

# The Influence of Transformational Leadership on Organization Innovation in Malaysian Manufacturing Industry

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**Abstract**— In today industry, transformational leadership has become the top influential factor that affects the organization innovation. The aim of this study is to determine the level of transformational leadership (idealized influence, inspirational motivation, intellectual, and individual consideration) for employees in the Malaysian manufacturing industry. This study also identifies the influence of transformational leadership on organization innovation in the Malaysian manufacturing industry. This research involved the leaders of admin level in manufacturing industry Batu Pahat, Johor, Malaysia. The survey questionnaire was distributed to 165 respondents. The result indicated that Intellectual Stimulation was the highest level for employees in the manufacturing industry. However, Individual Consideration was the most significant correlation to organization innovation in the manufacturing industry. This quantitative research is important to provide better information relating to the relationship between transformational leadership and the organization innovation so that the admin level leader can obtain a clear understanding of how to guide their followers effectively in an organization.

**Keywords**— *influence, Transformational leadership, organization innovation, manufacturing industry, admin level*

## 1. Introduction

In keeping with the effort of the manufacturing sector towards the economy, the involvement of co-workers with the retention of the talented person in the manufacturing sector is important [1]. According to Bass and Avolio [2], transformational leaders who promote their employees to think critically and creatively can affect their employees' engagement to organizational innovation. They are very proactive

unique and dynamic who is able to lead themselves together with their followers to deal with ambiguous circumstances and change accordingly. According to Ergeneli, Gohar and Temirbekova [3], the transformational leaders take their partners to go beyond their own interests by changing their personal colleagues' belief and self-conception, therefore the partner can improve their needs and ambition for the sake of the organization. According to the Star Online [4], Performance Management and Delivery Unit (Pemandu) president and chief executive officer Datuk Seri Idris Jala stated: "Malaysia needs the greater leader, especially transformational leaders, who have the ability to conquer fear and brave enough to take steps in transforming an organization".

Eman, Mohamed & Salam [5] declared that transformational leadership has influenced the organization innovation. Innovations can be identified with a variety of distinct things depending on the firm's specific perspective. Innovation is not just implemented on the introduction of new products, it continues shows new idea, business model, and method [6]. Malaysia was rank 8th in Asia and 37th worldwide in the Global Innovation Index (GII) [7]. Organizations should be invested in the creativity and innovations significantly, in order to maintain and adapt to present fast pacing competitive businesses around the globe. Creativity and innovation can be achieved with the value of workers promoting innovative, creativity and output with their firm's leadership, practice and foundations that inspire or limit creativity and innovation within the organization [8]. Organizations with an intention to be competitive advantage based accommodate the capacity of creativity and innovation significantly

[9]. Consequently, gaining an organization's sustainability success and competitive advantage based have the obligation to have a crucial enhancement of creativity and innovation [10].

There are numerous past studies have been carried out to find out the relationship between transformational leadership on organization innovation. The findings indicated that transformational leadership has a positive relationship with the organization innovation [11, 12] as well as positive impact on organization innovation [5]. Most of the relationships between transformational leadership and organizational innovation have been carried out in foreign countries. Nevertheless, there are limited studies in Malaysia. Therefore, this research is to fill this gap and attempt to be taken in specific manufacturing companies in Batu Pahat, Johor, Malaysia. Therefore, the aim of the study is going to determine the level of transformational leadership for employees. Furthermore, this research is to identify the influence of transformational leadership on organizational innovation in the Malaysian manufacturing industry.

## 2. Literature Review

The influence of leadership is a crucial aspect of productivity in any company [13, 14] and it is one of the important employability skills in the industry [15]. To start with leadership, it is vital for every organization to have a leader rather than an administrator. This is because leaders with their powerful contribution can give fresh existence to the company by initiating organizational change. In an organization either in governments, corporations, hospitals, or armies, having a good leader will lead the organization to thrive and prosper [16]. Transformational Leadership is frequently considered as the most favorite leader, individual who shows transformational leadership style normally motivate employees through effective communication and creating an intellectual stimulation environment. Even so, these individuals are frequently blue sky thinkers, means that they are creative thinkers and may involve many detail-oriented managers to successfully carry out their strategic visions [17]. Transformational leadership to be classified as the leadership style that increases realization of joint interest between the organization's members and to stimulate them to attain their cooperative target. The concept of transformational leadership highlights the crucial of leadership-oriented to inspire creativity and innovation among subordinates [18] Besides that,

transformational leadership changes the attitudes, firsthand behavior, and tentative of an organization's subordinates to create a same mindset together achieve the organization's target [19]. Therefore, this leadership style normally creates excellent execution than others leadership style [2].

Transformational leadership has four dimensions which are the idealized influence, inspirational motivation, intellectual stimulation, and individual consideration. Idealized influence refers to the charismatic leader's activity that focuses on beliefs, and significant of the mission [20]. Besides that, idealized influence involves the level to which the followers to view their leader in full respect and pursue to refer with him or her. Besides that, leaders play as a role model, respected, admired and trusted. The leaders are consistent, share risks with others, behave themselves ethically and also think the requirement of others over their own [21]. On the other hand, inspirational motivation is considered as techniques leaders function to influence their subordinates by determined goals and lead to viewing the optimistic future [21]. Besides that, inspirational motivation refers to the leaders are capable to inspire and motivate their subordinates by supply meaning and challenge, identifying new opportunities, and developing and declaim a strong vision for the future. The characteristics of this leader are also passion and optimistic, effective communication, realistic anticipation and establish the commitment to shared visions [21]. Moreover, Intellectual stimulation has tested the followers to exercise creative thinking and to look for the method to the complex problem [20]. Besides that, intellectual stimulation shows to the leader's competence to challenge followers to reexamine their anticipation in the first place and encourage their followers to think creativity and innovation through problem reformulation, intellectual curiosity, imagination, and novel approaches [21]. Furthermore, individualized consideration emphasizes followers' individual accomplishment, evolution, support, and development. These leaders also act in mentoring and coaching their followers to make new learning opportunities and value diversity [20]. Besides that, individualized consideration shows the characteristics by the leader that conduce to the gratification of the subordinates by leading, encouraging and giving attention to personal needs of the subordinates [21].

The attitude of the organization to produce something fresh or reinforced goods or services and its achievement in implementing those final goods or services to market is also known as organization innovation [10]. Attributing organizational innovation is the invention or utilization of a new idea or behavior accordingly with successful

execution them in the organization. In addition, innovation produces business value by expansion new ideas that are worthwhile into the market of customer-central actuality is the goal of an innovated organization [11]. In addition, organizational innovation presents that the whole process that combines external and internal resources, conceptualizes, suggests an idea, filters, selects, and finally enforces the ideas, goods, services, procedures, and processes that are unique and helpful to the organization [22]. According to Eman, Mohamed and Salam [5], the idealized influence and inspirational motivation are significantly affected organizational innovation. The intellectual stimulation has a significant and positive relationship with organizational innovation [12]. The individual consideration also has a significant and positive relationship with organizational innovation [12]. Hence, the hypotheses of this study are as follows:

- H1: Idealized influence has a significant influence on organization innovation  
 H2: Inspirational motivation has a significant influence on organization innovation  
 H3: Intellectual stimulation has a significant influence on organization innovation  
 H4: Individual consideration has a significant influence on organization innovation

### 3. Methodology

#### 3.1 Respondents

In this research, random sampling is used as a sampling technique to determine the sample size. It is a sample in which each element has an equal probability to be selected as a sample and it is a free bias [23]. The respondents targeted in this research were the leaders of admin level in the manufacturing companies in Batu Pahat, Johor, Malaysia. The population was 400, so the sample size was 196 based on Krejcie & Morgan's [24] table. The 200 sets of questionnaires were distributed and collected a few weeks later upon the visited of the selected manufacturing companies. Firstly, the researcher made appointments were set up to distribute copies of the questionnaire to the respondents. After respondents answer the questions, the questionnaires were collected from the respondents within 3 weeks period. Finally, the researcher only collected back 165 sets of complete answer for the questionnaire.

#### 3.2 Instrumentation

Data collection was conducted by distributing a questionnaire in this study. The questionnaire was a

modified questionnaire taken from existing models and divided into three sections, i.e. Section A, B, and C. In Section A, the respondents were asked about the respondent's demographic profile, which was gender, race, age, marital status, level of education, year with supervisor position, number of subordinates and how often contact with the direct manager. For Section B, the researcher used the Multifactor Leadership Questionnaire [2]. There were four dimensions in this questionnaire, i.e. idealised influence, inspirational motivation, intellectual stimulation, and individual consideration. Each dimension has four to seven questions with five points Likert scale ranging from 1, "strongly disagree," to 5, "strongly agree". Alpha reliability of transformational leaders was .93. Meanwhile, Section C was about Organization Innovation measurement. This measurement was adopted from Scott and Bruce [25]. The scale was ranged from five points Likert scale which is ranging from 1=strongly disagree to 5=strongly agree.

### 3.3 Data Analysis

In this study, the results of the questionnaire were analyzed using the version of IBM Statistical Package for Social Sciences (SPSS) version 23.0. The data were analyzed using descriptive statistics and inferential statistics. Descriptive statistics such as frequency and percentage are used to describe respondent profiles. A correlation was used in inferential statistics to determine the relationship between the two variables which is Transformational Leadership and Organization Innovation. Furthermore, multiple regression analysis was employed to identify the influence transformational leadership toward organization innovation in the manufacturing industry.

## 4. Findings and Discussion

### 4.1 Level of Transformational Leadership for Employees in Manufacturing Industry

The first objective of this research was to investigate the level of transformational leadership for employees in the Malaysian manufacturing industry. Based on Table 1, it indicates that the high level of idealised influence for employees in manufacturing industry which it had the average mean score of 3.76. Notwithstanding, the result was not conformable with the previous research from Mokhber, Khairuzzaman, and Vakilbashi [26] which had found that idealised influence had a moderate level for employees. This was due to the reason of employees felt that most of their leader's charismatic action focused on value, beliefs, and

sense of mission in the manufacturing industry. From Table 1, it displays the high level of the inspirational motivation for the employee with the average mean score of 3.75. Even so, the result was not agreeable with the early study that performed by Mokhber, Khairuzzaman, and Vakilbashi [26] where the inspirational motivation had a moderate level for employees because most of the techniques leaders encouraged the employees by taking into view the determined goals and optimistic future in the manufacturing industry.

Moreover, Table 1 indicates that the high level of the intellectual stimulation for the employee in the manufacturing industry with the average mean score of 3.80. Nonetheless, this finding was not in conformity with the research that conducted by Mokhber, Khairuzzaman, and Vakilbashi [26] which had found that intellectual stimulation had a moderate level for employees as most of the employees had training creative thinking and found a method to solve the challenging problems in the manufacturing industry. Besides, from Table 1, it demonstrates that the high level of individual consideration for the employee with the average mean score of 3.79. Nevertheless, the finding was not accordant with the outcome that recovered by Mokhber, Khairuzzaman, and Vakilbashi [26] where the individual consideration had a moderate level for employees. This was due to most of the leader was supporting, guiding and giving employees personal attention in the manufacturing industry.

**Table 1.** Summary of the descriptive analysis

No	Dimension of Transformational Leadership	Average Mean Score	Ranking	Interpretation
1	Idealised Influence	3.76	3	High
2	Inspirational Motivation	3.75	4	High
3	Intellectual Stimulation	3.80	1	High
4	Individual Consideration	3.79	2	High

#### 4.2 Influence of Transformational Leadership on Organization Innovation in Manufacturing Industry

In this study, the second objective was to identify the impact of transformational leadership and organization innovation in the Malaysian manufacturing industry. The idealised influence with the significant value of (0.001, 0.483) indicated

that it had a significant impact on the organization innovation in the manufacturing industry as displays in Table 2. Moreover, this finding was conformable with the previous study that carried out by Eman, Mohamed, and Salam [5]. This was because the competency of the leader to influence the feeling and thoughts of the subordinate. This subordinate support seems to have the power to change the innovation culture of an organization. From Table 2, it presents that the inspirational motivation without significant impact on organization innovation in the manufacturing industry with significant value (0.136, 0.333). Notwithstanding, this finding was not harmonious with the past research that conducted by Eman, Mohamed and Salam [5] where the inspirational motivation had a significant positive impact on organization innovation because the research was conducted in different countries. At the same time, the target sample size may have different perspectives of the Inspirational Motivation compared to Malaysia.

Besides that, from Table 2, it displays that intellectual stimulation had a significant value (0.023, 0.564) which indicating intellectual stimulation had a significant impact on organization innovation in the manufacturing industry. Even so, this result was supported with the previous study that conducted by Karimi and Morshedi [12] which the intellectual stimulation had a significant impact on organization innovation as the leader has to encourage their followers to think creativity and innovation through problem reformulation and intellectual curiosity, this was lead to organization innovation. Moreover, individual consideration had a significant impact on organization innovation in the manufacturing industry with a significant value of (0.000, 0.939) as revealed in Table 2. In addition, many researchers verified that there was a significant dimension occurs between individual consideration and organization innovation [12]

**Table 2.** Summary of the Regression results

Model	Significance level	Beta values
Idealised Influence	.001	.483
Inspirational Motivation	.136	.333
Intellectual Stimulation	.023	.564
Individual Consideration	.000	.939

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