

An empirical study of the impact of active leadership on Employee's Job Satisfaction in the Subcontractor Company

Jutharat Reungrit¹, Piyathida Praditbatuga² and Santhiti Treetipbut^{3 123}

Assumption University of Thailand, Bangkok, 10240 Thailand

Corresponding Author Email: santhitidr@gmail.com

Abstract

This research study examines the influence of transactional leadership components (contingent reward, management by exception (active), and management by exception (passive)) on employee's job satisfaction among employees at KTK97 Subcontractor Company. Convenience sampling was used. A sample size of 300 respondents was drawn from employee who worked in KTK97 Subcontractor Company. Contingent reward was rated at the strongly agreed level, followed by management by exception (active) at the agreed level, and management by exception (passive) at the disagreed level. Simple linear regression analysis was used to test research hypotheses. It was found that among the transaction leadership components, contingent reward had a significant influence on job satisfaction while management by exception (active) and management by exception (passive) had no significant influence on job satisfaction.

Keywords: Transactional Leadership, Contingent Reward, Management by Exception (Active), Management by Exception (Passive), Overall Job Satisfaction

Introduction

Most firms and businesses are composed of employers and employees. There must be collaboration among employers and employees in order to achieve the desired objectives (Morris & Bloom, 2002). Employee's job satisfaction is one of the most important factors in the success of organizations (Cook et al., 1989; Bass, 1990, as cited in Desa, 2010). It is influenced by the internal organization environment, which includes organizational climate, leadership types, and personnel relationships between manager and employee (Seashore & Taber 1975).

To stay competitive in the slowdown of global economy and survive in the intensity of competition environment, recruiting productive new employees, retain effective one and good collaboration among employers and employees is key to success for every business (Morris & Bloom, 2002). While financial direct cost and indirect cost associate with employee turnover is higher than retain the existing one but employee turnover is continue happens and

often cause from the leadership style. Transactional have been of great interest to many researchers. Adopting transactional leadership behavior helps in the achievement of organizational goals (Laohavichien et al., 2009). Transactional leaders are those who lead by way of social exchange, emphasizes on interactions between leaders and subordinates.

Transactional leadership is one of the most effective leadership styles and involves giving rewards to employees for good performances and punishment for bad actions. This style can encourage the workers to be better and to be more aware of their duty (Paracha, et al. 2012). Transactional leadership is typically classified into three dimensions: (1) contingent reward, (2) management by exception (active), and (3) management by exception (passive) (Hater & Bass, 1988; Yammarino & Bass, 1990).

This study seeks to investigate the influence of transactional leadership components (contingent reward, management by exception (active), and management by exception (passive)) on employee's job satisfaction in the manufacturing worker of



ABAC
GRADUATE SCHOOL
OF BUSINESS



KTK97 Subcontractor Co., Ltd., (KTK97) which in turn expect to understand the cause of turnover, therefore lead to decrease in turnover (Ali et al., 2014). KTK97 is middle person between manufacturing workers and manufacturing at Bangpoo Industrial Estate Thailand. KTK97, offers manufacturing workers recruitment and outsourcing services (KTK97 Subcontractor Co., Ltd., 2016).

Literature Review

The literature review in this article comprises 1. Transactional Leadership, 2. Employee's Job Satisfaction, 3. Leadership and Employees' Job Satisfaction.

Transactional Leadership

There are many types of leadership styles, including transformational leadership, transactional leadership, participative leadership, autocratic leadership, and laissez-faire leadership (Hashim & Yazdanifard 2014). The leadership style that will be focused on in this study is transactional leadership, in accordance with the company policy and leadership of KTK97 Subcontractor. Transactional leadership is one of the most effective leadership styles as it rewards employees for good performances and punish employees who have bad performance. This can encourage followers to do better and be more aware of their duty. There are many benefits in having transactional leaders in an organization because in the competitive business world of today, employees exhibit reward-seeking behavior. Employees could also improve their skills, increase their knowledge, and motivate themselves to perform efficiently. This could increase the productivity, profitability, and performance of the organization and help it to achieve organizational goals more quickly (Hashim & Yazdanifard 2014). In addition, transactional leadership defines a style of leadership in which the leader champions compliancy of the employees through both reward and disciplines. Transactional leaders manage their business by identify employee's needs and giving rewards to satisfy their needs for certain suitable accomplishment (Arnold, 1998). Therefore, transactional leadership is the most effective style of leadership. If an organization finds a leader that motivates passion and innovative performance in

an individual and organization, it will be greatly beneficial.

According to Bass and Avolio (1995) and Zhou (2012), the three dimensions of transactional leadership are contingent reward, management by exception (active), and management by exception (passive). Contingent reward means leaders who specify needs clearly, have performance goals and using motivates to influence employees' performance and behavior (Bass & Avolio, 1995). Management by exception (active) refers to active leaders who monitor employee behavior, anticipate problems, and take corrective actions before the behavior creates serious difficulties. Management by exception (passive) means leaders who tend to act only after problems have become severe enough to take corrective action, and usually refrain from making any decisions (Bass, 1995).

Employee's Job Satisfaction

Job satisfaction is a very significant viewpoint for modern organization and much research work has been performed to increase job satisfaction. Job satisfaction is described as what an individual feel, emotionally and psychically, through their work (Paracha et al., 2012) defined employee job satisfaction as an attitude that employees have about their jobs and the companies in which they perform these jobs. If organizations want to be successful in the competitive business world of today, a strong relationship between the leader and the followers, as well as the follower's satisfaction of working, is very importance. With these factors of total of satisfaction on employee's job, the environment in working place, and the quality of connection between an employee and the leader, the employees are inspired to be more innovative and hard-working in helping to improve the business and productivity of the organization (Zhou, 2012).

Leadership and Employees' Job Satisfaction

In the business world, employee's job satisfaction is one of the most important factors in the success of organizations (Cook et al., 1989; Bass, 1990, as cited in Desa, 2010). The principles of organizational leadership is the ideation that an individual's performance is most effective when their needs are fulfilled (Bekele & G.M, 2011). When employees are perceiving as satisfied, they will increase their



productivity, which will in turn influence the company (Stone & Patterson, 2005). Employee's job satisfaction is influenced by the internal organization environment, which includes organizational climate, leadership types, and personnel relationships between manager and employee (Seashore & Taber 1975). Negative leader and employee relationship has various negative impacts on the employee and it decreases their productivity and profitability performance, decreases the turnover rate of employees in the organization, and increases absenteeism (Keashly et al., 2003). In fact, it has been proven that job satisfaction is higher among employees whose leaders emphasize concern, consideration, and support for their followers (Rafferty et al., 1991).

Conceptual Framework

The conceptual framework of this study was adopted from the previous research of Akhigbe et al., (2014). The link between transactional leadership and job satisfaction is based on Javed et al., (2014), Zhou (2012), Belonio (2011), Ali et al.,(2014), Yavirach (2010), Paracha et al., (2012), Bateh & Heyliger (2014), Hashim & Yazdanifard (2014) and Suwannapirom (2005).

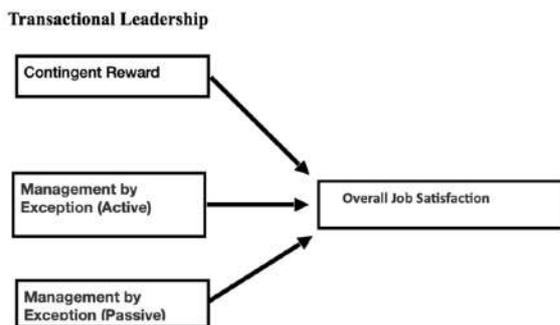


Figure 1: Conceptual Framework

Research Hypothesis

- H01:** There is no influence of contingent reward on job satisfaction.
- Ha1:** There is an influence of contingent reward on job satisfaction
- H02:** There is no influence of management by

- exception (active) on job satisfaction.
- Ha2:** There is an influence of management by exception (active) on job satisfaction.
- H03:** There is no influence of management by exception (passive) on job satisfaction.
- Ha3:** There is an influence of management by exception (passive) on job satisfaction.

Research Methodology

A self-administered questionnaires was conducted to determine the influence of Transactional leadership (contingent reward, management by expectation (active), and management by expectation (passive)) on overall job satisfaction. Twelve questionnaires items of transactional leadership components (contingent reward, management by exception (active), and management by exception (passive)), were derived from The Multifactor Leadership Questionnaires (MLQ-5X) which is the standard instrument for assessing transactional leadership behavior (Bass & Avolio, 2004). The overall job satisfaction was measured by a single-item based on Quinn and Shepard, 1974. The respondents were asked to rate their agreement by using a 5-point Likert scale ranging from “Strongly agree” (5) to “Strongly disagree” (1). The target population of this study was the 550 manufacturing workers in KTK97 Subcontractor Co., Ltd (HR Department of KTK97 Subcontractor, 2016), which does not include office workers in KTK97 Subcontractor Co., Ltd. The sample consisted of manufacturing workers age 20-40 years old who have worked for KTK97 Subcontractor Co., Ltd. The minimum and maximum ages of employee who can apply to work in KTK97 Subcontractor Co., Ltd are 20 and 40 years old, as per the company policy. The sample size was based on Krejcie and Morgan’s (1970) work in determining sample size from a given population. At the time of the study the company had 550 manufacturing workers; therefore, a minimum required sample size was 225. Three hundred sets of questionnaires were distributed to the manufacturing workers of KTK97 Subcontractor Co., Ltd. when they had a weekly meeting with their manager before registering their arrival at work at 8 am. The researcher waited until all 300 questionnaires from the 300 respondents were returned and checked that all 300 questionnaires were completed and



valid. Mean evaluation was used to determine the level of agreement on transactional leadership attributes including contingent reward, management by expectation (active), and management by expectation (passive), and overall job satisfaction. The hypothesis of this research was tested using the single regression analysis (SLR).

Findings

According to the analysis of descriptive statistics, the result is consistent with the results from previous studies of Akhigbe, et al., (2014) and Zhou (2012) that contingent reward significantly enhances employee satisfaction. However, the result is different from the previous study of Emery and Barker (2007) that they found the significant influence of management by exception (active) and management by exception (passive) on job satisfaction. In addition, contingent reward contributed to only 3.6% of the changes in overall job satisfaction ($r^2 = 0.036$); however, the result from the mean evaluation showed that manufacturing workers were very satisfied with their job (mean value = 4.33). This maybe the reason that transactional leadership is not the only factor that can influence job satisfaction (Zhou, 2012).

Contingent reward was rated at the strongly agreed level with the mean value of 4.51, followed by management by exception (active) with a mean of 3.99 at the agreed level, and management by exception (passive) with the mean value of 2.06 at the disagreed level. Most respondents strongly agreed that their leaders specify needs clearly, have performance goals and using motivates to influence their performance and behavior. The statement that had the highest mean value of 4.61 was “My supervisor makes clear what one can expect to receive when performance goals are achieved”. The policy of KTK97, clearly states that leader are to give sufficient rewards to manufacturing workers every month according to their performance and attendance. The manufacturing workers also mentioned to the researcher that they were satisfied with the reward that they received; therefore, leaders should keep using this strategy in order to maintain the standard of work and enhance the satisfaction of

employee in KTK97. For management by exception (active), the respondents agreed that their leaders monitor employee behavior, anticipate problems, and take corrective actions before the behavior creates serious difficulties. The respondents most agreed with “My supervisor concentrates his/her full attention on dealing with mistakes, complaints, and failures”, with the highest mean value of 4.03. It means that manufacturing workers feel that they receive full and proper attention from leaders of KTK97 and receive suggestions when fail to meet task standards efficiently. Regarding management by exception (passive) the respondents disagreed that their leaders tend to act only after problems have become severe enough to take corrective action, and usually refrain from making any decisions. According to the results from the SLR, among the transactional leadership components, contingent reward had a significant influence on job satisfaction ($\beta = 0.191$). However, management by exception (active) and management by exception “passive” had no significant influence on job satisfaction among manufacturing workers of KTK97 (Summary of the Hypothesis Test).

Table 1: Summary of the Hypothesis Test

Hypothesis	Sig	R ²	Beta	Result
H ₀₁ : There is no influence of contingent reward on job satisfaction.	0.01	0.036	.191	Rejecte d H ₀₁
H ₀₂ : There is no influence of management by expectation (active) on job satisfaction	0.09	0.006	-.104	Failed to reject H ₀₂
H ₀₃ : There is no influence of management by expectation (passive) on job satisfaction.	0.46	0.002	-.042	Failed to reject H ₀₃

The null hypothesis 1 (H₀₁): “There is no influence of contingent reward on job satisfaction”, was rejected, which means that contingent reward has a significant influence on manufacturing worker’s job satisfaction. The null hypothesis 2 (H₀₂): “There is no influence of management by exception



(active)”, failed to be rejected, which means management by exception (active) has no significant influence on job satisfaction among manufacturing workers in KTK97. The null hypothesis 3 (Ho3): “There is no influence of management by exception (passive)”, failed to be rejected, which means management by exception (passive) has no significant influence on job satisfaction among manufacturing workers in KTK97.

Discussion and Recommendations

In this study, the results showed that there is a significant influence of contingent reward on job satisfaction in KTK97. However, both management by exception (active) and (passive) showed no significant influence on job satisfaction. This results from simple linear regression showed that contingent reward significantly affected job satisfaction among manufacturing workers in KTK97 by 3.6% (Beta score 0.191). Hence, the independent variable that can predict transactional leadership component among manufacturing worker in this study is contingent reward. Compared with the research of Akhigbe, et al., (2014), the results showed that contingent reward significantly enhances employee satisfaction. It is also partially consistent with the research of Zhou (2012), which posited that contingent reward significantly influences job satisfaction.

Emery and Barker (2013) found that management by exception (active) and management by exception (passive) were all negatively and strongly correlated with job satisfaction. However, the results from this current study showed that both management by exception (active and passive) showed no significant relationship with job satisfaction. In addition, Akhigbe, et al., (2014) studied transactional leadership style and employee job satisfaction in the banking sector of Nigeria found that only management by exception (passive) negatively influenced employee satisfactions.

In the transactional leadership components, contingent reward had an influence on the employee’s job satisfaction. This goes to explain how leaders clarifies incentives towards the success of objectives, and thus transactional leadership

style can enhance employee’s job satisfaction. Managers and supervisors should apply transactional leadership style, especially contingent reward, to result in worker’s job satisfaction. They should specify needs clearly, have performance goals and using motivates to influence their subordinates’ performance and behavior.

There may be some possible limitations in this study, which future research are recommended to address. The results from this study cannot be extrapolated to manufacturing workers who work for other companies due to difference in organizational policies, duties, working environments, and other factors. Further research should be conducted in other organizations that may give a more holistic picture on the effectiveness of transactional leadership. Furthermore, this study focuses on the influence of transactional leadership components including contingent reward, management by exception (active), and management by exception (passive) on employee’s job satisfaction. Future research should include other factors that may influence job satisfaction such as the working conditions, work itself, supervision, policy and administration, advancement, compensation, interpersonal relationships, recognition, and empowerment.

Reference

- Akhigbe, Finelady & Felix (2014). Transactional Leadership Style and Employee Satisfaction in Nigerian Banking Sector, *European Journal of Business and Management* 6(26).
- Ali, Ali, Ahsan, Rahman & Kakakhel (2014). Effects of Leadership Styles on Job Satisfaction, Organizational Citizenship Behavior, Commitment and Turnover Intention (Empirical Study of Private Sector Schools’ Teachers), *Life Science Journal*, 2014(11,4s).
- Avolio, B. J. & Bass, B. M. (2004). Multifactor Leadership Questionnaires. *Manual and sampler set. (3rd ed.) Redwood City, CA: Mind Garden.*
- Bateh & Heyliger (2014). Academic administrator leadership styles and the impact on faculty job satisfaction. *Journal of leadership educational*, Summer 2014.



ABAC
GRADUATE SCHOOL
OF BUSINESS



- Bass, B.M. (1995). Transformational leadership redux, *Leadership Quarterly*, 6, 463-478.
- Bass, B.M. & Avolio, B.J. (1995). Improving organizational effectiveness through transformational leadership. Sage.
- Bekele & G.M, (2011). Effects of transformational leadership on subordinate job satisfaction in leather companies in Ethiopia, *International Journal of Business and Economics Research*, 2(5), 284-296.
- Belonio (2011). The effect of Leadership style on employee satisfaction and performance of bank employees in Bangkok. (Page 21,24)
- Desa, N.M. (2010), Leadership behavior and Job Satisfaction among bank officers, The Impact of Task Characteristics.
- Emery, C. R., & Barker, K. J. (2007). The Effect of Transactional and Transformational Leadership Styles on the Organizational Commitment and Job Satisfaction of Customer Contact personnel. *Journal of Organizational Culture, Communication and Conflict*, 11(1), 77-90.
- Hashim & Yazdanifard (2014). The impact of Transactional Leadership Style on Employee's Job Satisfaction and how to sustain the Employee's Motivation.
- Javed, Jaffari & Rahim (2014). Leadership Styles and Employees' Job Satisfaction: A Case from the Private Banking Sector of Pakistan, *Journal of Asian Business Strategy*, 4(3), 41-50.
- Keashly, L., Trott, V., & MacLean, L.M. (1994). Abusive behavior in the workplace: A preliminary investigation. *Violence and Victims*, 9(4), 341-357.
- Krejcie & Morgan (1970). Determining Sample Size for Research. *Educational and Psychological Measurement* 30, 607-610.
- Meyer, J.P. & Allen, N.J. (1991). A three-component conceptualization of organizational commitment. *Human Resource Management Review*, 1(1), 61-89.
- Morris & Bloom, 2002. Contextual factors affecting job satisfaction and organizational commitment in community mental health centers undergoing system changes in the financing of care, 4(2), 71-83
- Paracha, Qamar, Mirza & Waqas (2012). Impact of Leadership Style (Transformational & Transactional Leadership) On Employee Performance & Mediating Role of Job Satisfaction. Study of Private School (Educator) In Pakistan, *Global Journal of Management and Business Research*.12 (4,1).
- Quinn, R. P., & Shepard, L. J. (1974). The 1972-73 Quality of Employment Survey. Ann Arbor, MI: *Institute for Social Research, University of Michigan*.
- Yarmohammadian, H.M. & Rad, A.M.M. (2006) A Study of Relationship between Managers' Leadership Style and Employees' Job Satisfaction. *Leadership in Health Services*, 19, 11-28.
<http://dx.doi.org/10.1108/13660750610665008>
- Ribelin, P.J. (2003) Retention Reflects Leadership Style. *Nursing Management*, 34, 18-19.
<http://dx.doi.org/10.1097/00006247-200308000-00008>
- Rafferty, A.E.&Griffin, M.A.(2006).Refining Individualized Consideration: Distinguishing Developmental Leadership and Supportive Leadership.*Journal of Occupational and Organizational Psychology*, 79, 37-61.
- Seashore, S.E. & Taber, T.D. (1975). Job satisfaction indicators and their correlates. *American Behavioral Scientist*, 18(3),333-368.<https://doi.org/10.1177/000276427501800303>
- Spector, P. E. (1997). Job satisfaction: Application, assessment, causes, and consequences. Thousand Oaks, CA.: Sage.
- Stone & Patterson, (2005). The History of Leadership Focus, *Servant Leadership Research Roundtable*. August 2005.



ABAC
GRADUATE SCHOOL
of BUSINESS

Au Virtual International Conference 2020
Entrepreneurship and Sustainability in the Digital Era
Assumption University of Thailand
October 30, 2020
Co-hosted by



- Suwannapirom. (2005). Transformational and Transactional Leadership and Performance Outcomes of Japanese and U.S. Managers in Thailand.
- Walumbwa, F.O. & Lawler, J.J. (2003). Building effective organizations: Transformational leadership, collectivist orientation, work-related attitudes, and withdrawal behaviors in three emerging economies. *International Journal of Human Resource Management*, 14, 1083-1101.
- Yavirach (2010). The Impact of Transformational and Transactional Leadership to subordinate's job satisfaction, organizational commitment affect to team effectiveness.
- Zhou(2012).The factors effect of Transformational and Transactional leadership and organization commitment on the employee's job satisfaction and job performance, *University of Thai Chamber of Commerce*, 2012.