

# **The Relationship Between Transformational Leadership and Job Satisfaction in a Logistic Company (Small and Medium Enterprises in Johor Bahru)**

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## **Abstract**

Job satisfaction will affect the productivity and firms' competitiveness. It is important to improve the job satisfaction so that the firm can stay competitive and grow. In line with this, the aim of this study is to examine the impact of transformational leadership practices and the job satisfaction of the employees in the Small and Medium-sized Enterprises (SMEs) in the logistics industry in Malaysia. Questionnaires were distributed through convenience sampling method to collect data from a sample of 50 non-managerial employees working in the logistic sector in SME's Johor Bahru. Data analysis was done by using Smart PLS and Statistical Package for Social Sciences (SPSS) software. Based on the findings, individualized consideration has the most significant impact on the job satisfaction of employees working in the logistics industry followed by intellectual stimulation, whereas idealized influence and inspirational motivation does not have a significant relationship on job satisfaction. The findings of the study provides implication and a clearer insight to the leaders on the job satisfaction of the employees, particularly in the logistics industry of SMEs.

**Key words:** Transformational leadership, leadership styles, Job satisfaction, Logistic industry, small and medium enterprises, leadership skills.

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## **Introduction**

According to SME Corporation Malaysia (2021), Small and medium-sized businesses (SMEs) generated 38.9% of the overall Gross Domestic Product (GDP). Besides, SMEs also contributed to up to 48.4% of employment and 17.9% of the total export of Malaysia in 2019. At the same time, transportation & storage and information & communication contributed to 9.9% of the value-added in the Services sector of SMEs. This includes land transport, warehousing and storage activities, and other forms of transport activities. Given these data, we can see that SMEs logistics industry is vital and contributed to the economy of Malaysia.

However, Malaysia ranks 25th in the World Competitiveness Yearbook 2021, 27th in the Global Competitiveness Index 2019/2020, and 41st in the Logistics Performance Index 2018, behind neighbouring nations. This indicates a lack of effective strategies to boost competitiveness. Hence, the Twelfth Malaysia Plan seeks to improve the efficiency of transportation and logistics services and boost industrial competitiveness. By increasing the efficiency of transportation and logistics services, it can help to achieve long-term economic development and improve people's well-being (Economic Planning Unit, 2021).

In order to achieve competitiveness of the industry, it is important to have adequate workforce. However, there is a shortage of talents in logistics such as supervisors and drivers (Service Providers Face Shortage of Logistics Talent, 2017). Hence, it is pertinent for companies in SMEs logistics sector to retain their employees as it has an influence on the organization's efficiency, productivity, and sustainability. According to Biason (2020), job satisfaction is a reliable prediction on employee retention and higher levels of work satisfaction typically result in higher levels of employee retention. Hence, the factors that affect job satisfaction should be recognized and one of the important factors that affect job satisfaction is the leadership style of the manager in the organization.

This study is to examine the impact of transformational leadership practices and the job satisfaction of the employees in the Small and Medium-sized Enterprises (SMEs) in the logistics industry in Malaysia. Job satisfaction is a widely discussed issue as job satisfaction of the employees will, directly and indirectly, affect the productivity and firms' competitiveness which will lead to the potential growth of the firms and eventually the growth of the nation (Anh, Nguyen, Tuong Anh & Nguyen, 2019). Hence, it is important to improve the employee's job satisfaction so that the firm and the country can stay competitive and grow.

In the challenging and competitive environment, the changes in the labour market will affect the competitiveness of businesses. This is also true for the logistics industry as the logistics industry faced strong pressure from competitors. The truck drivers in the logistics industry is a physically demanding job as they are required to focus and drive for a certain amount of hours to fulfil the delivery. Due to the physical and mental demands of the logistics industry, employees may experience stress and dissatisfaction (Sila & Širok, 2018). Besides, as the company in the logistic industry has to deliver excellent services in the shortest amount of time, there is increased pressure on the performance demands and as a result, the management often overlooks the well-being of the employee (Sila & Širok, 2018). Hence, it is important to address the issue of employee job satisfaction in the logistics industry especially in the competitive environment as employee satisfaction can lead to positive outcomes such as increase quality of services and reduce employees' turnover (Sila & Širok, 2018).

Furthermore, poor or ineffective leadership style such as autocratic leadership or the lack of positive leadership style such as charismatic, empowering, transactional and transformational leadership will increase job dissatisfaction and eventually lead to problems such as absenteeism, abscondment and resignation of the employee (Ali, Wilson, & Yazmin, 2015). According to a survey from Jobstreet.com in 2015, 74% of the respondents indicated that they were not satisfied with their job and 71% of them agreed that poor leadership and management is the main reason for their job dissatisfaction (More Malaysians Dissatisfied at Work, 2015).

A wide range of studies have been conducted in other countries and in Malaysia to identify the relationship of transformational leadership style practices such as idealized influence, inspirational motivation, intellectual stimulation and individualized consideration on job satisfaction, but there is insufficient research being conducted in the SME logistics industry in Malaysia.

Lastly, it is found that there are conflicting findings as to whether transformational leadership practices such as idealized influence, inspirational motivation, intellectual stimulation and individualized consideration has a significant impact on job satisfaction. Long, Yusof, Kowang and Heng (2014) suggested that only individualized consideration has a positive significant relationship with job satisfaction while other researchers such as Tuan and Rajagopal (2019) found that all 4 dimensions of transformational leadership have a significant impact on job satisfaction.

Thus, the objective of this study is to identify the relationship between transformational leadership with job satisfaction in SMEs in the logistics industry in Johor Bahru and it is hoped that the result of the study can contribute to the growth and development of SMEs logistics industry in Malaysia and eventually contribute to the economy of the country.

## **Literature Review**

### **Transformational Leadership**

Burns (1978) coined the term "transformational leadership," which was later developed by Bass (1985). Transactional and transformational leadership, according to Burns, are two-dimensional constructs that are at opposing extremities of the same continuum. Bass, on the other hand, regarded them as complementary constructs. He believed that transformational leadership enhances the efficacy of transactional leadership (Moore & Rudd, 2006).

Transformational Leadership Style is defined as when a leader uses skills to enable the employees or individuals to widen their vision in the whole management process by changing the employee's emotions, values, ethics, and long-term goals of employees (Tuan & Rajagopal, 2019).

A transformational leader will motivate and inspire his or her people to accomplish remarkable results while also developing their own leadership skills. They assist their followers in growing by reacting to individual needs, empowering their followers, and connecting their objectives with the group's and organization's goals (Bass & Riggio, 2014).

Transformational leadership has four dimensions, there are intellectual stimulation, individualized consideration, inspirational motivation and idealized influence.

### **Idealized influence**

Idealized influence is when the followers or employees admired, respect and trust their leader. In achieving this, a leader will prioritize the employees' needs over his own needs and the leader will share information with the followers (Bass, Avolio, Jung & Berson, 2003). This dimension focused on the collective sense of mission and values (Tuan & Rajagopal, 2019). A transformational leader displays himself as a role model for his followers.

Furthermore, leaders with idealised influence are more ready to take chances and are more consistent. They can be depended on to do the right thing and uphold high ethical and moral standards (Bass & Riggio, 2014). A sample item from the Multifactor Leadership Questionnaire (MLQ) that represents this dimension is if the leader instil pride to their subordinate.

### **Inspirational motivation**

Inspirational motivation is when leaders motivate the employees or followers by providing meaning and also challenges to the work (Tuan & Rajagopal, 2019; Bass, Avolio, Jung & Berson, 2003). With this, there will be team spirit and employees are enthusiastic. Leaders with inspirational motivation will engage followers in imagining future states and exhibit dedication to goals and the shared vision. A sample item from the MLQ that represents this dimension is the leader talks optimistically about the future. Both idealized motivation and inspirational motivation formed a combined single component of charismatic-inspirational leadership (Bass & Riggio, 2005).

### **Intellectual stimulation**

Intellectual stimulation will stimulate their followers to be creative and innovative, allowing the employees to develop problem-solving skills. To achieve this, a leader can ask assumption questions, reframe the problems or approach past situations in a new way (Tuan & Rajagopal, 2019; Bass, Avolio, Jung & Berson, 2003; Arham, 2014). A leader with intellectual stimulation always encourage creativity and he or she does not criticise the mistakes of their followers publicly. A sample item from the MLQ that represents this dimension is the leader seeks differing perspectives when solving problems (Bass & Riggio, 2005).

### **Individualized consideration**

Individualized consideration means the leaders pay attention to the growth and the need for achievement of their followers or employees. The leader will play the role of a mentor or coach when it comes to the individualized consideration aspects of the transformational leadership style (Tuan & Rajagopal, 2019). Through this aspect, the employees will develop a higher level of potential (Bass, Avolio, Jung & Berson, 2003). Through individualized consideration, individual differences are acknowledged especially in terms of their needs and wants. There are two ways communications between the leaders and the followers and a leader always personalized their interactions with the followers by staying aware of the individual concerns. The tasks are delegated as a way to help the employees to grow in terms of their skills. The leaders will provide additional support and coaching if needed. In short, the individualized consideration construct helps the followers to grow and develop their skills and strengths (Bass & Riggio, 2005).

### **Job satisfaction**

Employee job satisfaction is the indicator to identify the contentment of an employee in his or her job. Employee job satisfaction happened when employees have a positive feeling and behaviour

towards their job which will directly lead to a better attitude at work and improve the productivity of the firm (Tuan & Rajagopal, 2019).

Syptak, Marsland and Ulmer (1999) stated that employees who are satisfied with their job are more productive, creative and will be more devoted to their employers. Herzberg, Mausner and Snyderman (1959) developed the two-factor theory, which are motivation and hygiene factor. While hygiene factor can minimize the dissatisfaction, motivation factors can increase the job satisfaction of the employees. Examples of hygiene factors include supervision, pay and co-workers while the examples of motivations factors include the work itself and promotion.

### **Previous studies on the relationship between transformational leadership style and job satisfaction**

Long et al. (2014) investigated the relationship between transformational leadership style and employee job satisfaction. The respondents of this study consisted of 255 employees from a government-linked company in Malaysia. The Multifactor leadership questionnaire (MLQ) was used to investigate the 4 dimensions of transformational leadership and the Minnesota Satisfaction Questionnaire (MSQ) were used to evaluate employee job satisfaction. The regression analysis showed that there is only a positive significant relationship between individualized consideration and job satisfaction.

Sakiru et al (2013) identified the relationship between leadership style and the job satisfaction of the employees in the Small and Medium-sized Enterprises (SMEs) in Nigeria. Data from this study were collected from 115 employees from 2 private organizations in Nigeria. The data collection method used is a simple random sampling technique. The sliding five-point Likert scales of measurement were used. The instrument used for the study is questionnaires. The questionnaires used for independent variables is Multifactor Leadership Questionnaires and the questionnaires used for the dependent variable were adapted from Minnesota Satisfaction Questionnaire. A total of 36 questions were being asked. The data was analyzed by using correlation analysis to analyze the relationship between employee job satisfaction and the different constructs of transformational and translational leadership. The result of the study shows that there is a positive relationship between the independent variable and dependent variables, with the inspiration motivation having the highest positive correlation followed by idealized influence, intellectual stimulation and individualized consideration respectively. Besides, the study also concluded that the commonly used leadership style is transformational leadership in SMEs in Nigeria.

Tuan and Rajagopal (2019) identified the relationship between transformational leadership style and the job satisfaction of the employees in the Small and Medium-sized Enterprises (SMEs) in Ho Chi Minh City, Vietnam. Data from this study were collected from 263 SMEs in HCMC. The data collection method used was simple random sampling. The data collection focused on studying the SMEs in Vietnam, specifically the enterprises in sales, manufacturing and services that have more than 10 employees but less than 300 employees. The questionnaire used for independent variables is the Multifactor Leadership Questionnaire, which consists of a total of 12 questions for the 4 dimensions and the questionnaires used for the dependent variable consist of 6 questions. Multiple regression analysis shows that all 4 dimensions of transformational leadership style have a positive effect on job satisfaction in SMEs in Ho Chi Minh City and intellectual stimulation has the most positive effect on employee job satisfaction.

Tesfaw (2014) examined the relationship between transformational leadership and the job satisfaction of government secondary school teachers. Data were collected from 320 teachers from 20 different schools. The data collection method used was simple random sampling. The questionnaire used for independent variables is the Transformational Leadership Questionnaire, which was modified from the Multifactor Leadership questionnaire. The five dimensions measured are idealized influence (attributed), idealized influence (behaviour), inspirational motivation, intellectual stimulation and individualized consideration. The Teachers' Job Satisfaction Questionnaire was to measure the teachers' satisfaction. Pearson correlations and stepwise regression analysis were used and it was found that there was a positive moderate relationship between all the dimensions of transformational leadership and teacher job satisfaction. It has also been found that idealized influence (attributed) has

the highest correlations, followed by inspirational motivation, individualized consideration, idealized influence (behaviour) and intellectual stimulation.

Shibru and Darshan (2011) studied 145 respondents from 10 sampled leather companies in Ethiopia. The respondents were asked to evaluate their leaders with an adapted Multifactor Leadership questionnaire and the job satisfaction with short-form Minnesota Satisfaction Questionnaire. Pearson correlation analysis showed that there is a strong correlation between all the components of transformational leadership and also job satisfaction. Regression analysis found that idealized influence and individualized consideration has the most positive effect on employee job satisfaction. There is a positive relationship between the transformational leadership style and job satisfaction.

Negussie and Demissie (2013) collected data from 175 full-time nurses from Jimma University Specialized Hospital. The data was collected using the Multifactor Leadership questionnaire and Minnesota Satisfaction Questionnaire to study the relationship between the leadership style of the nurse manager and the nurses' job satisfaction. Pearson correlation and regression analysis showed that all the dimensions of transformational leadership style are significantly correlated and positively related with both intrinsic and extrinsic job satisfaction and inspirational motivation showed the strongest correlation with intrinsic job satisfaction. On the other hand, intellectual stimulation showed the strongest correlation with extrinsic job satisfaction.

Mohammad et al (2011) examined the relationship between transformational leadership and the job satisfaction of registered nurses. Data were collected from 168 registered nurses at Jordanian private hospitals. The questionnaire used for independent variables is the adapted Multifactor Leadership questionnaire, and the questionnaire used for dependent variables is the Minnesota Satisfaction questionnaire. Pearson r correlation shows that there is a statistically significant positive relationship between all the 5 dimensions of transformational leadership, which are idealized influence (attributed), idealized influence (behaviour), inspirational motivation, intellectual stimulation and individualized consideration on job satisfaction and the intellectual stimulation showed the strongest relationship on both intrinsic and extrinsic job satisfaction.

Mahzan and Mohd. Nordin (2021) showed that there is a significant relationship between transformational leadership and the job satisfaction of the lecturers at MARA Professional College. 64 respondents were chosen based on simple random sampling. The Multifactor Leadership Questionnaire was used to test transformational leadership and the Job Descriptive Index (JDI) were used to test job satisfaction. Pearson correlation showed that there is an overall positive relationship between transformational leadership and job satisfaction and inspirational motivation has the strongest correlation with job satisfaction followed by ideal influence.

Munir et al (2012) showed that there is a positive strong relationship between transformational leadership and employees' job satisfaction among the academic staff. The study analysed data from 214 academic staff in 4 affiliated colleges in Klang Valley. The dimensions of transformational leadership measured in the study are idealized influence, individualized consideration, inspirational motivation and intellectual stimulation. Job satisfaction was measured by the job descriptive index. The result found that a higher transformational leadership will lead to higher job satisfaction. The study proved that there is a positive influence of all 4 dimensions of transformational leadership on job satisfaction.

## **Research Methodology**

To examine the relationship between idealized influence, inspirational motivation, intellectual stimulation and individualized consideration and job satisfaction, the quantitative approach is used. Williams (2011) defined quantitative research as the collection of data that can be quantified and analysed by statistical treatments.

The study uses a survey method to collect the data. In this study, a questionnaire is used as the instrument to collect the data on the effect of transformational leadership on job satisfaction in the logistics industry in Johor Bahru. The questionnaire is designed in a structured, simple manner to ease and help the respondents to understand the questions. The survey method is chosen as it is a

convenient tool to collect data from the employees of the selected company. Therefore, the study uses a quantitative approach through the survey method to collect the data on the impact of transformational leadership on employee job satisfaction in the logistic industry of SME in Johor Bahru, Malaysia.

This research will use convenience sampling to collect the data from the employees in the selected logistics company in Johor Bahru. Convenience sampling is a non-probability sampling method whereby those who meet the criteria and willing to participate in the study are selected for the study (Etikan, Musa & Alkassim, 2016). Convenience sampling is used as this is the most suitable method for this study. The name of the selected company will not be disclosed for confidentiality purposes, however, all the non-managerial employees of the selected company will be the population of this study.

The 10-times rule method will be used and based on the assumption on this rule, the sample size should be higher than 10 times the maximum number of variables in the model pointing at the dependent variable in the model (Hair, Ringle & Sarstedt, 2011; Kock, Hadaya (2016). For this study, as there are four arrows pointing to the dependent variable, then the minimum sample size for this study will be 40 (10x4 variables=40). As mentioned earlier, the estimated number of respondents for this study is 50, which is higher than the minimum sample size of 40.

The research instruments for this study are adapted from the questionnaires used in the previous study. The questions in the questionnaires are properly structured to facilitate the data collection and analysis. It will be printed and distributed physically at the selected company.

There are a total of 3 sections, which are sections A, B and C with a total of 24 questions. Section A consists of demographic details of the respondents (4 items), Section B consists of the 4 constructs of transformational leadership, namely idealized influence (4 items), inspirational motivation (4 items), intellectual stimulation (4 items) and individualized consideration (4 items), while Section C consists of the job satisfaction questionnaires to measure the job satisfaction of the respondents (4 items). Transformational leadership is measured by Multifactor Leadership Questionnaires adapted from Bass and Avolio (1995) and the Job Satisfaction Survey are adapted from Wellness Council of America (2011).

The layout of the questionnaire and classification of the research questions will be shown in Table 1.1 and Table 1.2 respectively.

**Table 1.1: Layout of the questionnaire**

Section	Title of section	Number of questions
A	Personal Details	4
B	Idealized influence	4
	Inspirational motivation	4
	Intellectual stimulation	4
	Individualized consideration	4
C	Job Satisfaction	4

**Table 1.2: Classifications of the research questions**

Questions	Variables	Adapted from
Q5-Q8	Idealized influence	Bass and Avolio (1995, 2000, 2004)
Q9-Q12	Inspirational motivation	Bass and Avolio (1995, 2000, 2004)
Q13-Q16	Intellectual stimulation	Bass and Avolio (1995, 2000, 2004)
Q17-Q20	Individualized consideration	Bass and Avolio (1995, 2000, 2004)
Q21-Q24	Job satisfaction	Wellness Council of America (2011)

For this questionnaire, the 5 points Likert scale will be used as the measurement tool to measure each item. The respondents will be asked to express to what extent they agree or disagree with the questions in the questionnaire ranging from 1 to 5, with (1) Strongly Disagree, (2) Disagree, (3) Neutral, (4) Agree and (5) Strongly Agree .

The proposed method for data analysis is by using Smart PLS and Statistical Package for Social Sciences (SPSS) software. After collecting the data, the data will be analysed by using descriptive statistics and path coefficient analysis.

Descriptive statistics are figures that summarise data in order to describe what happened in a sample. It helps to determine the characteristics of the sample that might have influenced the conclusion. Among the descriptive statistics, the frequency distribution is the commonly used analysis and it will be used to analyse the demographics of the respondents in this study (Thompson, 2009). The basic personal details collected in this study are gender, age group, education level and the number of years working and these data will be analysed using frequency distribution.

Next, the path coefficient analysis will be used to analyze the collected data to determine the relationship between transformational leadership and job satisfaction in SME logistics companies in Johor Bahru and the strength of the relationship. The path coefficient analysis allows researchers to examine the relationship between independent and dependent variables and estimate the relative strength of the different independent variables on the dependent variable (Sarstedt & Mooi, 2019). The important output of path coefficient analysis is the Standardized Coefficients Beta as this value can help to examine which independent variables has the strongest relationship on the dependent variable (Sarstedt & Mooi, 2019). In the context of this study, the Standardized Coefficients Beta is used to examine which independent variables among idealized influence, inspirational motivation, intellectual stimulation and individualized consideration has the strongest impact on job satisfaction. The higher the value of Standardized Coefficient Beta, the stronger the impact on job satisfaction. Another output of regression analysis is R square, or the coefficient of determination, which indicates the indicates how well a model explains observed variation in a dependent variable when compared to the mean (Sarstedt & Mooi, 2019). The value of R<sup>2</sup> lies between 0 to 1 and the higher the R<sup>2</sup>, the better the dependent variable can be explained by the independent variables.

Validity is defined as the degree to which a theory is correctly measured in quantitative research while reliability measures the accuracy of the instrument used in the study. To put it another way, the degree to which a research instrument consistently produces the same findings when employed in the same scenario over and over again (Heale, Twycross, 2015). It is important to test the validity and reliability of the study and hence, the validity and reliability of the data collected will be tested using Smart PLS software. SmartPLS is a standalone programme that focuses on PLS path models (Monecke & Leisch, 2012) and it is a Structural Equation Model (SEM) tool. The model can explain causal mechanisms, empirically confirms theoretical hypotheses, and employs predictive measures. Furthermore, SmartPLS provides a path model that can define the link between variables and indicators. These are crucial in providing a comprehensible image and support to illustrate the outcomes (Sander & Lee, 2014).

As mentioned previously, reliability measures the accuracy and consistency of the instrument used in the study. In this study, Cronbach's  $\alpha$  and Composite Reliability are used to study the internal consistency of the instruments. A Cronbach's  $\alpha$  score of 0.7 or above is considered acceptable and the closer the Cronbach's  $\alpha$  to 1, the higher the internal consistency (Heale, Twycross, 2015). Generally, when Cronbach's  $\alpha > 0.9$ , it is excellent,  $\alpha > 0.8$  is good,  $\alpha > 0.7$  is acceptable,  $\alpha > 0.6$  is questionable,  $\alpha > 0.5$  is poor and  $\alpha < 0.5$  is unacceptable (George and Mallery, 2003). Next, the Composite reliability will be taken into consideration and the acceptable value for composite reliability is at least 0.7 and above (Hair et al., 2010).

Construct validity refers to the extent to which the questionnaires used, genuinely test the theory that is being measured. Construct validity should illustrate that the results of a specific test predict the theoretical feature that it claims to predict (Ginty, 2013).

Construct validity consists of convergent and discriminant validity. A high association with convergent construct validity and no link with discriminant construct validity are required for excellent construct validity (Ginty, 2013).

A convergent validity tests how well the instrument measures the constructs or variables of the study (Heale, Twycross, 2015). Convergent construct validity examines the link between the construct and a comparable measure; this demonstrates that constructs that are supposed to be related are related (Ginty, 2013). Under convergent validity, average variance extracted (AVE) and factor loading are used in this study. According to Hulland (1999), the loading factors must be equal to or

greater than 0.4. Besides, an AVE value of higher than 0.5 is required to justify the construct (Hair, Ringle & Sarstedt, M, 2011).

Discriminant validity is to examine the degree to which a construct is distinct from the other constructs (Ginty, 2013). It is used to measure the relationship between the construct of the independent variables. Based on the Fornell–Larcker criterion, each latent construct's AVE should be greater than its greatest squared correlation with any other latent construct (Hair, Ringle & Sarstedt, M, 2011).

## Results of the study

### Data Collection Procedure and Response Rate

A total of 65 questionnaires were distributed to the non-managerial employees at the selected SME in the logistics sector in Johor Bahru. The questionnaires were printed out and being distributed physically. A brief introduction about the research were included in the questionnaires so that the respondents understand the purpose of the questionnaires. Among the 65 questionnaires distributed, a total of 54 questionnaire were collected back with a total response rate of 83.1%. The raw data were key into the Statistical Package for Social Science (SPSS) version 26.0 to further analyse the data. Among the 54 responses, there were 4 incomplete questionnaires and hence the 4 responses were eliminated. Hence, the final data available for analysis came from 50 questionnaires, with a total valid response rate of 76.9%. The final sample size for this study is 50.

### Demographic Profile of Respondents

The demographic profile collected from the questionnaires include gender, age group, highest level of educations and also the working experience with the current company. The data were key into the SPSS software and a descriptive analysis were performed. Table 1.3 summarized the demographic profile of the respondents.

**Table 1.3 Demographic Profile of Respondents (n=60)**

Background	Categories	Frequency	Percentage (%)
Gender	Male	35	70
	Female	15	30
Age Group	20-30	11	22
	31-40	13	26
	41-50	16	32
	51 and above	10	20
Highest Level of Education	SPM and below	23	46
	Diploma or Equivalent	17	34
	Bachelor's Degree	10	20
Years of Working with company	<1 year	7	14
	1-3 years	13	26
	3-5 years	10	20
	5-9 years	10	20
	>9 years	10	20

### Reliability Test

The Cronbach's  $\alpha$  for idealized influence, inspirational motivation, intellectual stimulation, individualized consideration and job satisfaction are 0.680, 0.732, 0.802, 0.702 and 0.782 respectively. The composite value for inspirational motivation is 0.809, intellectual stimulation is 0.848, individualized consideration is 0.795 and job satisfaction is 0.862. However, the CR value for idealized influence is 0.801. Although the Cronbach's  $\alpha$  value for idealized influence is only 0.68 (<0.7), the composite value for idealized influence is 0.801. Since composite reliability is a more superior tool compared to Cronbach's  $\alpha$ , the result indicated that all the variables are reliable and can be accepted in this study for further analysis.

**Table 1.4 Reliability Test - Cronbach's  $\alpha$  and Composite Reliability (CR)**

Variables	No. of Items	Cronbach's Alpha	Composite Reliability (CR)
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Idealized Influence	4	0.680	0.801
Inspirational Motivation	4	0.732	0.809
Intellectual Stimulation	4	0.802	0.848
Individualized Consideration	4	0.702	0.795
Job Satisfaction	4	0.782	0.862

### Construct Validity

Under convergent validity, average variance extracted (AVE) and factor loading are used in this study. According to Hulland (1999), the loading factors must be equal to or greater than 0.4. Besides, an AVE value of higher than 0.5 is required to justify the construct (Hair, Ringle & Sarstedt, M, 2011).

Based on table 4.4, the AVE for idealized influence is 0.521, inspirational motivation is 0.592, intellectual stimulation is 0.502, individualized consideration is 0.507 and job satisfaction is 0.615. All the AVEs of the variables are higher than 0.5, which are all acceptable. Next, the factor loadings for the idealized influence ranges between 0.624 to 0.915, inspirational motivation ranges between 0.593 to 0.917, intellectual stimulation ranges between 0.545 to 0.874, individualized consideration ranges between 0.555 to 0.868 and job satisfaction ranges between 0.583 to 0.872. All the loadings are higher than 0.4, which are acceptable. Hence, the model has passed the convergent validity.

**Table 1.5: Result of Measurement for Convergent Validity**

Variables	Indicators	Loadings	AVE
Idealized Influence	II1	0.624	0.521
	II2	0.664	
	II3	0.915	
	II4	0.644	
Inspirational Motivation	IM1	0.614	0.592
	IM2	0.917	
	IM3	0.593	
	IM4	0.894	
Intellectual Stimulation	IS1	0.545	0.502
	IS2	0.768	
	IS3	0.598	
	IS4	0.874	
Individualized Consideration	IC1	0.555	0.507
	IC2	0.868	
	IC3	0.703	
	IC4	0.688	
Job Satisfaction	JS1	0.872	0.615
	JS2	0.583	
	JS3	0.825	
	JS4	0.823	

### Discriminant Validity

Table 1.6 showed the table of discriminant validity based on Fornell-Larcker Criterion. Overall, the discriminant validity can be accepted as the square root of AVE of each variable are higher than other correlation values. This shows that all the constructs are not related to each other and thus the discriminant validity has been established.

**Table 1.6: Fornell-Larcker Criterion- Discriminant Validity**

Variables	Individualized Consideration	Idealized Influence	Inspirational Motivation	Intellectual Stimulation	Job Satisfaction
Individualized Consideration	<b>0.712</b>				
Idealized Influence	0.496	<b>0.722</b>			
Inspirational Motivation	0.496	0.506	<b>0.770</b>		
Intellectual Stimulation	0.387	0.281	0.369	<b>0.708</b>	
Job Satisfaction	0.640	0.495	0.517	0.517	<b>0.784</b>

### Path Coefficient and Hypotheses Testing

To test the 4 hypotheses of the study, the path analysis is applied to the data collected. Based on figure 1.1, the R-squared value is 0.539, which means the 4 independent variables of the study explained 53.9% of job satisfaction. The Beta value of idealized influence is 0.153, inspirational motivation is 0.149, intellectual stimulation is 0.269 and individualized consideration is 0.386. All the beta-value are significant as there are not lower than 0.1 (Hair, Ringle & Sarstedt, 2011).

From table 1.7, intellectual stimulation and individualized consideration ( $p < 0.05$ ,  $t > 1.645$ ) have a positive impact on job satisfaction as a p-value of  $< 0.05$  shows that there is a positive relationship between the independent and dependent variable. On the other hand, idealized influence ( $t < 1.645$ ,  $p > 0.05$ ) and inspirational motivation ( $t < 1.645$ ,  $p > 0.05$ ) shows no significant relationship on the job satisfaction. Hence, H3 and H4 is supported but H1 and H2 are not supported in this study.

Individualized consideration has the highest beta value of 0.386, followed by intellectual stimulation 0.269. Thus, it can be said that individualized consideration has the most significant impact on the job satisfaction of the employees of SME logistics in Johor Bahru, and this is followed by intellectual stimulation.

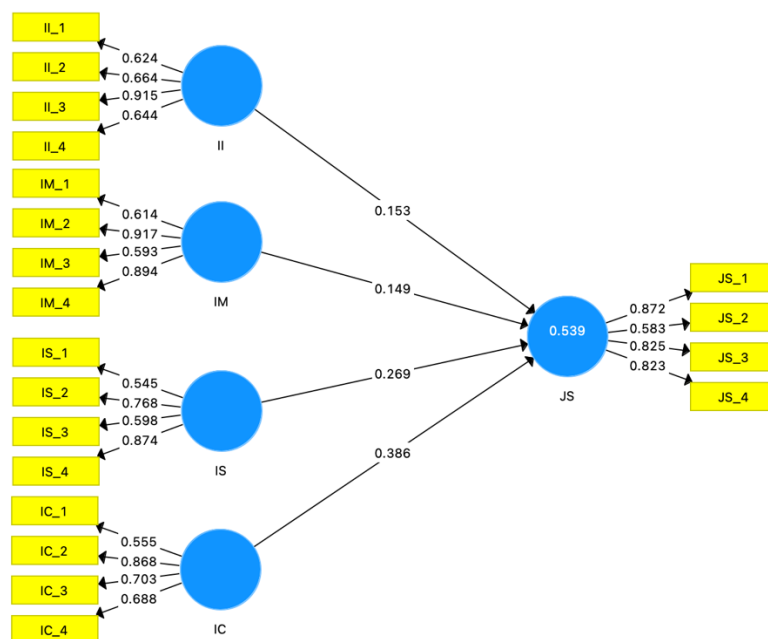


Figure 1.1 Structural Framework

Table 1.7: Path Coefficient and Hypotheses Testing

Hypothesis	Relationship	Std. Beta	T-Value	P-Value	Decision	R <sup>2</sup>
H1	Idealized Influence -> Job Satisfaction	0.153	1.257	0.105	Not Supported	0.539
H2	Inspirational Motivation -> Job Satisfaction	0.149	1.458	0.073	Not Supported	
H3	Intellectual Stimulation -> Job Satisfaction	0.269	2.062	0.020	<b>Supported</b>	
H4	Individualized Consideration -> Job Satisfaction	0.386	2.987	0.001	<b>Supported</b>	

### Conclusion & Recommendations

In conclusion, this study examines the relationship between transformational leadership and job satisfaction in SMEs logistics industry in Johor and identify which of the constructs of

transformational leadership has the most influence on the job satisfaction of the selected industry. Based on the findings, individualized consideration has the most significant impact on the job satisfaction of employees working in the logistics industry followed by intellectual stimulation, whereas idealized influence and inspirational motivation does not have a significant relationship on job satisfaction. Hence, the management and leaders of the industry must ensure that they practice the two mentioned constructs of the transformational leadership to improve employees job satisfaction so that the company stay competitive.

As the study is only done in a company in Johor Bahru state of Malaysia, it is recommended that the future research can involve the whole Malaysia to better understand the effect of transformational leadership on job satisfaction. Future study can also further increase the sample size to better represent the targeted population as the current study only consists of 50 samples. Besides, the demographics of the study should be examined to determine whether the demographic profiles of the respondents have an effect on the conceptual model of the transformational leadership to job satisfaction. Besides, researchers and also study the relationship between the transformational leadership with other variables such of organizational commitment and employee retention. Lastly, future study can also look at the transformational leadership from the leaders or business owner's perspective.

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