take personal interest in their well being and are committed to their growth (Sinha, 1994). House (1971) reviewed that NT model is close to path-goal theory where subordinates moderate leadership effectiveness.
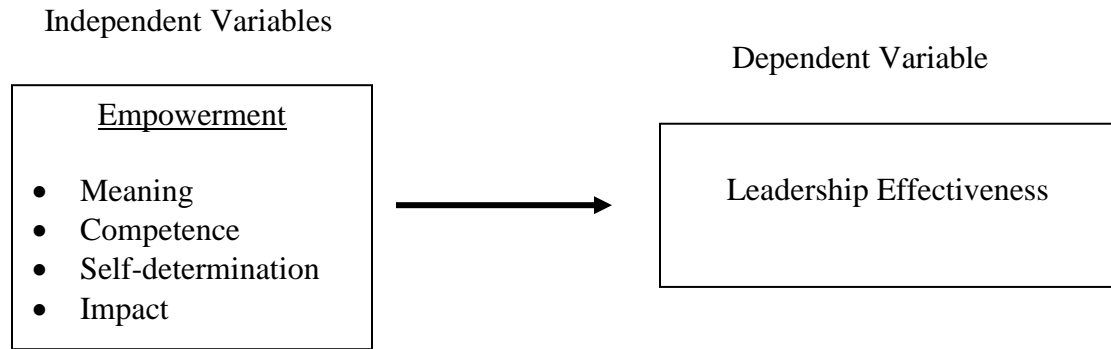
**2.9 Critical Review**

Although there are various studies on leadership style affecting leadership effectiveness, there is no empirical study conducted on the relationship between empowerment as an independent variables that significantly contributed to the leadership effectiveness .The most of the recent study conducted by Wong (2000) is on the psychological empowerment of the technical employees in one of the factory focusing on the functional areas of engineering department. In fact, the study by Karia and Ahmad (2000) which focused on the impact of empowerment and teamwork on job satisfaction, organizational commitment, career satisfaction and job involvement in public and private organizations that practices Total Quality Management .Thus, this research is aimed at exploring the current empowerment practices and leadership effectiveness amongst the Malaysian managers in terms of leadership and organizational behaviors' perspective. Bearing the gap, it is the purpose of the study to explore the research into area that has not been researched of.

**2.10 Theoretical Framework**

Figure 1 shows the theoretical framework of this research. The Dependent Variable in this study is Leadership Effectiveness. The Independent Variables are four psychological components of Empowerment based on Spreitzer (1995, 1996) study. The study is attempted to show the relationship between empowerment and leadership effectiveness. The leader's age, gender, educational level, position and type of industry, size of department and companies are used as control variables.

Independent Variables

Dependent Variable

```
+-----------------------------+                    +-----------------------------+
|       Empowerment           |                    |                             |
|                             |                    |   Leadership Effectiveness  |
|   •  Meaning          ------|------------------->|                             |
|   •  Competence             |                    |                             |
|   •  Self-determination     |                    +-----------------------------+
|   •  Impact                 |
+-----------------------------+
```

*Figure 2.1*. Theoretical framework

## 2.11 Hypothesis

H1      Empowerment is positively related to Leadership Effectiveness

H2      Meaning is positively related to Leadership Effectiveness

H3      Competences is positively related to Leadership Effectiveness

H4      Self-determination is positively related to Leadership Effectiveness

H5      Impact is positively related to Leadership Effectiveness

## 2.12 Theory

The underlying theory on the above theoretical framework is the Path-Goal Theory of leadership effectiveness. The theory specifies what the leader must do to achieve higher productivity and morale in a give situation. Effective leaders clarify the path to attaining goals, help group members along these paths, and remove barriers to goal attainment. Leaders must choose a style that best fits the characteristics of subordinates and the tasks (Nahavandi, 1997).